

The Educational Institute of Scotland

Accounts 2018-2019

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* Does not form part of Audited Accounts and restates pension costs to actual employer contributions made in the year.

GENERAL FUND

**INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2019**

	Note	2019 £	2019 £	2018 £
INCOME				
Dues of Membership	Note 1	6,189,693		5,855,854
Investment Income and Interest (Net)		755,787		615,253
Revenue From Let Property		76,950		74,733
Contribution from Professional Fund		220,000		120,000
Insurance and Other Commissions		37,398		54,759
TOTAL INCOME		7,279,828	7,279,828	6,720,599
EXPENDITURE				
<i>Salaries & Related Costs</i>				
Officials/Officers Etc. Salaries		1,551,465		1,383,353
Officials/Officers Etc Employers NIC		195,442		167,323
Officials/Officers Etc. Pensions		832,736		638,045
Admin. Assistants Salaries,Overtime & Temps.		727,406		689,423
Administrative Assistants Employer's NIC		64,138		61,615
Administrative Assistants Pensions		362,000		309,000
Unfunded Pensions Arrangmnt-Current Service Cost		28,000		27,000
Pension Scheme FRS102 Admin/Intrst	Note 10 (e)	171,000		234,000
Other Staffing Costs	Note 2	98,422		110,519
Total Salaries & Related Costs			4,030,609	3,620,278
<i>Organisation Expenses</i>				
Annual General Meeting		124,397		124,537
Council		50,365		47,806
Committees & Networks		55,235		60,936
Self Governing Associations & National Sections		22,750		21,510
Trade Union Affiliation		255,536		254,220
Trade Union Other		30,209		31,037
International Relations	Note 3	150,268		138,286
Salaries Campaign		141,365		91,820
Other Organisation Expenses	Note 4	53,829		73,009
Total Organisation Expenses			883,954	842,961
<i>General Expenditure</i>				
Office Rates & Insurance		126,601		141,640
Office Cleaning, Heat & Lighting		110,231		110,574
Office Repairs & Renewals	Note 20	80,176		75,000
Publicity Printing & Stationery	Note 5	226,796		222,148
Postages & Telephones		124,453		128,449
Information Technology Costs	Note 6	130,729		114,811
Equipment Hire & Repair		19,061		23,844
Legal Expenses re Members		891,707		1,379,003
Members Insurance		98,080		88,938
Counselling & Advice Helplines		(9,600)		9,600
EIS Extra/ Countdown Shopping Discount Scheme		58,951		40,035
Professional Services		151,781		87,986
Scottish Educational Journal	Note 7	192,122		161,413
General Insurance		41,191		41,447
Depreciation	Note 12	281,027		278,599
Affiliatn Fees, Grants, Subscriptions	Note 8	63,565		64,641
Donation to EIS Benevolent Funds		100,000		-
Learning Representatives		24,565		26,091
Loan Interest		29,642		29,168
Sundries		22,530		42,106
Total General Expenditure			2,763,608	3,065,493
TOTAL EXPENDITURE			7,678,171	7,528,732
OPERATING SURPLUS/ (DEFICIT)			(398,343)	(808,133)
Movement in Fair Value of Shares and Securities			206,311	783,422
Movement in Fair Value of Heritable Property	Note 11		(488,729)	-
Movement in Pension Liability	Note 10		(950,000)	3,305,000
OVERALL (DEFICIT)/ SURPLUS FOR THE YEAR			(1,630,761)	3,280,289

GENERAL FUND

**RESTATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2019**

	2018 ACTUAL £	2019 REVISED PLANNED	2019 PROJECTED	2019 ACTUAL £
INCOME				
Dues of Membership	5,855,854	6,193,000	6,358,000	6,189,693
Investment Income and Interest (Net)	615,253	612,000	852,000	755,787
Revenue From Let Property	74,733	81,900	73,800	76,950
Contribution from Prof Fund	120,000	150,000	210,000	220,000
Insurance and Other Commissions	54,759	62,200	37,500	37,398
TOTAL INCOME	6,720,599	7,099,100	7,531,300	7,279,828
EXPENDITURE				
<i>Salaries & Related Costs</i>				
Officials/Officers Etc. Salaries	1,383,353	1,479,500	1,539,200	1,551,465
Officials/Officers Etc Employers NIC	167,323	187,000	187,300	195,442
Officials/Officers Etc. Pensions	358,599	407,900	413,000	407,622
Admin. Assistants Salaries, Overtime & Temps.	689,423	701,700	729,600	727,406
Administrative Assistants Employer's NIC	61,615	61,800	67,500	64,138
Administrative Assistants Pensions	167,807	172,200	176,400	176,112
Unfunded Pensions Arrangmnt-Current Service Cost	56,446	59,000	60,000	60,261
Other Staffing Costs	110,519	96,500	94,500	98,422
Total Salaries & Related Costs	2,995,085	3,165,600	3,267,500	3,280,868
<i>Organisation Expenses</i>				
Annual General Meeting	124,537	124,800	124,500	124,397
Special General Meeting	0			0
Council	47,606	49,000	52,700	50,365
Committees & Networks	60,936	52,600	50,700	55,235
Self Governing Associations & National Sections	21,510	23,500	24,700	22,750
Trade Union Affiliation	254,220	249,200	255,500	255,536
Trade Union Other	31,037	30,500	31,200	30,209
International Relations	138,286	132,200	142,300	150,268
Salaries Campaign	91,820	85,500	135,000	141,365
Other Organisation Expenses	73,009	91,800	66,500	53,829
Total Organisation Expenses	842,961	839,100	883,100	883,954
<i>General Expenditure</i>				
Office Rates & Insurance	141,640	138,600	129,200	126,601
Office Cleaning, Heat & Lighting	110,574	114,500	111,200	110,231
Office Repairs & Renewals	75,000	75,000	75,000	80,176
Publicity Printing & Stationery	222,148	232,300	242,500	226,796
Postages & Telephones	128,449	139,000	117,200	124,453
Information Technology Costs	114,811	126,100	135,000	130,729
Equipment Hire & Repair	23,844	26,900	25,700	19,061
Legal Expenses re Members	1,379,003	1,652,000	1,147,300	891,707
Members insurance	88,938	88,400	89,100	98,080
Counselling & Advice Helplines	9,600	11,500	11,500	-9,600
EIS Extra/ Countdown Shopping Discount Scheme	40,035	13,000	62,500	58,951
Professional Services	87,986	127,800	159,800	151,781
Scottish Educational Journal	161,413	168,700	177,800	192,122
General Insurance	41,447	42,000	41,800	41,191
Depreciation	278,599	300,300	291,300	281,027
Affiliatn Fees, Grants, Subscriptions	64,641	61,700	62,900	63,565
Learning Representatives	26,091	50,000	41,000	24,565
Loan Interest	29,168	30,900	29,500	29,642
Sundries	42,106	36,700	54,600	22,530
Donation to Benevolent Fund			100,000	100,000
Total General Expenditure	3,065,493	3,435,400	3,104,900	2,763,608
TOTAL EXPENDITURE	6,903,539	7,440,100	7,255,500	6,928,430
OPERATING SURPLUS/ (DEFICIT)	(182,940)	(341,000)	275,800	351,398
Movement in Fair Value of Shares and Securities	783,422	0	0	206,311
Movement in Fair Value of Heritable Property				(488,729)
FRS 102 Pension Adjustments	2,679,807			(1,699,741)
OVERALL (DEFICIT)/ SURPLUS FOR THE YEAR	3,280,289	(341,000)	275,800	(1,630,761)

