

**Company No; SC262968**

**Charity No; SC035294**

**NEWBATTLE ABBEY COLLEGE**

**(A company limited by guarantee)**

**FINANCIAL STATEMENTS**

**For the year ended 31 July 2018**

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**NEWBATTLE ABBEY COLLEGE**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

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**NEWBATTLE ABBEY COLLEGE  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31 JULY 2018**

**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 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 customers.

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 £59,546 (2016/17 – Surplus - £24,332).

Income for the period is £1,640,015 (2016/17 - £1,636,580).

Staff costs of £1,091,027 (2016/17 - £1,001,727) accounted for 65% (2016/17 - 62%) of the total expenditure of £1,699,561 (2016/17 - £1,612,248). Other operating expenses of £547,655 (2016/17 £568,031) accounted for a further 33% (2016/17 – 35%) of expenditure.

**NEWBATTLE ABBEY COLLEGE  
REPORT OF THE BOARD OF DIRECTORS (Continued)  
FOR THE YEAR ENDED 31 JULY 2018**

**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 2017-18 sought 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 2017-18 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 2017-18 the financial strategy for Newbattle Abbey College focused on financial security, with 45% of college income provided by the Scottish Funding Council (SFC) for the development and delivery of the curriculum. This was challenging as no regular grant support is currently available for the maintenance and upkeep of the college's 125 acre heritage estate and main house. SFC have confirmed there will be additional funding in 2018-19 to meet essential maintenance.

Diversification of income to strengthen financial stability was a key objective for 2017-18. 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 provided 19% of the college's income, through the annual summer contract and an off-season contract. This contract is under review, and the college is exploring other options. The college's commercial activities and language school partnership will continue to be developed in 2018-19.

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 and Midlothian Council during 2018-19.

**NEWBATTLE ABBEY COLLEGE  
REPORT OF THE BOARD OF DIRECTORS (Continued)  
FOR THE YEAR ENDED 31 JULY 2018**

**6 High Quality & Efficient Learning**

During the period of these accounts, Newbattle Abbey College has engaged fully with Education Scotland and the SFC to implement the new Quality Framework as part of the arrangements for assuring and improving the quality of provision delivered by Scotland's colleges. This work is ongoing, with an Evaluative Report and Enhancement Plan to be submitted to SFC and Education Scotland in October 2018.

Our 2017-18 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 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
- 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 National forum for Adult Learning and co-chair its Access and Participation sub-group. The college has hosted five 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, and 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.

We worked with key organisations to develop our role as a Forest College. This will provide 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 will pilot 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) and will run from August 2018. The College Trustees donated £34,000 to support this development, and we were also successful in a bid to the Green Infrastructure Community Engagement Fund.

**NEWBATTLE ABBEY COLLEGE  
REPORT OF THE BOARD OF DIRECTORS (Continued)  
FOR THE YEAR ENDED 31 JULY 2018**

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 co-chair 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.

Our SFC credit outcome for 2017-18 was 1190. 24 students enrolled on the HNC course, 12 undertook the additional Rural Skills course, delivered by SRUC at Newbattle, and 400 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 2017-18 OA Outcomes and Targets.

Following strategic planning with the Board, teaching staff and stakeholders, we plan to offer an additional HNC in Primary Education in partnership with QMU in September 2018. We will continue to develop our Forest College, offering our new 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 2016-2010 '*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 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.

**NEWBATTLE ABBEY COLLEGE  
REPORT OF THE BOARD OF DIRECTORS (Continued)  
FOR THE YEAR ENDED 31 JULY 2018**

**8 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.

**9 Prompt Payments 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.

**10 Professional Advisors**

External Auditors	Wylie & Bisset LLP
Bankers	Bank of Scotland
Solicitors (Property)	Shepherd & Wedderburn
Solicitors (Other)	Brodies WS
Internal Auditors	University of Edinburgh Internal Audit Department

**NEWBATTLE ABBEY COLLEGE  
REPORT OF THE BOARD OF DIRECTORS (Continued)  
FOR THE YEAR ENDED 31 JULY 2018**

**11 Board of Directors**

		<b>Committee Served</b>
Brian Lister OBE	Co-opted	Planning & Resource Committee Chairs' Committee Learning & Teaching Committee
Dr Richard Dockrell	Nominated by University of Stirling	Learning & Teaching Committee Chairs' Committee
Marian Docharty	Principal	Audit Committee Planning & Resource Committee Chairs' Committee Learning & Teaching Committee
Terry Brotherstone	Co-opted	Learning & Teaching Committee
Stuart Capperauld	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
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
Stacy Gledhill (Appointed 29/11/2017, Resigned 20/06/2018)		

**NEWBATTLE ABBEY COLLEGE  
REPORT OF THE BOARD OF DIRECTORS (Continued)  
FOR THE YEAR ENDED 31 JULY 2018**

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

Signed: Brian Lister  
Chair, Board of Directors

Date: 29 November 2018

## **NEWBATTLE ABBEY COLLEGE STATEMENT OF THE BOARD OF DIRECTORS RESPONSIBILITIES**

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.

