

REFORM SCOTLAND
(A company limited by guarantee)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Company Registration Number: SC336414
Registered Charity Number: SC039624

REFORM SCOTLAND
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**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT
LEGAL AND ADMINISTRATIVE INFORMATION**

The board of directors	B Thomson I d'Inverno A Hammond-Chambers A McFarlane (appointed 12/04/13)
Company secretary	G Mawdsley
Registered office	The Executive Centre 7-9 North St David Street Edinburgh EH2 1AW
Accountants	Jamieson Campbell Kerr Limited Chartered Accountants 14-15 Main Street Longniddry EH32 0NF
Auditors	Brian Maloney Chartered Certified Accountant Statutory Auditor 15a West End West Calder EH55 8EH
Solicitors	Dundas & Wilson Saltire Court 20 Castle Terrace Edinburgh EH1 2EN

**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2014**

The trustees have pleasure in presenting their report and the audited financial statements of the charitable company for the year ended 31 March 2014. This report is prepared in accordance with the recommendations of the Statement of Recommended Practice - Accounting and Reporting by Charities and complies with applicable law. It complies with the guidelines set out by the Office of the Scottish Charity Regulator.

Structure, governance and management

Governing document

The charitable company was incorporated on 18 January 2008 as a private company limited by guarantee and was registered with the Office of the Scottish Charity Regulator on 2 June 2008 and recognised as a charity by HM Revenue and Customs on 6 June 2008. The charitable company was established under a Memorandum of Association which establishes the objects and powers of the charitable company and is governed under its Articles of Association. It is governed by a board of directors, who are directors for the purpose of company law and trustees for the purpose of charity law.

The board of directors

The charitable company's directors need to bring expertise to the three main areas of activity the charitable company undertakes to fulfil its purpose: knowledge and understanding of the Scottish business community, whence most voluntary donations come; experience in economics and public policy, to guide the output of the charitable company; and experience of the public domain, including the media, which allows the charitable company to disseminate the results of its educational research to the Scottish public in general. The directors have extensive experience and skills in these three areas. They are also experienced in the governance of companies and charities similar to Reform Scotland so little formal training is required to be provided by the charitable company.

Risk management

The directors have assessed the major risks to which the charitable company is exposed and are satisfied that systems have been implemented to manage exposure to these risks.

Organisational Structure

The members of the charitable company consist of:

- The founder members
- The directors of the charitable company
- Any person as admitted by the board of directors

Each member has one vote.

**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014**

Organisational structure (cont'd)

Members of the charitable company guarantee to contribute an amount not exceeding £1 in the event of a winding up. The total number of such guarantees at 31 March 2014 was 4.

The first directors of the charitable company were the founder members. The number of directors cannot be less than 2, nor exceed 25. The board of directors can appoint any person as a director subject to the conditions stated.

The directors are not entitled to receive any remuneration from the charitable company.

Day-to-day management of the charitable company is delegated to G Mawdsley, who performs the role of chief executive officer.

Objectives and activities

The objectives of the charitable company are:

- To promote the education of the Scottish community by carrying out research using robust and objective methods;
- To publish reports and research papers on a range of public policy issues;
- To issue briefing notes and updates analysing developments in public policy;
- To arrange seminars, lectures and other public events in public policy and related topics.

Achievements and performance in year

Reports and briefing notes

Reform Scotland made progress in its stated aims in the year to 31 March 2014. It published three further major pieces of research and five shorter research briefing notes during this year covering various aspects of public policy. All are available for free from www.reformscotland.com

A New Deal for Scotland's Colleges (June 2013)

Pay-As-You-Drive: The Road to a Better Future (October 2013)

The Pension Guarantee (February 2014)

Research Briefing Notes on Nursery Provision (July and November 2013)

Research Briefing Note on Quangos (December 2013)

Research Briefing Note on Cost of Schooling (January 2014)

Research Briefing Note on Labour Devolution Proposals (March 2014)

Devo Plus, the cross-party and non-party group set up by Reform Scotland in February 2012, has continued to work to develop and promote the proposal set out in Reform Scotland's report 'Devolution Plus'. This is based on the principle that each level of government should, as far as possible, be responsible for raising the money that it spends. The group published further polling in September 2013 on public attitudes towards further powers for the Scottish Parliament that had been carried out by YouGov and is available on the Devo Plus website www.devoplus.com