Individual figures amended from Audited Accounts

GENERAL FUND

BALANCE SHEET - 31 AUGUST 2019

	Note	2019 £	2019 £	2018 £
FIXED ASSETS				
Heritable Property	Note 11	5,374,149		4,606,026
Office Furniture & Equipment	Note 12	342,768		339,215
Motor Vehicles	Note 12	142,449		166,907
Badge & Chain		200		200
		<u>5,859,566</u>	5,859,566	<u>5,112,348</u>
INVESTMENTS				
Investment Properties	Note 13	-		735,000
Cash in Bank with Fund Managers		864,804		400,003
Cash Loans		7,131		2,157
Shares & Securities	Note 14	20,039,017		20,182,098
		<u>20,910,952</u>	20,910,952	<u>21,319,258</u>
CURRENT ASSETS				
Debtors		964,614		830,908
Cash on Deposit, Bank & On Hand		330,861		(1,325,750)
		<u>1,295,475</u>		<u>(494,842)</u>
LESS CURRENT LIABILITIES				
Sundry Creditors and Accrued Charges		2,720,225		554,430
		<u>2,720,225</u>		<u>554,430</u>
NET CURRENT LIABILITIES			(1,424,750)	(1,049,272)
LONG TERM LIABILITIES				
Long Term Loans	Note 15	(782,843)		(866,681)
Pensions- Funded Scheme	Note 21	(1,082,000)		423,000
Pensions- Unfunded Arrangement	Note 21	(2,463,000)		(2,305,000)
		<u>(4,327,843)</u>	(4,327,843)	<u>(2,748,681)</u>
TOTAL ASSETS			21,017,925	22,633,653
Represented By :				
FUNDS AT 31 AUGUST 2019				
		2019 £	2019 £	2018 £
General Fund-31 August 2018		19,509,567		16,106,181
Surplus / (Deficit) for Year		(1,630,761)		3,280,289
Addnl Depreciation from Property Revaluation	Notes 11/18	123,097		123,097
General Fund at 31 August 2019		<u>18,001,903</u>	18,001,903	<u>19,509,567</u>
EIS-ULA General Fund	Note 16		65,200	71,363
EIS-ULA Special Fund	Note 17		272,851	265,151
Revaluation Reserve	Note 18		2,206,743	2,329,840
International Aid Fund	Note 19		471,228	457,732
Property Refurbishment Fund	Note 20		-	-
TOTAL FUNDS AT 31 AUGUST 2019			21,017,925	22,633,653

NOTES ON GENERAL FUND ACCOUNTS

1. DUES OF MEMBERSHIP

	2019	2018
	£	£
Total Received	6,221,758	5,889,228
Less: Collection Charges	<u>32,065</u>	<u>33,374</u>
	<u><u>6,189,693</u></u>	<u><u>5,855,854</u></u>

2. OTHER STAFFING COSTS

	2019	2018
	£	£
Severance	-	10,500
Expenses & Training	63,875	67,193
Travel & Vehicles	<u>34,547</u>	<u>32,826</u>
	<u><u>98,422</u></u>	<u><u>110,519</u></u>

3. INTERNATIONAL RELATIONS EXPENSES

	2019	2018
	£	£
Affiliation Fees	97,287	100,435
Other Expenses	22,033	8,572
International Aid (See Note 19)	<u>30,948</u>	<u>29,279</u>
	<u><u>150,268</u></u>	<u><u>138,286</u></u>

4. OTHER ORGANISATION EXPENSES

	2019	2018
	£	£
Conferences - Education (ISTP)	901	10,781
Conferences - Equality	3,796	6,041
Conferences - Headteachers	6,811	7,096
Secretaries Meetings	3,864	8,274
Expenses of Delegates to Conferences	2,850	8,505
Training Courses for Representatives (Executive, FELA, Equality)	25,732	21,682
Miscellaneous	<u>9,875</u>	<u>10,630</u>
	<u><u>53,829</u></u>	<u><u>73,009</u></u>

5. PUBLICITY PRINTING & STATIONERY

	2019	2018
	£	£
Student Recruitment	78,590	85,738
Members Diaries	51,955	48,054
Copy Charges	23,705	21,113
Policy Papers - Education & Equality	2,540	1,514
Stationery, Publications & Printing	<u>70,006</u>	<u>65,729</u>
	<u><u>226,796</u></u>	<u><u>222,148</u></u>

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

6. INFORMATION TECHNOLOGY COSTS

	2019 £	2018 £
Website Development & Licencing	20,710	24,663
Software Licencing & Maintenance Agreements	17,941	18,993
Development	23,846	6,908
On Site Support	66,619	61,888
Other - Including Installations/Configurations, Sales of Surplus PC's	1,613	2,359
	130,729	114,811

7. THE SCOTTISH EDUCATIONAL JOURNAL

		2019 £	2018 £
Income			
Advertising and Contributions		5,762	10,178
		5,762	10,178
Expenditure			
Printing, Design, and Paper	67,066		61,580
Postage	130,818		110,011
Net Cost of Production		197,884	171,591
		192,122	161,413

8. AFFILIATION FEES, RESEARCH, GRANTS AND SUBSCRIPTIONS

	2019 £	2018 £
Sponsorship of the Arts	37,226	30,650
Other Affiliations Donations Etc.	26,339	33,991
	63,565	64,641

9. CAPITAL COMMITMENTS

There were no Capital Commitments outstanding at 31 August 2019 (2018: £537,644).

10. MOVEMENTS ON PENSION RESERVES

As part of the implementation of FRS102 the Institute is required in respect of both the Pension Scheme and the Unfunded Arrangement to include within Staffing Costs the Actuary's estimates of:

(a) Interest on Pensions Liabilities

The interest cost is an estimate of the amount needed to unwind the discount applied in calculating the current service cost. As employees are one year older and one year closer to receiving their pension benefits the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

(b) Expected Return on Scheme Assets

The expected return on scheme assets is a measure of the return (income from dividends, interest etc. and gains on investment sums) on the investment assets held by the pension scheme for the year. The Unfunded Arrangement has no assets.

(a) and (b) together reflect the Pensions Finance Costs and are shown as (c) on the next page.

(d) Administrative Costs

This is an estimate of the Scheme's Administrative Costs for the year.

(e) Charge to Income & Expenditure Account

This is the sum of the Scheme's Finance and Administrative costs for the year.