**NEWBATTLE ABBEY COLLEGE**  
**STATEMENT OF THE BOARD OF DIRECTORS RESPONSIBILITIES (Continued)**

**Auditors**

A resolution will be proposed at the Annual General Meeting that Henderson & Loggie LLP 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 – Account 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.

Chair \_\_\_\_\_ Date 29<sup>th</sup> November 2018

Brian Lister

# **NEWBATTLE ABBEY COLLEGE CORPORATE GOVERNANCE STATEMENT**

## **INTRODUCTION**

The college is committed to exhibition best practice in all aspects of corporate governance.

This summary describes the manner in which the college applies the principles set out in the UK Corporate Governance Code 2010. Throughout the period ended 31 July 2018, the College has been in compliance with all the Code provisions set out in the UK Corporate Governance Code 2010 in so far as they relate to the college. Its purposes is to help the reader of the accounts understand how the principles have been applied. In the opinion of the Board, the college complies with all the provision of the Combined Code, in so far as they apply to the Scottish College Sector, and it has complied throughout the year to 31 July 2018.

## **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 formal constituted with terms of reference.

The Planning & Resource Committee meets 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 meets 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 2017-18 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, and 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 on 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 receives recommendations and advice from all of its committees and Senior Management Team of the college.

**NEWBATTLE ABBEY COLLEGE  
CORPORATE GOVERNANCE STATEMENT (Continued)**

**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 receives 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 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Directors.

**Going Concern**

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

Chair \_\_\_\_\_

Brian Lister

29 November 2018  
Date \_\_\_\_\_

**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS AND MEMBERS OF  
NEWBATTLE ABBEY COLLEGE  
FOR THE YEAR ENDED 31 JULY 2018**

**Opinion**

We have audited the financial statements of Newbattle Abbey College (the 'charitable company') for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2018, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2016; Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity'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 trustees' report and financial statements, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not

**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS AND MEMBERS OF  
NEWBATTLE ABBEY COLLEGE  
FOR THE YEAR ENDED 31 JULY 2018**

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. 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**

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

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have 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 strategic or the directors report included within the trustees' report.

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

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; 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.

**Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 8, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going

**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS AND MEMBERS OF  
NEWBATTLE ABBEY COLLEGE  
FOR THE YEAR ENDED 31 JULY 2018**

concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity 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 Act and relevant regulations made or having effect thereunder. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the charitable company's members, trustees, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's members and trustees 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, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Ross McLauchlan BAcc CA (Senior Statutory Auditor)  
For and on behalf of Wylie & Bisset LLP, Statutory Auditor  
168 Bath Street  
Glasgow  
G2 4TP

*29 November 2018*

Wylie & Bisset LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment of auditor of a company under section 1212 of the Companies Act 2006.

**NEWBATTLE ABBEY COLLEGE**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2018**

		<b>Total 2018 £</b>	<b>Total 2017 £</b>
<b>Income</b>	<b>Notes</b>		
Funding body grants	<b>2</b>	784,869	839,728
Tuition fees and education contracts	<b>3</b>	406,706	401,505
Other grants and contracts	<b>4</b>	98,886	47,720
Other income	<b>5</b>	337,433	338,514
Investment Income	<b>6</b>	12,121	9,113
<b>Total Income</b>		<u>1,640,015</u>	<u>1,636,580</u>
<b>Expenditure</b>			
Staff Costs	<b>7</b>	1,091,027	1,001,727
Other operating expenses	<b>8</b>	547,655	568,031
Depreciation		60,879	42,490
<b>Total Expenditure</b>		<u>1,699,561</u>	<u>1,612,248</u>
Surplus/(deficit) before other gains and losses		(59,546)	24,332
Actuarial gain in respect of pension scheme	<b>17</b>	348,000	192,000
<b>Total comprehensive income for the year</b>		<u>288,454</u>	<u>216,332</u>
<b>Represented by:</b>			
<b>Restricted comprehensive income for the year</b>		23,200	54,175
<b>Unrestricted comprehensive income for the year</b>		265,254	162,157
		<u>288,454</u>	<u>216,332</u>

