

REFORM SCOTLAND
(A company limited by guarantee)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

Company Registration Number: SC336414
Registered Charity Number: SC039624

REFORM SCOTLAND
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**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT
REFERENCE AND ADMINISTRATION INFORMATION**

The board of directors	B Thomson I d'Inverno A Haldenby G Blackett D Macdonald P Biberbach H Robertson (resigned 16/08/11) J Aitken (resigned 07/10/11) L Gordon (resigned 12/12/11) A Hammond-Chambers (appointed 12/01/12) G Millar (appointed 08/03/12)
Company secretary	G Mawdsley
Registered office	The Executive Centre 7-9 North St David Street Edinburgh EH2 1AW
Accountants	Jamieson Campbell Limited Chartered Accountants 350 Lanark Road West Edinburgh EH14 5RR
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 2012**

The trustees have pleasure in presenting their report and the audited financial statements of the charitable company for the year ended 31 March 2012. 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. The accounts are audited (see pages 8-10).

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 company began trading on 18 January 2008.

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 2012**

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 2012 was 8.

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

Reform Scotland made progress in its stated aims in the year to 31 March 2012. It published five further major pieces of research during this year covering various aspects of public policy. All are available for free from www.reformscotland.com

Striking the Balance (June 2011)

Devolution Plus (September 2011)

Scotland's Economic Future (October 2011)

Powering Scotland (December 2011)

Local Taxes (March 2012)

In November 2011, Reform Scotland also set up the Commission on School Reform together with another think tank the Centre for Scottish Public Policy. This group comprises individuals from a wide range of backgrounds and is chaired by Keir Bloomer. It is considering whether the school system in Scotland is meeting the present and future needs of young people and to make specific recommendations as to how things might be improved or areas that require further enquiry. An interim report will be published in 2012 and a final report early in 2013.

**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2012**

Achievements and performance in year (cont'd)

In February 2012, Reform Scotland set up the cross-party and non-party Devo Plus Group to develop and promote the proposal set out in Reform Scotland's report 'Devolution Plus' based on the principle that each level of government should, as far as possible, be responsible for raising the money that it spends. This group is led by Jeremy Purvis and intends to publish three reports in the coming year examining issues surrounding further powers for the Scottish Parliament.

In addition to the reports from the Commission on School Reform and the Devo Plus Group, others are planned in the coming year covering public policy as it relates to the future structure of local government, nursery education and access to GP practices.

Bulletins

Reform Scotland also issued briefing notes analysing the party manifestos for the 2011 Scottish Parliament elections (April 2011); police numbers in Scotland (Nov 2011) as well as an online survey of attitudes towards further fiscal powers for the Scottish Parliament (Dec 2011).

Written and oral evidence

In addition, Reform Scotland responded to the Scottish government's consultations on the future of the police in Scotland (May 2011) and on Keeping Scotland Safe and Strong (Nov 2011) and the UK government's consultation on Scotland's constitutional future (March 2012). Written evidence was submitted to the Scottish Parliament's Finance Committee on the Scottish government's draft budget for 2012/13 (August 2011); to the Scottish Parliament's Economy, Energy and Tourism Committee inquiry into the Scottish government's renewable energy target (Feb 2012); and to the UK Parliament's Energy and Climate Change Committee inquiry into the impact of potential Scottish independence on energy and climate change (March 2012). Written and oral evidence were given to the Scottish Parliament's Infrastructure and Capital Investment Committee's broadband inquiry and to the Scottish Parliament's Justice Committee on the Police and Fire Reform (Scotland) Bill.

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. To aid this process, Reform Scotland's Advisory Board was expanded in September 2011 to include former MSPs from each of the four main political parties in Scotland and the Chief Executive of SCVO.

During the year, Reform Scotland held a number of open, public events including an event with the Independent Commission on Banking as part of their public consultation programme on the future structure of banking in the UK. This was in May 2011 with Sir John Vickers, Angela Knight and Irwin Stelzer all speaking. A debate on Scotland's constitutional future and how it might affect the economy was also held with the Institute of Directors in Scotland in February 2012.