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

(f) Current Service Cost

This is an estimate of the true economic cost of employing staff in the financial year and measures the full liability generated at current prices.

As FRS 102 reflects the estimated economic costs of providing pension benefits it is not appropriate to include the contributions actually paid in the year by the Institute as a percentage of employees' salaries and as pensions in respect of the unfunded arrangement and, accordingly, these are deducted.

(g) Past Service Cost

This is the estimated cost associated with changes in assumptions since the last FRS102 valuation.

(h) Paid in Year

Finally the net amount of all these adjustments has been deducted from the Operating Deficit for the year as the adjustments are also included in the overall movement of the Pensions and Unfunded Arrangement in the General Fund Balance Sheet and in the Statement of Recognised Gains and Losses, and therefore have already been reflected in the General Fund Reserve on the General Fund Balance Sheet.

<u>Summary</u>	<u>Pension Scheme</u> £	<u>Unfunded Arrangement</u> £	Total 2019 £	Total 2018 £
(a) Pensions Liabilities Interest	768,000	59,000	827,000	807,000
(b) Expected Return On Assets	<u>(772,000)</u>		<u>(772,000)</u>	<u>(692,000)</u>
(c) Pensions Finance Costs (a)-(b)	(4,000)	59,000	55,000	115,000
(d) Administrative Costs	<u>116,000</u>	-	-	<u>119,000</u>
(e) Charge to Income & Expenditure	112,000	59,000	55,000	234,000
(f) Current Service Cost	1,092,000	28,000	1,120,000	969,000
(g) Past Service Cost	98,000	-	98,000	-
(h) Less Paid In Year	(614,000)	(62,000)	(676,000)	(605,000)
Movement on Pensions	<u>688,000</u>	<u>25,000</u>	<u>597,000</u>	<u>598,000</u>
Movement in liability (note 21)			<u>(1,663,000)</u>	<u>2,707,000</u>
			<u>(1,066,000)</u>	<u>3,305,000</u>

11. HERITABLE PROPERTY

At Valuation	2019 £	2018 £
46-48 Moray Place, Edinburgh	4,859,613	4,855,000
6 Clairmont Gardens Glasgow	750,000	-
34 West George Street Glasgow	135,000	-
	<u>5,744,613</u>	<u>4,855,000</u>
Depreciation		
Aggregate Depreciation at 31 August 2018	248,974	124,487
Depreciation Charge	121,490	124,487
Released on Revaluation	-	-
Aggregate Depreciation at 31 August 2019	<u>370,464</u>	<u>248,974</u>
Net Balance at 31 August 2019	<u>5,374,149</u>	<u>4,606,026</u>

As disclosed within the Accounting Policies the Institute's Heritable Property is included in the accounts at estimated market value with vacant possession.

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

A valuation of the Institute's Edinburgh property was undertaken by J & E Shepherd, Chartered Surveyors of 3 Chester Street, Edinburgh on 19 December 2017. A previous valuation, also undertaken by J & E Shepherd, Edinburgh on 12 January 2016 valued the property at £4,500,000. The increase in value was credited to the Revaluation Reserve. The revalued property is being depreciated over its remaining working life. The market value of the property at 31 August 2019 is not considered to be materially different to the market value in the 2017 valuation.

The property at 6 Clairmont Gardens, Glasgow was valued by J & E Shepherd, Chartered Surveyors of Glasgow on 5 March 2019, following the completion of a refurbishment project. The amount by which the carrying value of this property exceeded the post-completion valuation has been written off to the Income & Expenditure account as non-operating expenditure.

The property at 34 West George Street, Glasgow was valued by J & E Shepherd, Chartered Surveyors of Glasgow on 24 November 2017. A previous valuation, also undertaken by J & E Shepherd, Glasgow on 25 June 2010 valued the property at £95,000, and the £40,000 increase in value was credited to the Revaluation Reserve. The market value of the property at 31 August 2019 is not considered to be materially different to the market value in the 2017 valuation. Following the reallocation of this property from Investment Properties, depreciation of the carrying value will commence from 1 September 2019.

All valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards (Fifth Edition) for secured lending purposes to determine Market Value.

The aggregate net book value of the heritable property on a historic cost basis at 31 August 2019 was £3,164,409 (2018 £2,107,354). Additional Depreciation charged in the year as a consequence of the Property Revaluation amounted to £123,097 (2018 £123,097) and this amount has been debited to the Revaluation Reserve and credited to the General Fund.

12(a). OFFICE FURNITURE AND EQUIPMENT

	2019 £	2018 £
Cost or Valuation		
Valuation at August 1996 or Subsequent Cost	819,367	819,837
Additions	<u>114,402</u>	<u>75,528</u>
	933,769	895,365
Disposals	<u>47,092</u>	<u>75,998</u>
Balance at 31 August 2019	<u><u>886,677</u></u>	<u><u>819,367</u></u>
Depreciation		
Aggregate Depreciation at 31 August 2018	480,152	454,618
Depreciation Charge	<u>110,495</u>	<u>96,905</u>
	590,647	551,523
Elimination in respect of Disposals	<u>46,738</u>	<u>71,371</u>
Aggregate Depreciation at 31 August 2019	<u><u>543,909</u></u>	<u><u>480,152</u></u>
Net Balance at 31 August 2019	<u><u>342,768</u></u>	<u><u>339,215</u></u>

12(b). MOTOR VEHICLES

	2019 £	2018 £
Cost		
Balance at 31 August 2018	324,162	323,375
Additions	<u>55,980</u>	<u>22,357</u>
	380,142	345,732
Disposals	<u>84,533</u>	<u>21,570</u>
Balance at 31 August 2019	<u><u>295,609</u></u>	<u><u>324,162</u></u>
Depreciation		
Aggregate Depreciation at 31 August 2018	157,255	116,365
Depreciation Charge	<u>38,621</u>	<u>55,635</u>
	195,876	172,000
Elimination in respect of Disposals	<u>42,716</u>	<u>14,745</u>
Aggregate Depreciation at 31 August 2019	<u><u>153,160</u></u>	<u><u>157,255</u></u>
Net Balance at 31 August 2019	<u><u>142,449</u></u>	<u><u>166,907</u></u>

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

12(c). RECONCILIATION OF DEPRECIATION CHARGE

	2019	2018
	£	£
Depreciation Charge on Heritable Property	121,490	124,487
Office Furniture and Equipment	110,495	96,905
Motor Vehicles	38,621	55,635
Loss on Assets Sold	10,421	1,572
Charged in Income and Expenditure Account	<u>281,027</u>	<u>278,599</u>

13. INVESTMENT PROPERTIES

	2019	2018
	£	£
6 Clairmont Gardens Glasgow	-	600,000
34 West George Street Glasgow	-	135,000
	<u>-</u>	<u>735,000</u>

As disclosed within the Accounting Policies the Institute's Investment Properties at 6 Clairmont Gardens and 34 West George St Glasgow were included in the 2018 Accounts as Investment Properties at estimated market value with vacant possession. Valuations were undertaken by J & E Shepherd, Chartered Surveyors of Glasgow on 14 February 2010 and 24 November 2017 respectively and were undertaken in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards (Fifth Edition) for secured lending purposes to determine Market Value.