**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014**

Achievements and performance in year (cont'd)

Written and oral evidence

Reform Scotland submitted written evidence in July 2013 to the Scottish Parliament's Education & Culture Committee on the Children and Young People (Scotland) Bill and amendments based on Reform Scotland policy recommendations on nursery provision were narrowly defeated at Stage 2 and 3 of the bill; written evidence was submitted in January 2014 to the Scottish Government's consultation on the Community Empowerment (Scotland) Bill; written evidence was submitted in January 2014 to the Scottish Parliament's Finance Committee on Stage 1 of the Revenue Scotland and Tax Powers bill; written evidence was submitted in January 2014 and oral evidence given in February 2014 to the Scottish Parliament's Economy, Energy & Tourism Committee inquiry into Scotland's economic future after the referendum.

Reform Scotland is also represented on the Commission on Strengthening Local Democracy set up by Cosla and submitted written evidence to this commission in December 2013.

Media summary

A media summary has been sent out by email on a daily basis. This is a free information service which aims to encapsulate the public policy debate surrounding the economy and public services in Scotland. This is currently distributed to around three thousand people and is available free from the Reform Scotland website www.reformscotland.com

Promotion

Reform Scotland seeks to promote its activities to a wide range of people and organisations involved in the public policy debate in Scotland with copies of all reports sent to a cross-section of individuals either in hard copy or electronic form.

Reform Scotland held an open, public event in March 2014 on the future of pension provision in Scotland in partnership with Pinsent Masons. This followed the publication of its report 'The Pension Guarantee' and the speakers were the Pensions Minister Steve Webb MP, his Labour counterpart Gregg McClymont MP and the SNP's Marco Biagi MSP.

Representatives of Reform Scotland have also spoken at the Holyrood conference on colleges in October 2013, the NUS conference in November 2013 and the Cosla conference in March 2014. Reform Scotland also took a stall at MacKay Hannah's One Public Expo.

There was considerable media interest in Reform Scotland's work with Reform Scotland or its representatives having appeared in the print or broadcast media on over 160 occasions over the past year and on almost 900 occasions since the organisation was established.

**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014**

Achievements and performance in year (cont'd)

Financial review

The climate for raising funds for the charitable company has again been challenging this year. However, since the year end, the charitable company has stepped up its efforts to widen its donor base. Additional donations have been obtained along with a clear plan to secure further donations. The directors, therefore, believe that the charity will have sufficient funding to support its activities over the next twelve months. In order to maintain its independence, as well as its freedom from commercial or political considerations, Reform Scotland does not accept commissions to undertake work, nor does it accept money from government organisations. This means that it must raise funds for no immediate gain to the donor and there may be no immediate evidence of success because of the long-term, educational nature of its work.

Statement of the trustees' responsibilities

The trustees (who are also directors of Reform Scotland for the purposes of company law) are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and policies of the Charities Statement of Recommended Practice (SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014**

Statement of trustees' responsibilities (Cont'd)

The trustees are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to re-appoint Brian Maloney & Co as auditor will be proposed at the annual general meeting.

Registered office:

The Executive Centre
7-9 North St David Street
Edinburgh
EH2 1AW

Signed by order of the Directors

.....
Ben Thomson

Approved by the Directors on

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF REFORM SCOTLAND

We have audited the financial statements of Reform Scotland for the year ended 31st March 2014 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes on pages 11 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 6, the trustees (who are also directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF REFORM SCOTLAND (CONT'D)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1(g) to the financial statements concerning the charitable company's ability to continue as a going concern. The charitable company made a surplus of £8,120 during the year ended 31 March 2014. At that date, the company's current liabilities exceeded its total assets by £31,710. These conditions, along with other matters detailed in Note 1(g), indicate the existence of a material uncertainty which may cast significant doubt about the charitable company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the charitable company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- The charitable company has not kept proper and adequate accounting records 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
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF
REFORM SCOTLAND (CONT'D)**