NEWBATTLE ABBEY COLLEGE

COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2018

	<b>Income &amp; Expenditure Account £</b>	<b>Total £</b>
<b>Balance at 31<sup>st</sup> July 2016</b>	<u>408,877</u>	<u>408,877</u>
Surplus from the income and expenditure account	24,332	24,332
Other Comprehensive Income	<u>192,000</u>	<u>192,000</u>
Total Comprehensive income for the year	<u>216,332</u>	<u>216,332</u>
<b>Balance at 31<sup>st</sup> July 2017</b>	<u>625,209</u>	<u>625,209</u>
Deficit from the income and expenditure account	(59,546)	(59,546)
Other Comprehensive Income	<u>348,000</u>	<u>348,000</u>
Total Comprehensive income for the year	<u>288,454</u>	<u>288,454</u>
<b>Balance at 31<sup>st</sup> July 2018</b>	<u><u>913,663</u></u>	<u><u>913,663</u></u>

**NEWBATTLE ABBEY COLLEGE  
BALANCE SHEET AS AT 31 JULY 2018**

	<b>Notes</b>	<b>2018</b> £	<b>2017</b> £
<b>Non-current assets:</b>			
Tangible Fixed Assets	<b>9</b>	1,078,591	672,484
<b>Current Assets:</b>			
Stocks	<b>10</b>	3,601	4,398
Trade and other receivables	<b>11</b>	134,180	191,142
Cash and cash equivalents		203,105	535,900
		<u>340,886</u>	<u>731,440</u>
<b>Creditors:</b>			
Amounts falling due within one year	<b>12</b>	(380,453)	(753,797)
<b>Net Current (Liabilities)</b>		<u>(39,566)</u>	<u>(22,357)</u>
<b>Total assets less current liabilities</b>		<b>1,039,024</b>	<b>650,127</b>
<b>Creditors:</b>			
Amount falling due after more than one year	<b>13</b>	(924,361)	(546,918)
<b>Pension Asset</b>		799,000	522,000
<b>Total net assets</b>		<u><b>913,663</b></u>	<u><b>625,209</b></u>
<b>Restricted Reserves</b>			
MDC SW CPO Project		19,962	4,000
		<u>19,962</u>	<u>4,000</u>
<b>Reserves</b>			
Income and expenditure account		893,701	621,209
<b>Total Reserves</b>	<b>16</b>	<u><b>913,663</b></u>	<u><b>625,209</b></u>

The financial statements were approved by the Board of Directors on 29 November 2018 and signed on its behalf by:

**Brian Lister**  
Chair

**Marian Docharty**  
Principal

**NEWBATTLE ABBEY COLLEGE**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2018**

	Notes	2018 £	2017 £
<b>Cash flow from operating activities</b>			
(Deficit)/surplus for the year		(59,546)	24,332
<b>Adjustment for non-cash items</b>			
Depreciation		60,879	42,489
(Increase) in stocks		797	(57)
(Increase)/decrease in debtors		56,962	(89,274)
Increase/ (decrease) in creditors		4,099	416,357
Loan repayments		10,000	-
Pensions costs less contributions payable		71,000	63,000
Investment Income		(12,121)	(9,113)
<b>Net cash flow from operating activities</b>		<u>132,070</u>	<u>447,734</u>
			-
<b>Cash flows from investing activities</b>			
Investment income		12,121	9,113
Purchase of Fixed Assets		(466,986)	
		<u>(454,865)</u>	<u>9,113</u>
<b>Cash flows from financing activities</b>			
Repayment of amounts borrowed		(10,000)	-
		<u>(10,000)</u>	<u>-</u>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<u>(332,795)</u>	<u>456,847</u>
Cash and cash equivalents at the beginning of the year		535,900	79,053
Cash and cash equivalents at the end of the year		203,105	535,900

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**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.

**Transition to the 2015 FE HE SORP**

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. No restatements were required.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

**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.

The College currently has cash and cash equivalents of £203,105, which includes a deferred capital grant of £52,934.39, and £42,832 of loans outstanding to Newbattle Abbey Trust. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility for the foreseeable future.

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.

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**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.

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.