At 31 August 2019, following a review of the nature and purpose of the properties, both were transferred to Heritable Properties. Further details are included within Note 11.

14. SHARES & SECURITIES

	Market Value	
	2019	2018
	£	£
Ordinary Shares	13,008,535	9,798,097
UnitTrusts	7,030,482	10,384,001
	<u>20,039,017</u>	<u>20,182,098</u>

15. LONG TERM LOAN

	2019	2018
	£	£
Unity Trust Bank	865,574	949,412
Less Repayable within one year	82,731	82,731
	<u>782,843</u>	<u>866,681</u>

On 29 May 2015 the Institute negotiated a Long Term Loan of £1,125,000 from Unity Trust Bank, of which £562,500 was drawn down in the year ended 31 August 2015 with the remaining £562,500 being drawn down in December 2015. The Loan was on an interest only basis for the first year, thereafter converting to monthly capital and interest payments over a 12 year period with interest charged quarterly.

The loan carries interest at 2.5% over the Unity Trust Bank base rate.

16. EIS-ULA GENERAL FUND

	2019	2018
	£	£
Funds at 31 August 2018	71,363	71,213
Investment Income & Interest (net)	-	150
	<u>71,363</u>	<u>71,363</u>
Expenditure	6,163	-
Funds at 31 August 2019	<u>65,200</u>	<u>71,363</u>

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

17. EIS-ULA SPECIAL FUND

	2019	2018
	£	£
Funds at 31 August 2018	265,151	260,204
Investment Income & Interest (net)	<u>10,051</u>	<u>10,041</u>
	275,202	270,244
Expenditure	<u>2,351</u>	<u>5,093</u>
Funds at 31 August 2019	<u><u>272,851</u></u>	<u><u>265,151</u></u>

18. REVALUATION RESERVE

	2019	2018
	£	£
Balance at 31 August 2018	2,329,840	2,661,769
Less: Addnl Depreciation as consequence of Revaluation	(123,097)	(123,097)
Less; Clairmont Gardens Refurbishment Costs to 31 August 2018 other than charged to Property Repairs Fund	-	(208,832)
Balance at 31 August 2019	<u><u>2,206,743</u></u>	<u><u>2,329,840</u></u>

The Revaluation Reserve is in relation to three properties - the Institute's Headquarters at 46-48 Moray Place Edinburgh. 46-48 Moray Place, Edinburgh was valued on 19th December 2017 at £4,855,000 (the previous valuation in 2016 was £4,500,000).

Prior to the various revaluations 46-48 Moray Place was included in the accounts at cost of £69,522. The Investment Property, 34 West George Street Glasgow was valued on 24 November 2017 at £135,000.

19. INTERNATIONAL AID FUND

	2019	2018
	£	£
International Aid Fund Balance as at 31 August 2018	457,732	436,553
Allocation from General Fund of 0.5% of Members Subscriptions	<u>30,948</u>	<u>29,279</u>
	488,680	465,832
Less : Expenditure on Projects 2018/19	(17,452)	(8,100)
International Aid Fund 31 August 2019	<u><u>471,228</u></u>	<u><u>457,732</u></u>

20. PROPERTY REPAIRS FUND

	2019	2018
	£	£
Property Repairs Fund Balance as at 31 August 2018	-	63,880
Allocation from General Fund 2018/19	<u>75,000</u>	<u>75,000</u>
	75,000	138,880
Less : Expenditure on Property Repairs 2018/19	<u>75,000</u>	<u>138,880</u>
Property Repairs Fund 31 August 2019	<u><u>-</u></u>	<u><u>-</u></u>

Council, at its May meeting each year, in approving the Institute's Planned Expenditure for the forthcoming year, determines the contribution which will be made to the Property Repairs Fund in the following year.

In May 2018 Council decided the contribution in respect of 2018/19 would be £75,000. 2018 & 2019 expenditure on Repairs was substantially works to the institute's property at 6 Clairmont Gardens, Glasgow.

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

21. PENSIONS LIABILITIES

	2019	2018
	£	£
Pension Scheme (Deficit)/ Surplus	(1,082,000)	423,000
Unfunded Arrangement Deficit	(2,463,000)	(2,305,000)
	<u>(3,545,000)</u>	<u>(1,882,000)</u>

The movement from 2018 to 2019 can be summarised as follows:

	2019	2018
	£'000	£'000
Opening Deficit	(1,882)	(4,589)
Current Service Cost	(1,120)	(969)
Past Service Cost	(98)	-
Interest / Net Return of Investments	(55)	283
Contributions Regular	676	546
Administrative Costs	(116)	(119)
Actuarial Gains / (Losses) & Roundings	(950)	2,966
	<u>(3,545)</u>	<u>(1,882)</u>

Full information on the determination of the Pension Fund liabilities is given in Note 23 below.

22. RELATED PARTY DISCLOSURES

(A) Key Management Remuneration

Key management personnel received remuneration in the year (including pension benefits) totalling £541,794 (2018 £471,460).

(B) Superannuation Scheme

In terms of FRS 102, the Institute and the EIS Superannuation Scheme for Officials and Staff are related parties and as such there is a requirement to disclose material transactions between them. A standard security over the Institute's property at 46-48 Moray Place, Edinburgh in favour of the Trustees was granted by the Institute on 30 April 1982 the purpose of which is to enable, in certain circumstances, the Trustees to meet the Scheme's liabilities should, at the time those liabilities become due, the Superannuation Fund be insufficient to meet those liabilities. The Standard Security originally granted on 30 April 1982 has been replaced by revised Standard Securities issued in July 2005 and March 2007. The Institute's contributions to the Scheme are shown in Notes 10 and 23.

As at 31 August 2019 a net amount of £8.962 was due to the Scheme from the Institute (2018 £34,411 due by the Scheme to the Institute).

(C) EIS Financial Services Limited

The Institute and EIS Financial Services Limited are related parties and as such there is a requirement to disclose material transactions between them. The Institute owns 75% of the share capital of the company purchased at an overall cost of £65,000. The Board consists of 5 (2018, 6) Directors of which 3 are Institute appointments. The accounts of EIS Financial Services Ltd for the 7 month period to 31 December 2018 disclose a profit of £136,147 after tax (Year to 31 May 2018, £198,472) and shareholder funds of £533,793 (31 May 2018 £511,225).

Transactions with EIS Financial Services during the year included:

- Rent of offices with the Institute's property at 6 Clairmont Gardens, Glasgow;
- Secondment of staff; and
- Advertising within the Scottish Educational Journal.

As at 31 August 2019, EIS Financial Services was due the Institute £23,096 (2018 £Nil).

