

Newbattle Abbey College
(A company limited by guarantee)

Financial statements
Registered number SC262968
Charity number SC035294
31 July 2019

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Report of the Board of Directors for the year ended 31 July 2019

1 Mission

To be a national residential learning community which:

- Promotes lifelong learning
- Raises aspirations
- Supports learners in transition
- Enables learners to change their lives

2 Statutory background

The college was established in the Trust Deed granted by The Most Honourable Philip Kerr, Marquess of Lothian, Companion of Honour, dated 8 March 1937.

The Trust is administered by seven trustees whose number includes the Principals of the Universities of Aberdeen, Edinburgh, St Andrews and Glasgow.

The ultimate management of the college is vested in the governing body ("the Directors").

On 1 August 2004, the entire assets and liabilities of the college were transferred to a charitable company, limited by guarantee, which was incorporated on 5 February 2004 and the Registrar of Companies has given permission to omit the word "limited" from the company name. The college is governed by a Memorandum and Articles of Association and has been granted charitable status by HM Inspector of Taxes, Scottish Charity Number 035294.

3 Financial objectives and review for the period

The college's financial objective is to generate resources to fulfil its mission statement, resource its estates strategy and improve and expand education provision to its students. The financial statements have been prepared in line with the principles and guidance set out in the Statement of Recommended Practice, Accounting for Further and Higher Education.

The college's Statement of comprehensive income for the financial period shows a deficit of £357,190 (2017/18: surplus of £288,454). Income for the period is £1,821,923 (2017/18: £1,640,015).

Staff costs of £1,231,572 (2017/18: £1,091,027) accounted for 59% (2017/18: 65%) of the total expenditure of £2,073,513 (2017/18: £1,699,561). Other operating expenses of £775,865 (2017/18: £547,655) accounted for a further 37% (2017/18: 33%) of expenditure.

The table below shows the Adjusted Operating Position which is intended to reflect the underlying operating performance after allowing for one-off or distorting items required by the SORP or other items out with the control of the College.

	2018/19 £	2017/18 £
(Deficit) before other gains and losses	(251,590)	(59,546)
Add back:		
Depreciation (net of deferred capital grant release) on both government funded and privately funded assets	13,334	7,945
Pension adjustment – Net service cost	134,000	83,000
Deduct:		
Pension adjustment – Net interest income	(20,000)	(12,000)
Adjusted operating surplus/(deficit)	(124,256)	19,399

Report of the Board of Directors *(continued)* *for the year ended 31 July 2019*

4 Background

As a small national specialist college, Newbattle Abbey College sought, through the period of these accounts, to develop its distinctive national profile, whilst also addressing regional outcomes.

As Scotland's national adult education residential college, we provide a high standard of education to our local community and the wider communities across Scotland and the UK. Unique in our approach, we offer extensive support and opportunities to adults returning to education and to younger learners at points of transition.

College activities for 2018/19 should be consistent with Scottish Government priorities, including:

- Developing the Young Workforce
- Post-16 Education (Scotland) Act/Opportunities for All
- Curriculum for Excellence
- National Gaelic Language Plan

5 Efficient and sustainable

We have reviewed and aligned our governance arrangements with the *Code of Good Governance for Scotland's Colleges*. We currently have 16 Board members (63% male: 37% female).

The full Board of Directors met at least five times during 2018-19 and each of its Committees had a minimum of three scheduled meetings. The Committees are: Chairs, Audit, Learning & Teaching, Planning & Resource and Remuneration. The Board undertook an annual evaluation process, including Board and Sub-Committee self-evaluations.

During 2018-19 the financial strategy for Newbattle Abbey College focused on financial security, with 47% of college income provided by the Scottish Funding Council (SFC) for the development and delivery of the curriculum. For the first time, the college received capital funding (£97,316) from the SFC as a contribution backlog and lifecycle maintenance work in the building. SFC have confirmed there will be additional funding in 2019-20 to meet further essential maintenance. The college Trustees have committed funding for 2019-20 to upgrade the residencies.

Diversification of income to strengthen financial stability was a key objective for 2018-19. This involved the development of the college's commercial activities, which include conference and training, and a Business Park, which houses 40 SMEs. The partnership with OSCARS International, which had provided 19% of the college's income in 2017-18, ended. A new contract was signed with another language school, International House, during 2018-19. Due to the timing of completion of the new contract, income for 2018-19 reduced to 6% of the college's income. This partnership will continue to be developed during 2019-20, together with other commercial activities.

The development of a college business plan and estates strategy, in partnership with the College Trustees, is ongoing. Options for wider estate development are being explored in partnership with the College Trustees.