.....
Brian Maloney F.C.C.A.
(Senior Statutory Auditor)
for and on behalf of
Brian Maloney & Co,
Statutory Auditor
15a West End,
West Calder
EH55 8EH

Date

Brian Maloney is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

**REFORM SCOTLAND
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2014**

	NOTE	Unrestricted funds £	Total funds 2014 £	Total funds 2013 £
Incoming resources from				
Generated funds:				
Voluntary income				
Donation and gifts	2	152,079	152,079	174,957
Total incoming resources		<u>152,079</u>	<u>152,079</u>	<u>174,957</u>
Resources expended				
Direct Charitable activities	3	116,166	116,166	134,780
Charitable Support costs	4	23,873	23,873	32,083
Governance costs	5	3,920	3,920	4,427
Total resources expended		<u>143,959</u>	<u>143,959</u>	<u>171,290</u>
Net incoming resources before other recognised gains	12	8,120	8,120	3,667
Net movement in funds		8,120	8,120	3,667
Total funds brought forward		<u>(39,830)</u>	<u>(39,830)</u>	<u>(43,497)</u>
Total funds carried forward	9	<u>(31,710)</u>	<u>(31,710)</u>	<u>(39,830)</u>

The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities.

**REFORM SCOTLAND
BALANCE SHEET
AS AT 31 MARCH 2014**

	NOTE	2014 £	2013 £
FIXED ASSETS			
Tangible fixed assets	6	-	222
CURRENT ASSETS			
Bank account		91	-
CREDITORS: Amounts falling due within one year			
	7	(15,611)	(40,052)
NET CURRENT LIABILITIES			
		(15,520)	(40,052)
CREDITORS: Amounts falling due after more than one year			
	8	(16,190)	-
NET LIABILITIES			
		(31,710)	(39,830)
FUNDS			
Unrestricted	9	(31,710)	(39,830)
TOTAL FUNDS			
		(31,710)	(39,830)

These financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008) and were approved by the Board of Directors and signed on their behalf by:

.....
Ben Thomson

on

The notes on pages 13 to 17 form part of these financial statements.

**REFORM SCOTLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice; Accounting and Reporting for Charities (SORP 2005) and the Financial Reporting Standard for Smaller Entities (effective April 2008). The Trustees have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on the going concern basis.

(b) Fund accounting

Unrestricted funds are available for use at the discretion of the directors in furtherance of the general objectives of the charity.

(c) Operating leases

Operating leases are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

(d) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The specific policies are applied to particular categories of income:

- Voluntary income is received by way of donations and is included in full in the Statement of Financial Activities when receivable.
- Donated services and facilities are included at the value to the charity where this can be quantified.
- Investment income is included when receivable.
- Incoming resources from charitable activities are accounted for when earned.

(e) Resources expended

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. The charity is not registered for VAT and accordingly expenditure is shown gross of irrecoverable VAT. All costs have been attributed to categories in the Statement of Financial Activities as follows:

- Costs of generating funds comprise the costs associated with attracting voluntary income.
- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity.

(f) Tangible fixed assets

Provision is made for the depreciation of fixed assets in order to write off the cost or valuation of these assets over their expected useful lives.

The annual depreciation rates and methods are as follows:

Office equipment – 20% straight line

Items costing over £100 and with a useful economic life of more than one year are capitalised.

REFORM SCOTLAND
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014

(g) Going concern

Reform Scotland earned a surplus of £8,120 in the year to 31 March 2014. However, the charitable company's current liabilities exceed its total assets by £31,710. Reform Scotland has secured additional funding which will enable the charitable company to continue in existence for the foreseeable future. Therefore, the Trustees have deemed the entity to be a going concern and have made sufficient disclosures concerning going concern in order to give a true and fair view.