The Institute by way of a joint venture agreement is entitled to receive commission from EIS Financial Services Ltd which has, as from June 1996, been determined as 15% of the company's pre tax net profit. At 31 August 2019 the Institute was due £Nil (2018 £54,632) from EIS Financial Services Ltd under the terms of the agreement. During the year, commission of £37,312 was received in respect of the period ended 31 December 2018.

Additionally the Institute received Dividends of £197,684 (2018 £111,640).

(D) Educational Institute of Scotland Benevolent Funds

The Institute and its Benevolent Funds are related parties on the basis that the Trustees of the Benevolent Funds are elected members of the Institute's Employment Relations Committee, and as such there is a requirement to disclose material transactions between them.

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

During the year, the Institute made a donation of £100,000 (2018 £Nil) to the EIS Benevolent Funds.

The administrative costs of operating the Benevolent Fund are met by the Institute.

As at 31 August 2019 the Educational Institute of Scotland Benevolent Funds were due the Institute £34,274 (2018 £25,812).

23. RETIREMENT BENEFITS - FINANCIAL REPORTING STANDARD NO. 102

Financial Reporting Standard No.102 (FRS102) has the objectives that :

- (1) Accounts reflect at fair value the assets and liabilities of Pension Schemes.
- (2) The costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by employees.
- (3) Accounts contain adequate disclosure of the cost of providing retirement benefits.

(A) Funded Scheme

The Educational Institute of Scotland operates a Final Salary defined benefit pension scheme. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier).

The most recent formal actuarial valuation was carried out as at 31 August 2017.

Analysis of changes in the value of the Scheme liabilities over the year	2019	2018
	£	£
Value of liabilities at start of year	29,317,000	30,990,000
Service cost	1,092,000	942,000
Past Service Cost	98,000	-
Interest cost	768,000	747,000
Member contributions	181,000	162,000
Actuarial (gains) / losses	2,025,000	(2,730,000)
Benefits paid	<u>(793,000)</u>	<u>(794,000)</u>
Value of liabilities at end of year	<u>32,688,000</u>	<u>29,317,000</u>

Analysis of changes in the value of the Scheme assets over the year	2019	2018
	£	£
Market value of assets at start of year	29,740,000	28,915,000
Return on scheme assets excluding interest income	1,208,000	338,000
Employer contributions	614,000	546,000
Member contributions	181,000	162,000
Interest Income	772,000	692,000
Administrative Costs	(116,000)	(119,000)
Benefits paid	<u>(793,000)</u>	<u>(794,000)</u>
Market value of scheme assets at end of year	<u>31,606,000</u>	<u>29,740,000</u>

Amounts recognised in Income and Expenditure Account	2019	2018
	£	£
Current Service cost	1,092,000	942,000
Past Service Cost	98,000	-
Administrative Costs	116,000	119,000
Net Interest Cost	<u>(4,000)</u>	<u>55,000</u>
Total pension cost charged to Income & Expenditure Account	<u>1,302,000</u>	<u>1,116,000</u>

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

Reconciliation to the Balance Sheet

	2019	2018
	£	£
Market value of assets	31,606,000	29,740,000
Present value of liabilities	32,688,000	29,317,000
(Deficit)/ Surplus in the Scheme	<u>(1,082,000)</u>	<u>423,000</u>

Assets

Scheme assets are invested in a diversified portfolio	<u>Market</u>	<u>% of total</u>	<u>Market</u>	<u>% of total</u>
	<u>Value</u>	<u>Assets</u>	<u>Value</u>	<u>Scheme</u>
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>%</u>
Asset class				
Equities	18,492	58%	18,323	62%
Gilts	6,928	22%	5,463	18%
Bonds	3,028	10%	2,767	9%
Property	3,068	10%	2,984	10%
Cash /Other	90	-	203	1%
	<u>31,606</u>	<u>100%</u>	<u>29,740</u>	<u>100%</u>

The actual return on assets over the period was £1,980,000 (2018 £1,030,000)

The assumptions used by the actuary were as follows:

Financial assumptions

	2019	2018
Discount Rate	1.7%pa	2.6%pa
Retail prices inflation/Rate of increases of pensions in payment & deferreds	3.1%pa	3.4%pa
Consumer prices inflation	2.1%pa	2.4%pa
Salary increases	3.1%pa	4.4%pa
Rate of increases of pensions in payment Non- GMP	3.1% pa	3.4% pa
Rate of increases of pensions in payment Post 1988 GMP	2.1% pa	2.1% pa
Rate of increases for deferred pensioners	3.1% pa	3.4% pa

Life expectancies

	31 Aug 2019		31 Aug 2018	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.2	24.7	23.5	24.6
Member age 45 (life expectancy at age 65)	24.8	26.3	25.1	26.3

History of assets, liabilities, experience gains and losses

	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Market value of Scheme assets	31,606	29,740	28,915	26,686	22,796
Value of Scheme liabilities	<u>(32,688)</u>	<u>29,317</u>	<u>30,990</u>	<u>31,928</u>	<u>25,151</u>
Surplus / (Deficit) in the Scheme	<u>(1,082)</u>	<u>423</u>	<u>(2,075)</u>	<u>(2,355)</u>	<u>(735)</u>

Future funding obligation

The Trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees as at 31 August 2017. This valuation revealed a funding surplus of £8,300,000. The Institute agreed to pay annual contributions of 30.2% of members' pensionable salaries each year to meet the cost of future service accrual. The contribution rate also covers administration expenses and insurance premiums for death in service lump sums associated with the Scheme.

The Institute expects to pay £665,000 to the Scheme during the accounting year beginning 1 September 2019.

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

(B) Unfunded Scheme

The Educational Institute of Scotland operates an unfunded pensions arrangement.

Analysis of changes in the value of the Scheme liabilities over the year

	2019 £	2018 £
Value of liabilities at start of year	2,305,000	2,514,000
Service cost	28,000	27,000
Interest cost	59,000	60,000
Member contributions	-	-
Actuarial (gains) / losses	133,000	(237,000)
Benefits paid	(62,000)	(59,000)
Value of liabilities at end of year	<u>2,463,000</u>	<u>2,305,000</u>

Analysis of changes in the value of the Scheme assets over the year

	2019 £	2018 £
Market value of assets at start of year	-	-
Expected return on scheme assets	-	-
Actuarial gains / (losses)	-	-
Employer contributions	62,000	59,000
Member contributions	-	-
Benefits paid	(62,000)	(59,000)
Market value of scheme assets at end of year	<u>-</u>	<u>-</u>

Amounts recognised in Income and Expenditure Account

	2019	2018
Service cost	28,000	27,000
Interest cost	59,000	60,000
Expected return on plan assets	-	-
Net pension cost charged to Income & Expenditure Account	<u>87,000</u>	<u>87,000</u>

Reconciliation to the Balance Sheet

	2019 £	2018 £
Market value of assets	-	-
Present value of liabilities	2,463,000	2,305,000
(Deficit) in the Scheme	<u>(2,463,000)</u>	<u>(2,305,000)</u>