**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2012**

Achievements and performance in year (cont'd)

To promote its work across the political parties, Reform Scotland attended the spring Scottish party conferences of each of the four main parties and held a reception for all MSPs in the Scottish Parliament in November 2011.

There was also considerable media interest in Reform Scotland's work with Reform Scotland or its representatives having appeared in the print or broadcast media on over 200 occasions over the past year and on over 550 occasions since the organisation was established.

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 focussed on how to improve its fundraising. Additional donations have been obtained along with a clear plan to secure further donations. The directors, therefore, believe that the charity now has sufficient funding in place 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 affairs of the charitable company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the year. In preparing these financial statements the Trustees should follow best practice and: -

- 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 accounting standards have been followed; subject to any 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 Trust will continue on that basis.

The Trustees are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the charitable company and to enable it to ensure the financial statements comply with the the Companies Act 2006 and the Charities and trustee Investment (Scotland) Act 2005. The trustees are also responsible for the safeguarding of the assets

**REFORM SCOTLAND
TRUSTEES' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2012**

Statement of Trustees Responsibilities (Cont'd)

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 are 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 auditors are aware of that information.

Auditors

A resolution to re-appoint Brian Maloney & Co as auditors 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 2012 which comprise the statement of financial activities, the balance sheet and the related notes. 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 charity'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) 2006 (as amended). Our audit work has been undertaken so 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 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 company's 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 auditors 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 (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 2012 and of its incoming resources and application of resources, including its income and expenditure and its deficit, 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

Without qualifying our opinion, we draw your attention to Note 1 (g) in the financial statements which indicates the company has incurred a net deficit of £3,264 in the year to 31 March 2012. As at that date, the company's current liabilities exceed its total assets by £43,497. These conditions, along with other matters detailed in Note 1 (g), indicate a material uncertainty which may cast significant doubt about the company's ability to continue to operate on a going concern basis.

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' report.

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

.....
Brian Maloney
(Senior Statutory Auditor)
for and on behalf of
Brian Maloney & Co,
Chartered Certified Accountants
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 2012**

	NOTE	Unrestricted funds £	Total funds 2012 £	Total funds 2011 £
Incoming resources from				
Generated funds:				
Voluntary income				
Donations and gifts	2	179,134	179,134	152,443
Total incoming resources		<u>179,134</u>	<u>179,134</u>	<u>152,443</u>
Resources expended				
Charitable activities	3	143,951	143,951	142,269
Governance costs	4	38,447	38,447	35,722
Total resources expended		<u>182,398</u>	<u>182,398</u>	<u>177,991</u>
Net outgoing resources before other recognised gains	10	(3,264)	(3,264)	(25,548)
Net movement in funds		<u>(3,264)</u>	<u>(3,264)</u>	<u>(25,548)</u>
Total funds brought forward		(40,233)	(40,233)	(14,685)
Total funds carried forward	7	<u>(43,497)</u>	<u>(43,497)</u>	<u>(40,233)</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 2012**

	NOTE	2012 £	2011 £
FIXED ASSETS			
Tangible fixed assets	5	2,093	3,964
		<hr/>	<hr/>
CREDITORS: Amounts falling due within one year	6	(45,590)	(44,197)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(45,590)	(40,233)
		<hr/>	<hr/>
NET LIABILITIES		(43,497)	(40,233)
		<hr/>	<hr/>
FUNDS			
Unrestricted	7	(43,497)	(40,233)
		<hr/>	<hr/>
TOTAL FUNDS		(43,497)	(40,233)
		<hr/>	<hr/>

These financial statements are prepared in accordance with the special provisions of part 13 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008) and were approved by the members of the committee on and are signed on their behalf by:

.....
Ben Thomson

on

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

**REFORM SCOTLAND
NOTES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), Companies Act 2006 and follow the recommendations in Reporting by Charities: Statement of Recommended Practice (SORP) issued in March 2005.

(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 when they are incurred.

