

MYERSCOUGH COLLEGE

**Report and Financial Statements
for the Year Ended 31st July 2015**

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MYERSCOUGH COLLEGE

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31st July 2015.

Myerscough is a specialist land-based and sports college based in the North West of England. The main campus is in Bilsborrow, eight miles from Preston, with other centres of learning in Liverpool, Burnley, Blackburn, Manchester and Lynwood in Dorset. Myerscough actively supports the land-based and sports sectors with close links with employers, professional bodies and funding organisations. Established in 1894, the College has a long history as a key provider of further and higher education in the land-based and sport sector.

The range and depth of courses within these specialist areas is extensive, providing learners with opportunities from pre-entry level to postgraduate degrees in a wide range of qualifications, with progression up the academic ladder or into related employment.

Myerscough is a responsive college, with a proven track record in meeting, if not exceeding, the expectations of individuals and organisations accessing the education, training and services provided. It is a caring, supportive organisation where every individual matters.

Since 2007, Myerscough has been recognised as an outstanding College by Ofsted for the care provided to under 18 residential students (latest inspection 2014), a leading provider for employers under the Training Quality Standard, having comprehensive information advice and guidance systems across all areas of the College recognised by Matrix (re-accredited December 2014) assessed as 'positive' about disabled people and now working towards 'Leaders in Diversity' accreditation after the successful Investors in Diversity award.

In the 2013 Ofsted inspection, Myerscough was recognised as a 'good' College with 'outstanding' features, including agriculture and countryside management. In 2014, the Quality Assurance Agency (QAA) awarded Myerscough two commendations and highlighted 10 areas of good practice, with no recommendations for further action, a leading report within the sector.

Legal Status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Myerscough College. The College is an exempt charity for the purposes of the Charities Act 2011.

Public Benefit

From 1st September 2013, Myerscough College is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are also Trustees of the charity are listed on pages 15-16.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commissioner's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The

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guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Excellent progression within education
- Strong student support systems
- Strong Links with employers, industry and commerce
- Excellent resources available to the public
- Strong student involvement in wider community activity

Mission

The College's mission statement is:

To become the leading provider of education in the land-based and sports sectors and the natural choice for research, industrial partners and students who aspire to success.

Vision

The College's vision is:

*Myerscough will be the college of choice in the land-based and sports sectors.
"Providing Opportunities for All to Succeed"*

Values

The College values are:

Respect for yourself, each other and the environment
A welcoming, honest & open approach
Commitment to a supportive, collaborative culture
Inspiring learners & staff to reach their potential
A positive & dynamic attitude that finds solutions

Strategic Plan

The strategic plan for 2012-2022 will take the College forward, ensuring that our staff and learners will work together to ensure that opportunities are provided for all to succeed.

The strategic plan has four clear objectives:

We will continue to build and enhance our brand and reputation for excellence within the land-based & sports sectors.

- We will be recognised as a centre of excellence in all that we do.
- We will be the college and partner of choice.
- We will inspire an innovative and entrepreneurial approach.

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- We will reinforce our academic activities with a culture of learning and a growing body of research.
- We will achieve what others aspire to do.

We will provide an outstanding teaching & learning experience

- We will inspire learners to exceed their aspirations.
- We will deliver a student experience which constantly exceeds expectations.
- We will deliver a campus to provide outstanding resources.
- We will be an outstanding employer.

We will create opportunities for all to succeed

- We will be judged outstanding by all external inspection or assessment bodies.
- We will help today's raw talent become tomorrow's skilled workers.
- We will lead our peers in promoting equality of educational opportunity and outcome for all.
- We will provide a learning environment and experience that inspires learners to exceed their expectations and achieve what they never felt possible.

We will deliver great value for money.

- We will maintain finances that are amongst the most stable and cost effective in the land-based sector, as a firm basis to promote high quality research and effective learning.
- We will commit to sustainable development which meets the needs of the present without compromising the needs of future generations.

Each statement has a series of targets and milestones, which are cascaded down through the organisation and subject to regular monitoring by the Governing body.