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**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.

**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.

**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.

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

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 15% 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.

**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.

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**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 2014 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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.

		<b>2018</b>	<b>2017</b>
		£	£
<b>2.</b>	<b>FUNDING BODY GRANTS</b>		
	<b>Recurrent Grant</b>		
	Scottish Funding Council	728,369	689,906
	<b>Specific Grants</b>		
	Learner Support Income	3,566	117,232
	Releases of government capital grants	52,934	32,590
	Total	<u>784,869</u>	<u>839,728</u>
		<b>2018</b>	<b>2017</b>
		£	£
<b>3.</b>	<b>TUITION FEES AND EDUCATION CONTRACTS</b>		
	Further education – Home and EU	406,706	401,505
	Total	<u>406,706</u>	<u>401,505</u>

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

	<b>2018</b>	<b>2017</b>
	£	£
<b>4. OTHER GRANTS AND CONTRACTS</b>		
Gaelic Development	18,468	31,202
Other Grants	-	1,037
MDC SW CPO Project	16,000	8,000
GLAIF Income	7,200	-
SEC Rural Skills School Project	5,425	5,477
Forest College	39,793	-
SRUC Oatridge Campus	4,000	2,004
National Adult Learning Conference	8,000	-
Total	<u>98,886</u>	<u>47,720</u>

	<b>2018</b>	<b>2017</b>
	£	£
<b>5. OTHER INCOME</b>		
Board and accommodation	77,848	82,593
Catering income	2,146	-
Rental income	173,578	174,318
Other income	83,861	81,603
Total	<u>337,433</u>	<u>338,514</u>

**6. INVESTMENT INCOME**

	<b>2018</b>	<b>2017</b>
	£	£
Other investment income	<u>121</u>	<u>113</u>
	121	113
Net return on pension liability (Note 17)	<u>12,000</u>	<u>9,000</u>
	<u>12,121</u>	<u>9,113</u>

**7. STAFF COSTS**

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

	<b>2018</b>	<b>2017</b>
	No.	No.
Teaching staff	18	21
Support staff	30	27
	<u>48</u>	<u>48</u>

**Staff costs for the above persons**

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**7. STAFF COSTS (continued)**

	<b>2018</b>	<b>2017</b>
	£	£
Wages and salaries	823,617	753,250
Social security costs	58,887	56,355
Other pension costs	125,523	120,123
Pension cost (note 19)	83,000	72,000
<b>Total Staff costs</b>	<b><u>1,091,027</u></b>	<b><u>1,001,728</u></b>

**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**

	<b>2018</b>	<b>2017</b>
	No.	No.
The number of key management personnel was:	<b>4</b>	<b>4</b>

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:

	<b>Key management personnel</b>	
	<b>2018</b>	<b>2017</b>
	No.	No.
£60,001 to £70,000 p.a.	1	1
	<b><u>1</u></b>	<b><u>1</u></b>

Key management personnel compensation is made up as follows:

	<b>2018</b>	<b>2017</b>
	£	£
Salaries	122,698	145,960
Employers National Insurance	18,520	16,871
Pension Contributions	22,480	26,414
<b>Total key management personnel compensation</b>	<b><u>163,698</u></b>	<b><u>189,245</u></b>

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.

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**8. OTHER OPERATING EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Teaching costs	16,856	25,310
Residences and catering	93,564	87,429
Premises costs	214,156	225,640
Administration & central services	223,079	233,143
Total	<u>547,655</u>	<u>571,523</u>

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Other Operating Expenses include:		
Auditors' remuneration	13,120	10,844
Internal audit	1,880	1,880

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**9. TANGIBLE FIXED ASSETS**

	<i>Improvements to property</i> £	<i>Plant &amp; Machinery</i> £	<i>Computers</i> £	<i>Donated Assets</i> £	<i>Total</i> £
<b>Cost or valuation</b>					
At 1 August 2017	1,039,625	51,677	202,929	12,220	1,306,451
Additions	445,564	21,422	-	-	466,986
Disposals	-	-	-	-	-
<b>At 31 July 2018</b>	<u>1,485,189</u>	<u>73,099</u>	<u>202,929</u>	<u>12,220</u>	<u>1,773,437</u>
<b>Depreciation</b>					
At 1 August 2017	367,141	51,677	202,929	12,220	633,967
Charge for year	59,909	970	-	-	60,879
Disposals	-	-	-	-	-
<b>At 31 July 2018</b>	<u>427,050</u>	<u>52,646</u>	<u>202,929</u>	<u>12,220</u>	<u>694,846</u>
<b>Net Book Value</b>					
<b>At 31 July 2018</b>	<u>1,058,139</u>	<u>20,452</u>	<u>-</u>	<u>-</u>	<u>1,078,591</u>
Net Book Value					
At 31 July 2017	<u>672,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>672,484</u>

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.