6 High Quality and Efficient Learning

During the period of these accounts, Newbattle Abbey College has engaged fully with Education Scotland and the SFC to implement the Quality Framework as part of the arrangements for assuring and improving the quality of provision delivered by Scotland's colleges. As part of this programme, an Evaluative Report and Enhancement Plan were submitted to SFC and Education Scotland in October 2019.

Report of the Board of Directors *(continued)* *for the year ended 31 July 2019*

6 High Quality and Efficient Learning *(continued)*

Our 2018-19 curriculum was designed to promote access and inclusion. The SFC supported the following courses:

- 1 year full-time Access to HE Arts & Social Sciences (SCQF Level 6)
- 1 year full-time Access to HE/NC Celtic Studies (SCQF Level 6)
- 1 year full-time Access to HE Primary Education (SCQF Level 6)
- 1 year full-time National Certificate in Rural Skills (SCQF Level 4)
- 6 month Preparation for FE Course (SCQF Level 4), delivered in partnership with Midlothian Council

In addition, in collaboration with a range of local and national partners, we offered:

- 1 year full-time HNC Social Sciences Course (SCQF Level 7), an Associate Student Scheme delivered in partnership with Queen Margaret University (QMU)
- Adult Achievement Awards, available at SCQF Levels 3, 4 and 6
- Forest and Outdoor Learning Awards, available at SCQF 2-6 and 8
- Short courses in Rural Skills and Gaelic language, delivered in partnership with Midlothian Council and City of Edinburgh Council

The college plays a strategic national role in promoting adult learning through extensive collaboration with a wide range of partners to promote inclusion and progression. We play a strategic role in the Adult Learning Strategic Forum and co-chair its Access and Participation sub-group. The college has hosted seven national conferences to promote the development of adult learning.

The college continued to develop the Adult Achievement Awards, a unique development in Europe. The awards offer accreditation to learners with few or no qualifications. Over 400 adults across Scotland have been involved. The college was awarded £50,000 by Education Scotland for 2018-19 to roll out the awards nationally following the pilot phase. This funding has enabled the development of the awards to continue. Further funding is being sought for 2019-20.

We worked with key organisations to develop our role as a Forest College. This provides creative outdoor learning opportunities with national accreditation for adults and young people. It is socially inclusive and offers multiple learning and training opportunities to people of all ages. The college has developed the Forest and Outdoor Learning Awards (FOLAs), a new initiative in outdoor learning, as part of the Forest College programme. The awards have been credit-rated at levels 2-6 and 8 on the Scottish Credit and Qualifications Framework (SCQF). Funding from the Green Infrastructure Community Engagement Fund has enabled the recruitment of staff to support the development of the Forest College Programme and the maintenance of the woodland. We were also awarded funding over three years received from Midlothian Council to support the project.

The college makes a significant contribution to local community planning and our curriculum reflects local economic needs. We are key members of Midlothian Community Planning Partnership sub groups, including Developing Midlothian's Young Workforce and ELM (Employment and Learning Midlothian). Partnership with Midlothian Social Work Department has developed accredited progression pathways for adult offenders. We support the East Lothian Adult Learning Partnership and contribute to Scottish Historic Building Trust's programme in Edinburgh city centre. In response to Developing the Young Workforce (DYW), we delivered a second Rural Skills Course, in partnership with SRUC, and extended transition programmes for S2, S3 and S4 pupils at local high schools.

Report of the Board of Directors *(continued)* *for the year ended 31 July 2019*

6 High Quality and Efficient Learning *(continued)*

Our SFC credit outcome for 2018-19 was 1148. 27 students enrolled on the HNC course, 11 undertook the additional Rural Skills course, delivered by SRUC at Newbattle, and 195 completed the Adult Achievement Awards. We improved retention and progression in almost all courses. Our Extended Learning Support strategy, including enhanced support for care-experienced students, contributed to our improved PIs. The college achieved almost all of the 2018-19 OA Outcomes and Targets.

Following strategic planning with the Board, teaching staff and stakeholders, we will continue to develop our Forest College, offering our FOLAs to learners of all ages across Scotland. With support from Education Scotland, our AAAs will be rolled out across the country. These developments will enhance access and progression, improve employability and extend employer links.

The Strategic Plan 2016-2020 '*Ambitions for the Future*' indicates the future direction of the college, as endorsed by the Newbattle Abbey College Board of Directors. Building on our strengths, our strategic intentions will deliver opportunities through:

- Extending access for adult learners seeking to improve their life chances and lifelong learning prospects
- Successful delivery of learner destination, growth and diversification
- High standards of corporate governance and continuous improvement

7 Principal risks and uncertainties

The board have assessed that the following constitute key risks to the college:

- Reduction in Government funding.
- Failure to secure sufficient capital funding to provide necessary facilities for planned curriculum growth.
- Failure to meet planned student recruitment targets.