Performance indicators

FE Choices, (formerly the "Framework for Excellence") has four key performance indicators:

- Success Rates
- Learner Destinations
- Satisfaction survey (formerly "Learner Views")
- Satisfaction survey (formerly "Employer Views")

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency / Education Funding Agency. The financial health rating for Myerscough College is as outstanding which it has been since incorporation. The financial forecast shows Myerscough dipping to good for 2015/16 and 2016/17 as investment continues in the campus before returning to outstanding.

FINANCIAL POSITION

The College has had a good year financially, considering the challenges facing the sector, with additional funds being invested in campus improvements. The College generated a surplus in the year of £937k (2013/14 surplus of £457k) after a profit on disposal of assets of £17k (2013/14 loss of £268k). The pre-FRS17 or actual trading

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surplus for the year was £1.19m (2013/14 surplus of £956k). The impact of FRS17 has been a charge of £253k (2013/14 £499k) to the income and expenditure account. College income has grown marginally from £27.6m in 2013/14 to £27.8m in 2014/15.

Cash balances at the end of the year were £4.1m (2013/14 £5.3m), these balances will be invested in the continuation of the capital investment plan. The Colleges accumulated reserves have decreased during the year largely due to an actuarial loss of £1.814m reported under FRS17 now stands at £25.9m (2013/14 £26.8m).

Tangible fixed asset additions during the year amounted to £4.4m. This is building work of £4.1m and equipment / vehicles purchased of £0.3m. Expenditure on buildings during the year has been significant with the completion of a new Foundation Learning and General Education centre and the significant investment in the new and refurbished Animal Academy completed in August 2015.

The College has reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2014/15 the education sector funding bodies (including indirect funding and associated tuition fees) provided around 50% of the College's total income. At the end of the year total borrowings were 19.7% of income.

The College has two subsidiary companies, Myerscough Ltd and Myerscoll Ltd, both of which remain dormant.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the Financial Memorandum with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the Skills Funding Agency. The College undertook no further borrowing during the year, although additional borrowing has been secured to part finance the next stage in the capital plan, a new Sports centre, Sportsturf technology centre and additional residential accommodation.

At the end of the year £1.036m was placed in a deposit account at Nat West, £1.01m invested with both Handelsbanken and Lloyds bank, with the balance of £1.05m being held on overnight deposit with Barclays. These funds will be utilised in accordance with the College property strategy to further improve learner facilities and resources. As a result of prudent investment and despite very low interest rates, the College earned interest on its short term investments of £30.5k (£32k in 2014/15).

Cash flows

With cash balances of £4.1m (2013/14 £5.3m), the cash flow from operating activities at £3.2m (2013/14 £3.8m) was strong. The net cashflow included capital expenditure of £3.8m (2013/14 £2.6m).

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Liquidity

The College currently has two long term loans totalling £5.5m (2013/14 £5.8m) the first of which was drawn down in July 2005 and the latter during 2012. Interest on both loans is partly on a fixed rate with the remainder on variable, thus ensuring the Colleges risk is minimised, whilst able to enjoy the current reduced level of interest rates. A further £5m of borrowing has been approved by the Corporation and agreed with NatWest bank for investment in a sports centre, sportsturf technology centre and additional residential accommodation both to be completed by summer 2016.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

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.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2014/15 the College had FE contracts (including apprenticeships and adult skills) with the education sector funding bodies totalling £11.9m (2013/14 – £12.5m). The College had 1640 FE students aged 16-18, 409 adult, 1254 HE students and 1441 apprentices.

The Further Education students are based on the Preston Centre at Bilsborrow and at the other centres in Merseyside, Burnley, Manchester and Blackburn, which supports Myerscough's regional focus and provides opportunities for the non-traditional learner to access the specialist provision. In addition to mainstream FE, the College has many students on apprenticeship programmes nationwide based in the workplace.

Higher Education is delivered in partnership with UCLAN, of which Myerscough is an Associate School. Myerscough has secured direct HE numbers and holds a direct contract with HEFCE, in addition, further numbers are delivered via indirect funding with UCLAN.