Financial assumptions

	2019	2018
Discount Rate	1.7% pa	2.6% pa
Retail prices inflation	3.1% pa	3.4% pa
Consumer prices inflation	2.1% pa	2.4% pa
Salary Increases	3.1% pa	4.4% pa
Rate of increases of pensions in payment Non- GMP	3.1% pa	3.4% pa
Rate of increases of pensions in payment Post 1988 GMP	2.1% pa	2.1% pa
Rate of increases for deferred pensioners	3.1% pa	3.4% pa

Life expectancies

	31 Aug 2019		31 Aug 2018	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.2	24.7	23.5	24.6
Member age 45 (life expectancy at age 65)	24.8	26.3	25.1	26.3

History of assets, liabilities, experience gains and losses

	2019 £000's	2018 £000's	2017 £000's	2016 £000's	2015 £000's
Value of Scheme liabilities	<u>2,463</u>	<u>2,305</u>	<u>2,514</u>	<u>2,509</u>	<u>2,064</u>
Surplus / (Deficit) in the Scheme	<u>(2,463)</u>	<u>(2,305)</u>	<u>(2,514)</u>	<u>(2,509)</u>	<u>(2,064)</u>

The Institute expects to contribute an estimated £62,000 to its unfunded pension arrangement during the accounting year beginning 1 September 2019.

PROFESSIONAL FUND

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2019**

	2019 £	2018 £
INCOME		
Dues of Membership	-	-
Investment Income and Interest (Net)	368,525	421,214
TOTAL INCOME	368,525	421,214
EXPENDITURE		
Disbursements on Strike Pay	-	100
Promotional Items & Publicity	15,382	4,944
Marches & Rallies	-	455
Contribution to Salaries Campaign	220,000	120,000
Contribution to Strike Hardship Fund	500,000	-
Legal Fees	9,229	196,153
Investment Management Fees	31,078	49,701
TOTAL EXPENDITURE	775,689	371,353
OPERATING (DEFICIT)/ SURPLUS	(407,164)	49,861
Movement in Fair Value of Shares & Securities	329,287	665,729
(DEFICIT)/ SURPLUS FOR THE YEAR	(77,877)	715,590

BALANCE SHEET - 31 AUGUST 2019

	2019 £	2019 £	2018 £
INVESTMENTS		16,123,832	16,250,157
	Note 1		
CURRENT ASSETS			
Sundry Debtors	7,414		8,374
Balance due by General Fund	1,465,120		1,174,522
	1,472,534		1,182,896
LESS CURRENT LIABILITIES			
Sundry Creditors	1,130		2,333
NET CURRENT ASSETS	1,471,404	1,471,404	1,180,563
TOTAL ASSETS		17,595,236	17,430,720
Represented By:			
FUNDS AT 31 AUGUST 2019			
Professional Fund at 31 August 2018	17,417,690		16,702,100
Surplus for Year	(77,877)		715,590
Professional Fund at 31 August 2019	17,339,813	17,339,813	17,417,690
Strike Hardship Fund	Note 2	255,423	13,030
TOTAL FUNDS		17,595,236	17,430,720

NOTES ON PROFESSIONAL FUND

1. INVESTMENTS

	Market Value	
	2019 £	2018 £
Ordinary Shares	9,033,220	11,718,324
Unit Trusts	<u>6,186,470</u>	<u>4,288,724</u>
	15,219,690	16,007,048
Cash in Bank	<u>904,142</u>	<u>243,109</u>
	<u><u>16,123,832</u></u>	<u><u>16,250,157</u></u>

2. STRIKE HARDSHIP FUND

	2019 £	2018 £
Balance at 31 August 2018	13,030	13,030
Contribution from Professional Fund	500,000	-
Disbursements	<u>(257,607)</u>	<u>-</u>
Balance at 31 August 2019	<u><u>255,423</u></u>	<u><u>13,030</u></u>

POLITICAL FUND

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2019**

	2019 £	2018 £
INCOME		
Members' Dues	71,470	74,495
Investment Income Received (net)	94,874	84,818
Interest Received	35	3,926
TOTAL INCOME	<u>166,379</u>	<u>163,239</u>
EXPENDITURE		
Publicity, Printing, Campaigns & Stationery	25,845	23,488
Political Fund Ballot	143	41,141
Investment Management Fees	7,299	5,234
TOTAL EXPENDITURE	<u>33,287</u>	<u>69,863</u>
OPERATING SURPLUS FOR THE YEAR	<u>133,092</u>	<u>93,376</u>
Movement in Fair Value of Shares & Securities	4,611	(36,386)
SURPLUS FOR THE YEAR	<u>137,703</u>	<u>56,990</u>

BALANCE SHEET - 31 AUGUST 2019

	Notes	2019 £	2019 £	2018 £
INVESTMENTS	Note 1		2,182,759	<u>2,184,639</u>
CURRENT ASSETS				
Sundry Debtors		8,098		7,955
Balance due by General Fund		<u>628,639</u>		<u>489,055</u>
		636,737		497,010
LESS CURRENT LIABILITIES				
Sundry Creditors		<u>144</u>		
NET CURRENT ASSETS			636,593	<u>497,010</u>
TOTAL ASSETS			<u>2,819,352</u>	<u>2,681,649</u>
Represented By :				
FUNDS AT 31 AUGUST 2019				
Political Fund 31 August 2018		2,681,649		2,624,659
Surplus for Year		<u>137,703</u>		56,990
Political Fund at 31 August 2019			<u>2,819,352</u>	<u>2,681,649</u>
TOTAL FUNDS			<u>2,819,352</u>	<u>2,681,649</u>

NOTES ON POLITICAL FUND ACCOUNTS

1. INVESTMENTS

	Market Value	
	2019	2018
	£	£
Ordinary Shares	2,100,702	2,175,558
Cash in Bank	82,057	9,081
	<u>2,182,759</u>	<u>2,184,639</u>

CONSOLIDATED BALANCE SHEET - 31 AUGUST 2019
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	Note	2019 £	2019 £	2018 £
FIXED ASSETS				
Heritable Property at Valuation less Depreciation		5,374,149		4,606,026
Office Furniture & Equipment at Cost or Valn. less Depn.		342,768		339,215
Motor Cars at Cost less Depreciation		142,449		166,907
Badge & Chain		200		200
		<u>5,859,566</u>		<u>5,112,348</u>
INVESTMENTS				
	Note 1		39,217,543	39,754,054
CURRENT ASSETS				
Sundry Debtors		1,014,400		847,237
Cash on Deposit, in Bank and on Hand		330,861		337,827
		<u>1,345,261</u>		<u>1,185,064</u>
LESS CURRENT LIABILITIES				
Sundry Creditors & Accrued Charges		<u>662,014</u>		<u>556,763</u>
NET CURRENT ASSETS				
			683,247	628,301
LESS LONG TERM LIABILITIES				
Amounts falling due after one year			(782,843)	(866,681)
Pensions Liabilities			(3,545,000)	(1,882,000)
TOTAL FUNDS AT 31 AUGUST 2019	Note 2		<u>41,432,513</u>	<u>42,746,022</u>
REPRESENTED BY :				
General Fund			21,017,925	22,633,653
Professional Fund			17,595,236	17,430,720
Political Fund			2,819,352	2,681,649
			<u>41,432,513</u>	<u>42,746,022</u>