8 Employment of disabled person and equality of opportunity

The college is an equal opportunities employer. Our success in a highly competitive environment depends on our students and staff and the development of their skills and abilities.

We are committed to equality of opportunity and ensuring that all legislative requirements are met. Applicants and existing employees are treated fairly and there is no discrimination on grounds of disability, sex, marital status, religion, colour, race, gender, sexual orientation or ethnicity.

All employees have a responsibility to apply this principle in practice.

9 Information for and consultation with employees

There are regular consultation meetings with staff. To enhance communication, the Principal meets all staff on a bi-monthly basis and also offers regular updates to staff in three cross-college Quality Days.

Report of the Board of Directors *(continued)* for the year ended 31 July 2019

10 Prompt payment to suppliers

The college endeavours to comply with the CBI Prompt Payment Code of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible.

There are no matters to disclose in connection with payment under the Late Payment of Commercial Debts (Interest) Act 1998.

11 Trade Union Officials

The college did not have any employees who were Trade Union officials during the year and therefore there is no further information to disclose under the Trade Union (Facility Time Publication Requirements) Regulations 2017.

12 Professional advisors

<i>External auditors</i>	MHA Henderson Loggie
<i>Bankers</i>	Bank of Scotland
<i>Solicitors (Property)</i>	Shepherd & Wedderburn
<i>Solicitors (Other)</i>	Brodies WS
<i>Internal Auditors</i>	University of Edinburgh Internal Audit Departments

13 Board of Directors

Brian Lister OBE	Co-opted	Planning & Resource Committee Chair's Committee Learning & Teaching Committee
Dr Richard Dockrell	Nominated by University of Stirling	Learning & Teaching Committee Chair's Committee
Marian Docharty	Principal	Audit Committee Planning & Resource Committee Chair's Committee Learning & Teaching Committee
Terry Brotherstone	Co-opted	Learning & Teaching Committee
Stuart Capperault	Non-academic staff representative	
Duncan Robb	Co-opted	Planning & Resource Committee
George Archibald	The Business Partnership	Audit Committee
Professor Richard Butt	Queen Margaret University	Audit Committee
Professor Alistair Sambell	Napier University	Planning & Resource Committee
Professor Gillian Hogg	Heriot Watt University	Audit Committee
Marlene Gill	Co-opted	
Tommy Angus	University of Edinburgh	Planning Resource Committee

Report of the Board of Directors *(continued)*
for the year ended 31 July 2019

13 Board of Directors *(continued)*

Angus Donaldson	University of Aberdeen	
Pauline Sutton	Academic Staff Representative	Learning & Teaching Committee
Jean Urquhart	Co-opted	Audit Committee
Dr Dorothy Welch	University of Glasgow	Planning & Resource Committee
Pete Smith	Co-opted	Audit Committee
Kieran Munro	Midlothian Council	

Due to the nature of the college's operations and composition of its Board of Directors (being drawn from public and private sector organisations), it is inevitable that transactions may take place with organisations in which a member of the College's Board of Directors may have an interest. All transactions involving organisations in which a member of the Board of Directors may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

Transactions during the year with non-public bodies in which a member of the Board of Directors has an interest and which in aggregate exceeded £5,000 are noted below:

None

Brian Lister
Chair, Board of Directors

27 November 2019

Statement of the Board of Directors responsibilities *for the year ended 31 July 2019*

The Trustees (who are also directors of Newbattle Abbey College for the purposes of company law) are responsible for preparing the Trustees' Annual 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 principles in the Higher and Further Education Sectors 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 that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for 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

Statement to Auditors

In accordance with company law, as the company's Trustees, we certify that:

- So far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- As the Trustees of the company, we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution will be proposed at the Annual General Meeting that MHA Henderson Loggie be appointed as auditors to the charity for the ensuing year.

This report has been prepared in accordance with the 2015 Statement of Recommended Practice — Accounting for Further and Higher Education and in accordance with the provisions applicable to companies subject to the small companies' regime of the Companies Act 2006.

Brian Lister
Chair

27 November 2019

Corporate governance statement *for the year ended 31 July 2019*

Introduction

The college is committed to exhibiting best practice in all aspects of corporate governance. The college complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2019.