2. DONATIONS AND GIFTS

	2014	2014	2013
	Unrestricted	Total	Total
	£	£	£
Donations	130,055	130,055	147,854
Gift aid	22,024	22,024	27,103
	<u>152,079</u>	<u>152,079</u>	<u>174,957</u>

3. DIRECT CHARITABLE EXPENDITURE

	2014	Total funds	Total funds
	Unrestricted	2014	2013
	£	£	£
Events	1,348	1,348	3,018
Reports	3,882	3,882	3,869
Newspapers	2,329	2,329	1,874
Consultancy fees	34,080	34,080	50,936
Wages and salaries (Note 11)	74,527	74,527	75,083
	<u>116,166</u>	<u>116,166</u>	<u>134,780</u>

REFORM SCOTLAND
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014

4. SUPPORT COSTS OF THE CHARITY

	2014	2013
	£	£
Rent	15,633	16,907
Telephone	338	367
Printing, stationery and postage	725	1,531
Computer and IT expenses	4,398	4,448
Travel and subsistence	44	3,291
Entertaining	283	704
Bank charges	525	611
Bank interest (including loan interest)	953	1,016
Sundry expenses	752	1,337
Depreciation	222	1,871
	<u>23,873</u>	<u>32,083</u>

5. GOVERNANCE COSTS OF THE CHARITY

	2014	2013
	£	£
Professional fees	2,900	3,407
Accounting fees	1,020	1,020
	<u>3,920</u>	<u>4,427</u>

6. TANGIBLE FIXED ASSETS

	Office Equipment £
Cost	
As at 1 April 2013	9,355
Additions	-
As at 31 March 2014	<u>9,355</u>
Depreciation	
As at 1 April 2013	9,133
Charge for the year	222
As at 31 March 2014	<u>9,355</u>
Net Book Value	
As at 31 March 2014	-
As at 31 March 2013	<u>222</u>

**REFORM SCOTLAND
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014**

7. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Bank overdraft	-	24,767
Taxation and social security	3,812	4,088
Other creditors	8,942	11,197
Bank loan	2,857	-
	<u>15,611</u>	<u>40,052</u>

8. CREDITORS: Amounts falling due after more than one year

	2014	2013
	£	£
Bank loan	<u>16,190</u>	<u>-</u>

9. MOVEMENTS IN FUNDS

	As at 1 Apr 13	Incoming	Outgoing	As at 31 Mar 14
	£	£	£	£
Unrestricted Funds				
General funds	(39,830)	152,079	(143,959)	(31,710)
Total Funds	<u>(39,830)</u>	<u>152,079</u>	<u>(143,959)</u>	<u>(31,710)</u>

10. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Fund
	£
Fund Balances as at 31 March 2014 are represented by:	
Tangible fixed assets	-
Current assets	91
Liabilities	(31,801)
Net liabilities	<u>(31,710)</u>

11. STAFF COSTS AND DIRECTORS' REMUNERATION

	2014	2013
	£	£
Wages and salaries	67,358	67,799
Social security costs	7,169	7,284
	<u>74,527</u>	<u>75,083</u>

No director received remuneration during the year. No employees received emoluments over £60,000 during the year. The average number of employees during the year was 2 (2013 – 2).

**REFORM SCOTLAND
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014**

12. NET INCOMING/(OUTGOING) RESOURCES

	2014	2013
	£	£
This is stated after charging:		
Depreciation	222	1,871
Auditor's remuneration	1,500	1,500
	<u> </u>	<u> </u>

The auditor did not receive reimbursement of expenses or remuneration for any non-audit services

13. FINANCIAL COMMITMENTS

	2014	2013
	£	£
Property		
Operating leases which expire in:		
Less than one year	15,408	15,408
	<u> </u>	<u> </u>

14. COMPANY LIMITED BY GUARANTEE

In the event of the company being wound up the members agree to contribute such amount as may be required not exceeding £1.

15. TAXATION

The company, being a charity, is eligible for exemption from tax on income under section 478 of the Corporation Tax Act 2010.

16. TRUSTEES' REMUNERATION AND RELATED PARTY TRANSACTIONS

The following directors made donations to Reform Scotland during the year to 31 March 2014:

Ben Thomson £20,000; Alan McFarlane £27,500

During the year no director received any reimbursement of expenses (2013 – one director received reimbursements of expenses totalling £403).

None of the trustees (or any other person connected with them) received any remuneration during the year (2013 – nil).

There were no other transactions or contracts entered into by the charity in which any trustee or other person related to the charity had any personal interest in the year (2013 – nil).