CONSOLIDATED BALANCE SHEET - 31 AUGUST 2019

NOTES

1. INVESTMENTS

	Market Value	
	2019 £	2018 £
Ordinary Shares	24,142,458	23,691,982
Unit Trusts	13,216,951	14,672,722
	<u>37,359,409</u>	<u>38,364,704</u>
Heritable Property	-	735,000
Cash in Bank	1,851,003	652,193
Cash Loans	7,131	2,157
	<u>39,217,543</u>	<u>39,754,054</u>

2. MOVEMENT OF FUNDS

	2019 £	2018 £
Total Funds at 31 August 2018	42,746,022	38,939,589
(Deficit)/ Surplus on EIS Funds	(1,570,935)	4,052,869
Increase in ULA Funds	1,537	5,097
Increase in Strike Support Fund	242,393	-
(Reduction) / Increase in Revaluation Reserve	-	(208,832)
(Decrease) in Property Refurbishment Fund	-	(63,880)
Increase in International Aid Fund	13,496	21,179
Total Funds at 31 August 2019	<u>41,432,513</u>	<u>42,746,022</u>

3. BENEVOLENT FUND

The Educational Institute of Scotland has an associated charity, The Educational Institute of Scotland Benevolent Funds (Registered with OSCR - SC007852). Consistent with Scottish charity law, the accounts of the charity are not included within the accounts of the Institute on the grounds that the Institute does not have access to the underlying assets of the charity nor control of its activities.

4. STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

	General Fund £	Professional Fund £	Political Fund £
(Deficit)/ Surplus for the Year	(1,630,761)	(77,877)	137,703
Surplus on ULA Funds	1,537	-	-
Increase in Strike Support Fund	-	242,393	-
Increase in International Aid Fund	13,496	-	-
Total Recognised Gains and Losses	<u>(1,615,728)</u>	<u>164,516</u>	<u>137,703</u>
			<u>(1,313,509)</u>

LOCAL ASSOCIATIONS

**CONSOLIDATED INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2019**

	2019 £	2019 £	2018 £
INCOME			
Dues of Membership	853,059		820,552
Investment Income & Interest Received	8,968		7,405
Miscellaneous Income	-		-
	<hr/>		
TOTAL INCOME		<u>862,027</u>	<u>827,957</u>
EXPENDITURE			
Salaries and Oncosts (inc Addnl Pension Conts)	169,866		160,049
Honoraria	185,797		172,518
Branch, Committee & Officials Expenses	92,534		93,289
Room Hire	22,506		17,539
Functions	12,181		12,898
Campaign Expenses	18,444		2,034
Training	6,724		3,067
Conferences	28,276		28,103
Occupancy Costs	75,475		76,123
Publicity Printing & Stationery	66,548		58,196
Postages & Telephones	30,372		28,901
General Insurance	1,971		1,603
Equipment Lease & General Repairs	3,590		4,130
Affiliation Fees & Donations	20,308		16,018
Depreciation / Losses on Asset Disposals	13,450		14,388
Audit Fees	24,932		24,337
Donations to Institute Benevolent Fund	48,665		19,704
Grants from Assocn Benevolent or Other Funds	4,277		4,641
Sundries	8,663		10,197
	<hr/>		
TOTAL EXPENDITURE		<u>834,579</u>	<u>747,735</u>
Movement in fair value of Investments		11,762	18,745
SURPLUS FOR THE YEAR		<u><u>39,210</u></u>	<u><u>98,967</u></u>

LOCAL ASSOCIATIONS

CONSOLIDATED BALANCE SHEET - 31 AUGUST 2019

		2019 £	2019 £	2018 £
FIXED ASSETS				
Office Furniture & Equipment	Note 1		83,911	87,476
			<u>83,911</u>	<u>87,476</u>
INVESTMENTS				
	Note 2		540,818	521,400
CURRENT ASSETS				
Stocks		6,217		-
Sundry Debtors		82,075		80,495
Cash on Deposit		308,948		307,143
Cash in Bank and on Hand		<u>2,345,160</u>		<u>2,295,514</u>
		2,742,400		2,683,152
LESS CURRENT LIABILITIES				
Sundry Creditors and Accrued Charges		<u>96,977</u>		<u>62,927</u>
NET CURRENT ASSETS				
			2,645,423	2,620,225
TOTAL ASSETS				
			<u><u>3,270,152</u></u>	<u><u>3,229,101</u></u>
Represented By :				
FUNDS AT 31 AUGUST 2019				
	Note 3		<u><u>3,270,152</u></u>	<u><u>3,229,101</u></u>

NOTES ON CONSOLIDATED ACCOUNTS OF LOCAL ASSOCIATIONS

1. OFFICE FURNITURE AND EQUIPMENT

	2019 £	2018 £
Cost		
As at 31 August 2018	262,367	257,845
Additions	9,884	4,522
	<u>272,251</u>	<u>262,367</u>
Disposals		
As at 31 August 2019	<u>272,251</u>	<u>262,367</u>
Depreciation		
Aggregate Depreciation 31 August 2018	174,891	160,502
Depreciation Charge for Year	13,449	14,389
	<u>188,340</u>	<u>174,891</u>
Elimination in respect of Disposals		
Aggregate Depreciation 31 August 2019	<u>188,340</u>	<u>174,891</u>
Net Book Value as at 31 August 2019	<u><u>83,911</u></u>	<u><u>87,476</u></u>

2. INVESTMENTS

	Market Value	
	2019 £	2018 £
Quoted		
Ordinary Shares	24,043	27,681
Unit Trusts Etc.	285,164	277,538
Bonds & Fixed Interest	231,061	215,631
	<u>540,268</u>	<u>520,850</u>
Unquoted		
Ordinary Shares	550	550
	<u>550</u>	<u>550</u>
Total	<u><u>540,818</u></u>	<u><u>521,400</u></u>

3. MOVEMENT OF FUNDS

	2019 £	2018 £
Total Funds as at 31 August 2018	3,229,101	3,130,138
Prior Year Adjustments	1,841	(4)
Surplus for Year	39,210	98,967
Total Funds as at 31 August 2019	<u><u>3,270,152</u></u>	<u><u>3,229,101</u></u>
Subdivided Between :		
General Funds	3,228,634	3,181,747
Benevolent and Other Funds	41,518	47,354
	<u><u>3,270,152</u></u>	<u><u>3,229,101</u></u>

ACCOUNTING POLICIES

(1) Basis of preparing the financial statements

These financial statements have been prepared in accordance with the recognition and measurement provisions of Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS102). The Accounts are prepared under the historical cost convention modified by the revaluation of heritable property, investment property and quoted investments. Details of revaluations are disclosed in notes 11, 13 and 18 to the General Fund accounts on pages 6 to 9.