Board of Directors

The college's Board of Directors meet five times a year and has several committees, including a Chairs' Committee, Planning & Resource Committee, Learning & Teaching Committee, Audit Committee, and Remuneration Committee. All of these committees are formally constituted with terms of reference.

The Planning & Resource Committee meet four times a year and recommends to the Board of Directors the college's annual revenue and capital budgets, monitors performance in relation to the approved budgets and recommends to the Board of Directors staff arrangements.

The Audit Committee meet three times a year to monitor the accounting policies, internal controls and financial reporting. The duties of the Audit Committee also include keeping under review the scope and costs of audit and the nature and extent of non-audit services provided by the auditors. The auditors attend all the meetings and have direct access to the Committee Chair.

For 2018-19 the college appointed University of Edinburgh, Internal Audit Department as the college's Internal Auditors. The college's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input. They report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and external auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers full reports incorporating recommendations for the improvement of the college's systems of internal control and management's responses, implementation plans and details of remedial actions completed.

Whilst Senior Management Team members attend meetings of the Audit Committee, as necessary, they are not members of the committee.

Corporate strategy

In respect of its strategic and development responsibilities, the Board of Directors receive recommendations and advice from all of its committees and from the Senior Management Team of the college.

Corporate governance statement *(continued)* for the year ended 31 July 2019

Board's statement of internal control

The college's Governing body, the Board of Directors, is responsible for the college's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and no absolute assurance against material misstatement or loss.

The Senior Management Team receive reports setting out key performance and risk indicators for the area of work within its remit and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Audit Committee agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Directors is of a view that there is an ongoing process for identifying and managing the college's significant risk and that has been in place throughout the year ended 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Directors.

Attendance at Board and Committee Meetings

	Board	Learning & Teaching	Planning & Resources	Audit	Chairs
Brian Lister	100%	100%	100%		100%
Terry Brotherstone	100%	50%			
Richard Dockrell	100%	100%			100%
Duncan Robb	80%	100%	100%		80%
George Archibald	60%			100%	
Richard Butt	100%			25%	
Gill Hogg	100%			100%	60%
Marlene Gill	60%				
Alistair Sambell	60%		50%		
Dorothy Welch	80%		100%		
Jean Urquhart	100%			25%	
Angus Donaldson	80%				
Tommy Angus	60%		100%		
Marian Docherty	100%	100%	100%	100%	
Kieran Munro	0%				
Pete Smith				75%	
Pauline Sutton - Staff Representative	100%	100%			
Stuart Capperauld - Staff Representative	40%				

Corporate governance statement *(continued)*
for the year ended 31 July 2019

Going Concern

The Board of Directors considers that the college has adequate resources to continue in operational existence for the foreseeable future.

Brian Lister
Chair

27 November 2019

Independent auditors' report to the directors and members of Newbattle Abbey College *for the year ended 31 July 2019*

Opinion

We have audited the financial statements of Newbattle Abbey College (the 'charitable company' for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and the 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 United Kingdom Accounting Standards, including FRS 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 charitable company's affairs as at 31 July 2019 and of the 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 requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of 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 Auditor's 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company'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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

**Independent auditors' report to the directors and members of
Newbattle Abbey College** *(continued)*
for the year ended 31 July 2019

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended)

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board of Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Scottish Funding Council Accounts Direction require us to report to you if, in our opinion:

- the charitable company has not kept 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

Responsibilities of directors

As explained more fully in the Statement of the Board of Directors' Responsibilities, the directors (who are also the trustees of the charitable company for the purposes of charitable law) are 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Independent auditors' report to the directors and members of
Newbattle Abbey College** *(continued)*
for the year ended 31 July 2019

In preparing the financial statements, the directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 the Acts and relevant regulations made or having effect thereunder.

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 an auditor's report that includes 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 the 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's directors, 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 members and the charity's directors 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 charity, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.

James Davidson (Senior Statutory Auditor)
For and on behalf of MHA Henderson Loggie
Chartered Accountants
Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
11-15 Thistle Street
Edinburgh
EH2 1DF

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

November 2019

Statement of comprehensive income

for the year ended 31 July 2019

	Notes	Total 2019 £	Total 2018 £
Income			
Funding body grants	2	963,291	784,869
Tuition fees and education contracts	3	282,566	406,706
Other grants and contracts	4	148,348	98,886
Other income	5	407,704	337,433
Investment income	6	20,014	12,121
Total income		1,821,923	1,640,015
Expenditure			
Staff costs	7	1,231,572	1,091,027
Other operating expenses	8	775,865	547,655
Depreciation		65,543	60,879
Interest and other finance costs		533	-
Total expenditure		2,073,513	1,699,561
(Deficit) before other gains and losses		(251,590)	(59,546)
Actuarial gain/(loss) in respect of pension scheme	15	(108,000)	348,000
Gain on disposal of asset		2,400	-
Total comprehensive income for the year		(357,190)	288,454
Represented by:			
Restricted comprehensive income for the year		-	23,200
Unrestricted comprehensive income for the year		(357,190)	265,254
		(357,190)	288,454

The statement of comprehensive income includes all gains and losses recognised in the year. All income and expenditure included in the statement is in respect of continuing activities.