<b>10. STOCKS</b>	<b>2018</b>	<b>2017</b>
	£	£
Stocks (fuel, stationery and foodstuffs)	3,601	4,398
	<u>          </u>	<u>          </u>
<b>11. DEBTORS: Amounts falling due within one year</b>	<b>2018</b>	<b>2017</b>
	£	£
Amounts falling due within one year:		
Trade receivables	50,040	142,800
Prepayments and accrued income	77,929	39,628
Sundry debtors	3,013	6,939
VAT receivable	3,198	1,775
Total	<u>134,180</u>	<u>191,142</u>

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

<b>12. CREDITORS: Amounts falling due within one year</b>	<b>2018</b>	<b>2017</b>
	<i>£</i>	<i>£</i>
Trade payables	103,935	95,343
Accruals	39,039	25,549
Other taxation and social security	16,502	15,156
Sundry creditors	15,462	57,202
Deferred income	142,581	497,957
Deferred income – government capital grants	52,934	32,590
Newbattle Abbey College Trust	10,000	30,000
<b>Total</b>	<u><b>380,453</b></u>	<u><b>753,797</b></u>

<b>13. CREDITORS: Amounts falling due after more than one year</b>	<b>2018</b>	<b>2017</b>
	<i>£</i>	<i>£</i>
Newbattle Abbey College Trust – Loan	32,832	22,832
Deferred income – government capital grants	891,529	524,086
<b>Total</b>	<u><b>924,361</b></u>	<u><b>546,918</b></u>

**Analysis of Maturity of Loan**

	<b>2018</b>	<b>2017</b>
	<i>£</i>	<i>£</i>
Amounts falling due:		
Within one year	10,000	30,000
In one to two years	10,000	10,000
In two to five years	22,832	12,832
	<u><b>42,832</b></u>	<u><b>52,832</b></u>

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**14. Provisions**

	Defined benefit obligations £'000	Total £'000
At 1 August 2017	522	522
Expenditure in the period	(255)	(232)
Additions in the period	532	361
At 31 July 2018	799	799

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 19.

The principal assumptions for this calculation are:

	<b>2018</b>	<b>2017</b>
Price inflation	2.4%	2.4%
Discount rate	2.7%	2.6%

**15. Cash and Cash Equivalents**

	<b>At 1 August 2017</b>	<b>Cash Flows</b>	<b>Other Changes</b>	<b>At 31 July 2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash and cash equivalents	535,900	(332,795)	-	203,105
Loan	(52,832)	10,000	-	(42,832)
Total	483,068	(332,795)	-	160,273

**16. RESERVES**

	<b>1 August 2017</b>	<b>Income</b>	<b>Expenditure</b>	<b>Transfers</b>	<b>31 July 2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Restricted Reserves</b>					
Midlothian Council – CPO Project	4,000	16,000	38	-	19,962
GLAIF Income	-	7,200	9,065	1,865	-
	4,000	23,200	9,103	1,865	19,962
<b>Income and expenditure account</b>	621,209	1,964,815	1,690,458	(1,865)	893,701
<b>Total Reserves</b>	625,209	1,988,015	1,699,561	-	913,663

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**17. 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 2014 (STSS and LPF).

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:

	<b>2018</b>	<b>2017</b>
	£000	£000
Contributions to STSS	38	31
Contributions to LPF	88	89
	<u>126</u>	<u>120</u>

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

	LPF	STSS
2017/2018		
1 Aug 2017 – 31 March 2018	16.6%	18.9%
1 April 2018 – 31 July 2018	16.6%	18.9%
2016/2017		
1 Aug 2016 – 31 March 2017	17.2%	18.9%
1 April 2017 – 31 July 2017	17.2%	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.

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**17. PENSION COMMITMENTS (continued)**

**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 2018 was £123,000 (2017 - £124,000) of which employer's contributions totalled £88,000 (2017 - £89,000) and employees' contributions totalled £29,000 (2017 - £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.

**Principal Actuarial assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 updated to 31 July 2018 by a qualified independent actuary.