(2) Significant judgements and estimates

In preparing the financial statements, the Executive Committee of the Institute make estimates or assumptions which affect reported results, financial position and the disclosure of contingencies. Use of available information and the application of judgement are inherent in the formation of such estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances.

In the Executive Committee's opinion the main areas in which judgements and estimates are applied, which require to be disclosed for a proper understanding of these accounts are as follows.

- Heritable Property – the appropriateness of assumptions used by professional valuers and the assumption that property values have not materially changed between the dates of professional valuations and the balance sheet date.
- Defined Benefit Pension Arrangements – the appropriateness of actuarial assumptions used in calculating the scheme assets and liabilities.

In the Executive Committee's judgement there are no assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(3) Depreciation

Furniture and Equipment are depreciated on the straight-line basis over the period of their estimated useful lives which is considered to be between 5 and 10 years.

Motor cars are depreciated on the reducing balance basis at the rate of 25% per year.

Heritable property held for use by the Institute is depreciated on the straight-line basis at the rate of 2.5% per year on value, taking into account subsequent revaluations.

(4) Investments

Quoted investments have been included in the accounts at market value.

The Institute's Heritable Properties at 6 Clairmont Gardens, Glasgow, and 34 West George Street, Glasgow, have been reallocated to Fixed Assets in the current financial year on the grounds that both buildings are utilised for EIS business, with the area of 6 Clairmont Gardens leased externally being considered incidental.

In the prior year, these properties were included in the Balance Sheet as investments at market value, on the basis of valuations undertaken by J & E Shepherd Chartered Surveyors on 14 February 2010 and 24 November 2017 respectively, and were not depreciated.

ACCOUNTING POLICIES (CONTINUED)

(5) Financial Instruments

Financial instruments comprise financial assets and financial liabilities which are recognised when the body becomes a party to the contractual provisions of the instrument. Financial instruments are classified as "basic" in accordance with FRS102 and are accounted for at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows over the life of the financial asset or liability to the net carrying amount on initial recognition. Discounting is not applied to short-term receivables and payables, where the effect is immaterial.

Financial assets at cost comprise cash, and trade and other debtors. Financial liabilities comprise bank loans and overdrafts, trade creditors, accruals and other creditors.

(6) Pension Schemes

Defined Benefit Scheme

In accordance with FRS102, the net deficit arising on the Institute's defined benefit pension scheme and on the unfunded arrangement are disclosed on the General Fund and Consolidated Balance Sheets within Long term Liabilities.

The unfunded arrangement stems from a decision taken by the Institute in 1994 to augment, out of its own resources, the benefits provided by the pension scheme to the extent that pensions in payment are increased by an additional 1.5% per annum. The unfunded arrangement will not apply for Institute employees taking up post after 1 September 2007 and changes have also been introduced for pensioners, deferred members and employees in post at 31 August 2007 which restricts the benefits payable. These benefits are paid from the Institute's own resources from time to time and are not pre-funded.

Movements on the pension scheme and unfunded arrangement liabilities are reflected through the General Fund to the extent that they relate either to the employer's current service costs (which is reflected as a component of Staff Costs) or movements arising from expected returns on pension scheme assets net of interest on pension scheme liabilities (which is disclosed as a component of Other Finance Costs.)

Defined Contribution Scheme

Pension contributions in respect of employees who are not eligible for membership of the Defined Benefit Pension Scheme are made to a defined contribution scheme as required by the auto-enrolment rules set out in UK law.

Contributions to the defined contribution scheme are recognised in the accounts as the employees' rights to the contributions is accrued.

(7) Deferred Taxation

The Institute is aware that there may be additional tax due on the disposal of certain properties and investments if they were to dispose of all of these assets in any one particular tax year. However, as the disposal of such assets would be controlled, no additional provision has been made.

RESPONSIBILITIES OF THE INSTITUTE AND DISCLOSURE OF INFORMATION TO AUDITORS

- (1) The Institute is by law under the terms of the Trade Union and Labour Relations (Consolidation) Act 1992 and by its constitution required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute and of the income and expenditure of the Institute for that period. The Institute is required to:
- (a) select suitable accounting policies and then apply them consistently;
 - (b) make judgements and estimates that are reasonable and prudent;
 - (c) state whether applicable accounting standards have been followed;
 - (d) prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The Institute, through its elected representatives and Officers, is responsible for keeping proper accounting records and establishing and maintaining a satisfactory system of control over its accounting records and transactions in order to ensure that the accounts are in agreement with the accounting records and comply with the Trade Union and Labour Relations (Consolidation) Act 1992. The Institute is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

- (2) So far as the Finance Sub Committee as representatives of the Institute is aware, there is no relevant audit information of which the Institute's auditors are unaware, and each member of the Finance Sub-Committee has taken all the steps that he or she ought to have taken as a member of the Sub-Committee in order to make himself or herself aware of any relevant audit information and to establish that the Institute's auditors are aware of that information.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Finance Sub-Committee on 31 January 2020.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE EDUCATIONAL INSTITUTE OF SCOTLAND

Opinion

We have audited the financial statements of the Educational Institute of Scotland (the 'Institute') for the year ended 31 August 2019 which comprise the income and expenditure accounts, balance sheets, related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the recognition and measurement principles of United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Institute's affairs as at 31 August 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the recognition and measurement principles of United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Trade Union and Labour Relations (Consolidation) Act 1992.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Institute has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Institute's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter – basis of accounting

We draw attention to accounting policy 1 to the financial statements which describe the basis of accounting, which is a special purpose framework. The financial statements are prepared to assist the Institute in complying with the financial reporting provisions of its constitution and the requirement of the Trade Union and Labour Relations (Consolidation) Act 1992. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members and should not be distributed to parties other than the members. Our opinion is not modified in respect of this matter.

Matters on which we are required to report by exemption

We have nothing to report in respect of the following matters where legislation requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Finance Sub-committee

The Finance Sub-Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Finance Sub-Committee is responsible for assessing the Institute's ability to continue as a going concern, disclosing as applicable, matters related to going concern using the going concern basis of accounting unless the intention is either intended to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

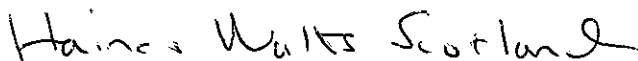
Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that include our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the Institute's members, as a body, in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992. Our audit work has been undertaken so that we might state to the Institute's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute and the Institute's members as a body, for our audit work, for this report, or the opinions we have formed.



Haines Watts Scotland
Chartered Accountants and Statutory Auditors
Q Court
3, Quality Street,
Edinburgh EH4 5BP

Date: 4 February 2020