College statement of changes in reserves
for the year ended 31 July 2019

	Restricted reserve £	Unrestricted reserve £	Total reserves £
Balance at 31 July 2017	4,000	621,209	625,209
Surplus/(deficit) from the Statement of Comprehensive Income	15,962	(75,508)	(59,546)
Other comprehensive income	-	348,000	348,000
Balance at 31 July 2018	19,962	893,701	913,663
(Deficit) from the Statement of Comprehensive Income	-	(251,590)	(251,590)
Other comprehensive (expenditure)	-	(105,600)	(105,600)
Transfer between reserves	(19,962)	19,962	-
Balance at 31 July 2019	-	556,473	556,473

Balance sheet as at 31 July 2019

	Note	2019 £	2019 £	2018 £	2018 £
Non current assets					
Tangible fixed assets	9		1,091,221		1,078,591
Current assets					
Stocks	10	4,513		3,601	
Trade and other receivables	11	188,142		134,180	
Cash and cash equivalents		451		203,105	
		193,106		340,886	
Creditors: Amounts falling due within one year	12	(377,707)		(380,453)	
Net current (liabilities)			(184,601)		(39,567)
Total assets less current liabilities			906,620		1,039,024
Creditors: Amounts falling due after more than one year	13		(927,147)		(924,361)
Pension asset	15		577,000		799,000
Total net assets			556,473		913,663
Restricted reserves					
MDC SW CPO project			-		19,962
Unrestricted Reserves					
Income and expenditure account			556,473		893,701
Total reserves	14		556,473		913,663

The financial statements were approved by the Board of Directors on 27 November 2019 and signed on its behalf by:

Brian Lister
Chair

Marian Docherty
Principal

Cash flow statement

for the year ended 31 July 2019

	2019 £	2019 £	2018 £	2018 £
Cash flow from operating activities				
(Deficit)/surplus for the year		(251,590)		(59,546)
Adjustment for non-cash items				
Depreciation		65,543		60,879
(Increase) in stocks		(912)		797
(Increase)/decrease in debtors		(53,962)		56,962
Increase/(decrease) in creditors		(11,480)		4,099
Loan repayments		-		10,000
Decrease in pension asset		222,000		(277,000)
Actuarial loss/(gain) on pension scheme		(108,000)		348,000
Investment income		(14)		(121)
Net cash flow from operating activities		(138,415)		144,070
Cash flows from investing activities				
Investment income	14		121	
Purchase of fixed assets	(78,173)		(466,986)	
Proceeds on sale of assets	2,400		-	
		(75,759)		(466,865)
Cash flows from financing activities				
Repayment of amounts borrowed		-		(10,000)
(Decrease)/increase in cash and cash equivalents in the year		(214,174)		(332,795)
Cash and cash equivalents at the beginning of the year		203,105		535,900
Cash and cash equivalents at the end of the year		(11,069)		203,105
Relating to:				
Cash at bank and in hand		451		203,105
Bank overdrafts included in creditors payable within one year		(11,520)		-

Notes

for the year ended 31 July 2019

1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE/HE SORP) and in accordance with Financial Reporting Standard 102 — "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Directors Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

The recurrent grant from SFC represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Notes *(continued)*
for the year ended 31 July 2019

1. Statement of accounting policies and estimation techniques *(continued)*

Recognition of income *(continued)*

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Superannuation Scheme (Scotland) (STSS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The STSS is an unfunded scheme. Contributions to the STSS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The STSS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The STSS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive

Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Notes *(continued)*
for the year ended 31 July 2019

1. Statement of accounting policies and estimation techniques *(continued)*

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Building improvements are depreciated on a straight line basis over their expected useful lives as follows:

- Improvement to property — 4% straight line.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- computer equipment 33 1/3% straight line
- plant and machinery 10% straight line

Donated assets

Donated assets are incorporated at their current value. These assets are subsequently revalued at each year end date.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Notes *(continued)*
for the year ended 31 July 2019

1. Statement of accounting policies and estimation techniques *(continued)*

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 6% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Notes *(continued)*
for the year ended 31 July 2019