	<b>2018</b>	<b>2017</b>
	<b>% p .a</b>	<b>% p .a</b>
Inflation/ Pension Increase Rate	2.4	2.4%
Salary Increase Rate	4.1	4.4%
Discount rate	2.7	2.6%

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:

	<b>Males</b>	<b>Females</b>
Current pensioners	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years

The net pension liability was:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Estimated Employer Assets	3,465	3,059
Present Value of Scheme Liabilities	(2,943)	(2,666)
Net Pension Liability	<u>522</u>	<u>393</u>

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**17. PENSION COMMITMENTS (continued)**

FRS102 –Statement of Comprehensive Income disclosure:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	177	167
Past service cost	-	-
	<u>177</u>	<u>167</u>
Contributions by employer	(94)	(95)
Pension service cost provision	<u>83</u>	<u>72</u>

**Reconciliation of fair value of scheme assets:**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	3,465	3,059
Expected Return on Assets	90	74
Contributions by Members	29	29
Contributions by Employer	94	95
Actuarial Gains/(Losses)	193	298
Estimated Benefits Paid	(97)	(90)
	<u>3,774</u>	<u>3,465</u>

**Reconciliation of defined benefit obligation:**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	2,943	2,666
Current Service Cost	177	167
Interest Cost	78	65
Contributions by Members	29	29
Actuarial Losses/(Gains)	(155)	106
Estimated Benefits Paid	(97)	(90)
	<u>2,975</u>	<u>2,943</u>

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**17. PENSION COMMITMENTS (continued)**

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Scheme Assets	3,774	3,465
Defined benefit obligation	(2,975)	(2,943)
Surplus	<u>799</u>	<u>522</u>
Experience adjustments on scheme assets	193	298
Experience adjustments on scheme liabilities	155	106

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Current Service costs	177	167
Past service cost	-	-
Total operating charge	<u>177</u>	<u>167</u>
Less: contributions paid	(94)	(95)
Current service cost provision	<u>83</u>	<u>72</u>

**Amount charged to operating costs (Note 6):**

Expected Return on Employer Assets	90	74
Interest on Pension Scheme Liabilities	(78)	(65)
Net cost of financing and assets	<u>12</u>	<u>9</u>

**Analysis of the amount recognised in the Statement of Comprehensive Income**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Changes in value of scheme assets: Actuarial Gains	193	298
Changes in defined benefit obligations: Actuarial (Losses)/Gains	155	(106)
Actuarial gain recognised in Statement of Comprehensive Income	<u>348</u>	<u>192</u>

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**17. PENSION COMMITMENTS (continued)**

**Movement in surplus during the year:**

Surplus at beginning of the year	522	393
Movement in year:		
Current Service Cost	(177)	(167)
Employer contributions	94	95
Net return on financing and assets	12	9
Actuarial gains	348	192
Surplus at end of year	<u>799</u>	<u>522</u>

The estimated employer's contributions for the year to 31 July 2019 are £88,000.

**18. RELATED PARTY TRANSACTIONS**

Owing to the nature of the College's operations and the composition of the board of governors 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 governors 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 Governor has received any remuneration or waived payments from the College during the year (2017 - £Nil).

The total expenses paid to or on behalf of the Governors during the year was £2,259; 6 governors (2017: £1,523; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and events in their official capacity.

Included in creditors is a loan from The Newbattle Abbey College Trust of £42,832 (2017 - £52,832). During the year, payments of £10,000 were made towards the loan balance (2017 - £Nil).

**NEWBATTLE ABBEY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**19. BURSARY FUNDS**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
At 1 August 2017	-	-
Funds received in year	218,991	245,956
Expenditure	(204,916)	(189,665)
Transfer to Discretionary fund	(14,075)	(23,653)
Underspend	-	(32,638)
	<hr/>	<hr/>
At 31 July 2018	-	-
	<hr/>	<hr/>

**20. DISCRETIONARY FUNDS**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
At 1 August 2017	-	-
Funds received in year	4,734	4,829
Expenditure	(27,858)	(28,482)
Transfer from Bursary fund	14,075	23,653
Overspend	9,049	-
	<hr/>	<hr/>
At 31 July 2018	-	-
	<hr/>	<hr/>

**21. POST BALANCE SHEET EVENTS**

There have been no post balance sheet events requiring disclosure.

**22. CONTINGENT LIABILITY**

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

**23. CAPITAL AND FINANCIAL COMMITMENTS**

There were no known commitments at the year-end.