(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 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 ON THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2012**

(g) Going concern

Reform Scotland has incurred a deficit in the year to 31 March 2012 amounting to £3,264 which results in the company's current liabilities exceeding its total assets by £43,497. Reform Scotland does not have any long term liabilities. 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 & GIFTS

	2012 Unrest'd £	2012 Total £	2011 Total £
Donations	158,409	158,409	127,841
Gift Aid	20,725	20,725	24,602
	<hr/>	<hr/>	<hr/>
	179,134	179,134	152,443
	<hr/>	<hr/>	<hr/>

3. DIRECT CHARITABLE EXPENDITURE

	2012 Unrest'd £	Total funds 2012 £	Total funds 2011 £
Events	7,216	7,216	6,623
Reports	5,705	5,705	10,990
Newspapers	2,964	2,964	2,479
Consultancy fees	43,891	43,891	33,386
Wages and salaries (Note 9)	84,175	84,175	87,991
Competition prizes	-	-	800
	<hr/>	<hr/>	<hr/>
	143,951	143,951	142,269
	<hr/>	<hr/>	<hr/>

**REFORM SCOTLAND
NOTES ON THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2012**

4. GOVERNANCE COSTS OF THE CHARITY

2012 2011

	£	£
Rent	14,151	15,453
Telephone	930	1,145
Printing, stationery and postage	3,659	1,821
Computer & IT expenses	6,374	6,676
Travel and subsistence	2,528	1,572
Entertaining	968	572
Bank charges	566	548
Bank interest	1,160	936
Sundry expenses	1,444	1,563
Depreciation	1,871	1,871
Professional fees	3,776	2,815
Accounting fees	1,020	750
	38,447	35,722
	38,447	35,722

5. TANGIBLE FIXED ASSETS

	Office Equipment £
Cost	
As at 1 April 2011	9,355
Additions	-
As at 31 March 2012	9,355
Depreciation	
As at 1 April 2011	5,391
Charge for the year	1,871
At 31 March 2012	7,262
Net Book Value	
As at 31 March 2012	2,093
As at 31 March 2011	3,964

REFORM SCOTLAND NOTES ON THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MARCH 2012

	2011 £	£
6. CREDITORS: Amounts falling due within one year 2012		
Bank overdraft	24,759	24,974
Taxation and social security	2,083	2,581
Other creditors	18,748	16,642
	45,590	44,197
	45,590	44,197

7. MOVEMENTS IN FUNDS

	As at 1 Apr 11	Incoming	Outgoing	As at 31 Mar 12
Unrestricted Funds				
General funds	(40,233)	179,134	(182,398)	(43,497)
Total Funds	<u>(40,233)</u>	<u>179,134</u>	<u>(182,398)</u>	<u>(43,497)</u>

8. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Fund £
Fund Balances as at 31 March 2012 are represented by:	
Tangible fixed assets	2,093
Current liabilities	(45,590)
Total Net Liabilities	<u>(43,497)</u>

9. STAFF COSTS AND DIRECTORS' REMUNERATION

	2012 £	2011 £
Wages and salaries	76,065	79,409
Social security costs	8,110	8,582
	<u>84,175</u>	<u>87,991</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 (2011 – 3).

REFORM SCOTLAND NOTES ON THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MARCH 2012

10. NET INCOMING/(OUTGOING) RESOURCES

	2012 £	2011 £
This is stated after charging:		
Depreciation	1,871	1,871
Auditor's remuneration	2,340	800
	<u>4,211</u>	<u>2,671</u>

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

11. FINANCIAL COMMITMENTS	2012	2011
	£	£
Property		
Operating leases which expire in:		
Less than one year	15,408	15,408
	<hr/>	<hr/>

12. 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.

13. TAXATION

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

14. RELATED PARTY TRANSACTIONS

The following directors made donations to Reform Scotland during the year to 31 March 2012:

B Thomson £43,000; Dan Macdonald £20,000; Alex Hammond-Chambers (appointed 12/01/2012) £1,500.

During the year, Ben Thomson received £104 and Petra Biberbach received £194 as reimbursement of expenses.

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