1. Statement of accounting policies and estimation techniques *(continued)*

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2017 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2019	2018
	£	£
Recurrent grant		
Scottish Funding Council	853,177	728,369
Specific grants		
Learner Support Income	7,905	3,566
Releases of government capital grants	52,209	52,934
Adult achievement award funding	50,000	-
	963,291	784,869

Notes *(continued)*
for the year ended 31 July 2019

3 Tuition fees and education contracts

	2019 £	2018 £
Further education	282,566	406,706

4 Other grants and contracts

	2019 £	2018 £
Gaelic Development	4,009	18,468
Project income	75,000	-
MDC SW CPO project	2,667	16,000
GLAIF income	8,730	7,200
SEC Rural Skills School project	-	5,425
Forest College	42,324	39,793
SRU Oatridge Campus	-	4,000
National Adult Learning Conference	-	8,000
Literally at Newbattle	9,618	-
Trustee project income	6,000	-
	148,348	98,886

5 Other income

	2019 £	2018 £
Board and accommodation	76,328	77,848
Catering income	9,103	2,146
Rental income	189,196	173,578
Other income	133,077	83,861
	407,704	337,433

6 Investment income

	2019 £	2018 £
Other investment income	14	121
Net return on pension liability (Note 15)	20,000	12,000
	20,014	12,121

Notes *(continued)*
for the year ended 31 July 2019

7 Staff costs

The average number of persons (including key management personnel) employed by the College during the year was

	2019 No	2018 No
Learning & Teaching	17	17
Administration & other	16	16
Adult Achievement Awards	1	-
Forest College	2	1
Facilities	3	3
Housekeeping	4	7
Catering	9	10
	52	54

Staff costs for the above persons

	2019 £	2018 £
Wages and salaries	892,201	823,617
Social security costs	68,744	58,887
Other pension costs	136,627	125,523
Pension cost (note 15)	134,000	83,000
	1,231,572	1,091,027

Analysed:

	2019 £	2018 £
Learning & Teaching	305,647	291,366
Administration & other	413,488	417,182
Adult Achievement Awards	29,879	-
Forest College	49,610	4,708
Facilities	96,172	94,322
Housekeeping	72,161	70,758
Catering	131,615	129,691
Pension cost (note 15)	134,000	83,000
	1,231,572	1,091,027

Notes *(continued)*
for the year ended 31 July 2019

7 Staff costs *(continued)*

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Principal, Depute Principal and Business & Resource Manager. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2019 No	2018 No
The number of key management personnel was	3	3

Key management personnel compensation is made up as follows:

	2019 £	2018 £
Salaries	161,075	158,948
Employer's National Insurance	18,785	18,524
Employer's pension contributions	28,510	28,844
Total key management personnel compensation	208,370	206,316

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel	
	2019 No	2018 No
£60,001 to £70,000 p.a.	1	1

Senior Post-holder's emoluments

	2019 £	2018 £
Principal – salary – gross	67,246	57,917
Employer's pension contributions	11,604	9,962
	78,850	67,879

Notes *(continued)*
for the year ended 31 July 2019

7 Staff costs *(continued)*

There were no amounts due to key management personnel that were unclaimed in the year, nor any salary sacrifice arrangements in place.

The Directors other than the staff members did not receive any payment from the institution other than reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 Other operating expenses

	2019 £	2018 £
Teaching costs	14,940	16,856
Residences and catering	95,273	93,564
Premises costs	335,296	214,156
Administration and central services	330,356	223,079
	775,865	547,655
Other operating expenses include:		
	2019 £	2018 £
Auditors' remuneration – external audit	10,019	13,120
Internal audit	-	1,880
	10,019	15,000

Notes (continued)
for the year ended 31 July 2019

9 Tangible fixed assets

	Improvements to property £	Plant and machinery £	Computers £	Donated assets £	Total £
Cost or valuation					
At 1 August 2018	1,476,822	81,466	202,929	12,220	1,773,437
Additions	51,237	24,808	2,128	-	78,173
Disposals	-	(11,150)	-	-	(11,150)
At 31 July 2019	1,528,059	95,124	205,057	12,220	1,840,460
Depreciation					
At 1 August 2018	422,031	57,666	202,929	12,220	694,846
Charge for year	61,122	4,066	355	-	65,543
Disposals	-	(11,150)	-	-	(11,150)
At 31 July 2019	483,153	50,582	203,284	12,220	749,239
Net book value					
At 31 July 2019	1,044,906	44,542	1,773	-	1,091,221
At 31 July 2018	1,054,791	23,800	-	-	1,078,591

Included within improvements to property are costs in relation to work carried out on the building which the college occupies. The building is owned by Newbattle Abbey College Trust but as the college benefit from the use of the building the costs have been capitalised.

10 Stocks

	2019 £	2018 £
Stocks (fuel, stationery and foodstuffs)	4,513	3,601

11 Debtors: amounts falling due within one year

	2019 £	2018 £
Amounts falling due within one year:		
Trade receivables	99,267	50,040
Prepayments and accrued income	87,738	77,929
Sundry debtors	1,137	3,013
VAT receivable	-	3,198
	188,142	134,180

Notes *(continued)*
for the year ended 31 July 2019

12 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade payables	141,315	103,935
Accruals	77,750	39,039
Other taxation and social security	22,001	16,502
Sundry creditors	18,967	15,462
Deferred income	29,871	142,581
Deferred income- Government capital grants	50,219	52,934
Newbattle Abbey College Trust	20,000	10,000
VAT payable	1,652	-
HP creditor	4,412	-
Bank overdraft	11,520	-
	<u>377,707</u>	<u>380,453</u>

13 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Newbattle Abbey College Trust – Loan	22,832	32,832
Deferred income- Government capital grants	891,812	891,529
HP creditor	12,503	-
	<u>927,147</u>	<u>924,361</u>

Analysis of maturity of loan:

	2019 £	2018 £
Amounts falling due:		
Within one year	10,000	10,000
In one to two years	10,000	10,000
In two to five years	22,832	22,832
	<u>42,832</u>	<u>42,832</u>

Notes (continued)
for the year ended 31 July 2019

14 Reserves

	1 August 2018 £	Income £	Expenditure £	Transfers £	31 July 2019 £
Restricted reserves					
Midlothian Council – CPO project	19,962	-	-	(19,962)	-
	19,962	-	-	(19,962)	-
Unrestricted reserves					
Income and Expenditure account	893,701	1,821,923	(2,179,113)	19,962	556,473
Total reserves	913,663	1,821,923	(2,179,113)	-	556,473

15 Pension commitments

The College's employees belong to one of two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Local Government Pension Scheme (Scotland). STSS is managed by Scottish Public Pensions Agency (SPPA). The Local Government Pension Scheme (Scotland) (LGPS) to which the College is an admitted body is Lothian Pensions Fund (LPF). Both STSS and LGPS are pension schemes of the defined benefit type. The assets of the LPF scheme are held in a separate, trustee-administered fund. The STSS scheme is a notional fund and there are specific regulations regarding the basis on which the actuarial valuation should be carried out. These regulations include the requirement that any deficit should be funded by a supplementary contribution over a 40-year period.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuations of the schemes were at 31 March 2017 (STSS and LPF).

Notes *(continued)*
for the year ended 31 July 2019

15 Pension commitments *(continued)*

Pension contributions for current employees are charged to the income and expenditure account in the year in which they are incurred. The total pension cost for the year was:

	2019 £000	2018 £000
Contributions to STSS	49	38
Contributions to LPF	88	88
	137	126

Based on the data provided and other factors such as improvements to benefits, actuaries have advised the following contribution rates:

	STSS	LPF
2018/2019		
1 August 2018 – 31 March 2019	17.2%	18.9%
1 April 2019 – 31 July 2019	17.2%	18.9%
2017/2018		
1 August 2017 – 31 March 2018	16.6%	18.9%
1 April 2018 – 31 July 2018	16.6%	18.9%

Scottish Teachers' Superannuation Scheme (Teaching Staff)

The STSS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

Under the definitions set out in FRS 102 (28.11), the STSS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities on the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of anticipated contribution areas.

Local Government Pension Scheme (Administrative Staff)

The Lothian Pension Fund is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2019 was £121,000 (2018 - £123,000) of which employer's contributions totalled £88,000 (2018 - £88,000) and employees' contributions totalled £28,000 (2018 - £29,000). The agreed contribution rates for future years are 18.9% to 31 March 2021 and between 5.5% to 11.2% for employees.

Notes *(continued)*
for the year ended 31 July 2019

15 Pension commitments *(continued)*

Principal Actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 updated to 31 July 2019 by a qualified independent actuary:

	2019 % p.a.	2018 % p.a.
Inflation/Pension increase rate	2.5	2.4
Salary increase rate	4.2	4.1
Discount rate	2.1	2.7

Life expectancy is based on the Fund's Vita Curves assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years

The net pension asset was:

	2019 £000	2018 £000
Estimated employer assets	4,187	3,774
Present value of scheme liabilities	(3,610)	(2,975)
Net pension asset	577	799

Notes *(continued)*
for the year ended 31 July 2019

15 Pension commitments *(continued)*

Reconciliation of fair value of scheme assets:

	2019 £000	2018 £000
Opening fair value of scheme assets	3,774	3,465
Expected return on assets	102	90
Contributions by members	28	29
Contributions by employer	93	94
Actuarial gains/(losses)	283	193
Estimated benefits paid	(93)	(97)
	4,187	3,774

Reconciliation of defined benefit obligation:

	2019 £000	2018 £000
Opening defined benefit obligation	2,975	2,943
Current service cost	176	177
Past service cost	51	-
Interest cost	82	78
Contributions by members	28	29
Actuarial losses/(gains)	391	(155)
Estimated benefits paid	(93)	(97)
	3,610	2,975

History of experience gains and losses for the years ended 31 July:

	2019 £000	2018 £000
Scheme assets	4,187	3,774
Defined benefit obligations	(3,610)	(2,975)
Surplus	577	799
Experience adjustments on scheme assets	283	193
Experience adjustments on scheme liabilities	(391)	155

Notes *(continued)*
for the year ended 31 July 2019

15 Pension commitments *(continued)*

Analysis of the amount charged to staff costs (Note 7):

	2019 £000	2018 £000
Current service costs	176	177
Past service cost	51	-
Total operating charge	227	177
Less: Contributions paid	(93)	(94)
Current service cost provision	134	83

Amount charged to operating costs (Note 6):

	2019 £000	2018 £000
Expected return on employer assets	102	90
Interest on pension scheme liabilities	(82)	(78)
Net cost of financing and assets	20	12

Analysis of the amount recognised in the Statement of Comprehensive Income

	2019 £000	2018 £000
Changes in value of scheme assets: Actuarial gains	283	193
Changes in defined benefit obligations: Actuarial (losses)/gains	(391)	155
Actuarial (loss)/gain recognised in Statement of Comprehensive Income	(108)	348

Movement in surplus during the year:

	2019 £000	2018 £000
Surplus at beginning of year	799	522
Movement in year:		
Current service cost	(176)	(177)
Past service cost	(51)	-
Employer contributions	93	94
Net return on financing and assets	20	12
Actuarial gain	(108)	348
Surplus at end of year	577	799

The estimated employer's contributions for the year to 31 July 2020 are £ 88,000.

Notes (continued)
for the year ended 31 July 2019

16 Related party transactions

Owing to the nature of the College's operations and the composition of the board of directors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of directors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

No director has received any remuneration or waived payments from the College during the year (2018 - £Nil).

The total expenses paid to or on behalf of the directors during the year was £1,582; 2 governors (2018: £2,259; 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending director meetings and events in their official capacity.

Included in creditors is a loan from The Newbattle Abbey College Trust of £42,832 (2018 - £42,832). During the year, payments of £ nil were made towards the loan balance (2018 - £10,000).

During the year £111,776 (2018: £85,635) of tuition fees were received from Queen Margaret University. Professor Richard Butt, a Trustee of the College, is Deputy Principal of the University.

17 Operating leases

Total future minimum lease payments under non-cancellable operating leases for each of the periods are as follows:

	2019 £	2018 £
Less than one year	973	973
In two to five years	1,217	1,947
Total	<u>2,190</u>	<u>2,920</u>

18 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortized cost	<u>100,404</u>	<u>53,053</u>
Carrying amount of financial liabilities measured at amortised cost	<u>309,298</u>	<u>201,268</u>

Notes *(continued)*
for the year ended 31 July 2019

19 Bursaries and other student support funds

	Year ended 31 July 2019				Year ended 31 July 2018
	FE Bursary £	EMAs £	Other £	Total £	Total £
Balance brought forward	-	-	-	-	-
Allocation received in year	222,678	1,140	25,000	248,818	233,795
Expenditure	(256,290)	(1,140)	(18,342)	(275,772)	(242,844)
Repaid to Funding body as clawback	(10,142)	-	-	(10,142)	-
College contribution to funds	38,666	-	-	38,666	9,049
Virements	5,088	-	(5,088)	-	-
Balance carried forward	-	-	1,570	1,570	-
Represented by:					
Repayable to Funding body as clawback	-	-	1,570	1,570	-
Retained by College for students	-	-	-	-	-

20 Post balance sheet events

There have been no post balance sheet events requiring disclosure.

21 Contingent liability

There are no known contingent liabilities and consequently no financial provision has been made in these financial statements.

22 Capital and financial commitments

There were no known commitments at the year-end.