Higher Education partnerships are also in place with Lancaster University, University of Reading, Liverpool University, University of Manchester, Anglia Ruskin University and Coimbra University in Portugal.

Curriculum Developments

The recruitment of students to the College's centres in Liverpool, Manchester, Burnley and Blackburn continues and supports Myerscough's regional focus. Methods of teaching and learning are under continuous review and development in order to ensure that the curriculum meets the needs of the communities it serves. The College has seen an increase in the number of students wishing to study either on-line or via distance learning. New courses are being developed to increase the

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range available to students. At the end of the financial year the decision was made to close the specialist equine centre in Burnley to protect the student experience.

The College was inspected by Ofsted in June 2013 and has been given the grade of 'Good' with two areas - Agriculture and Environment - identified as outstanding, a wide range of good practice identified and a small number of areas for improvement

Retention of FE students remains high at 93% and overall success under the new formula including functional skills, GCSE and all long and short courses at 85% (2013/14 87%). HE success at 83% (2013/14 81%) is high with strong in year retention. Student satisfaction also remains very high with 91% of FE students enjoying their course and 90% willing to recommend to a friend. On HE overall student satisfaction stands at 83% with significant variation across subject areas with 100% of students on the degree golf programmes expressing satisfaction. Similarly in work placed learning the external satisfaction survey identifies a score of 8.3 out of 10 making Myerscough the best scoring land based college in the country. Internal surveys show that 97% of students on WPL courses would recommend their course and the College.

The 14-16 curriculum link courses remain very popular, with a high degree of customer satisfaction as well as excellent results. College has a flexible way of working with schools with the start of short courses and a partnership with Work Based to support delivery of courses by school staff. These foundations will again be built upon to provide courses supporting the changing needs of pre-16 education providers and learners. The College achieved enhanced accreditation at every level for PECS2 (Personalised Curriculum Education Standard) for 14-16 provision in July 2015. The first College in Lancashire to be accredited.

Myerscough works closely with employers to ensure that the qualifications, practical competence and life skills of a student, match and exceed their future employer's expectations. A range of employer information sharing and support mechanisms are available to ensure the College is aware of the needs of industry but also employers are aware of the opportunities available. Surveys indicate that the employer satisfaction rate is 96%.

The Higher Education provision was subject to Quality Assurance Agency (QAA) Higher Education Review in May 2014. The published QAA Review Report for the College commended the quality and enhancement of student learning opportunities at the College and identified 10 areas of good practice. This is external recognition confirms Myerscough as one of the best places to study higher education in land-based and sports subjects in the UK.

The College recognises the importance of research in underpinning the higher education curriculum and continues to foster a strong research ethos among staff and students. A number of staff and postgraduate students are actively engaged in research. Research at Myerscough is structured under three centres:

- Sustainable Agriculture and Arboriculture
- Welfare of Managed Animals
- Sports Performance

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During the past year, staff and students have presented at a number of national and international conferences and published their work in a range of peer reviewed publications and industry press.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1st November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College produces two payment runs per month, all authorised invoices are paid in the next available run after it's due date and the 'creditor days' at the end of the period was around 30 days. The College has incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

There have been no significant post balance sheet events.

Environmental Issues

The College is committed to reducing its carbon footprint and has embraced a number of sustainability initiatives, including the promotion of energy efficiency, reducing water usage, the introduction of recycling stations across campus and in all offices and embedding the principles of sustainability into the curriculum. Champions have been nominated in all areas and will help promote sustainability in their local work areas, to share best practice and to facilitate the effective communication of news, advice and ideas. In addition, we are part of the Carbon Trust carbon management scheme.

Future Developments

Total FE funding contracts, including Apprenticeships income for 2015/16 has been confirmed at £13.85m, increasing from £12.2m in 2014/15.

Plans have been formulated and funding sought to address the issues identified in the Property Strategy and to ensure that a 21st century learning environment meeting the expectation of students and employers is provided. During the year a new General Education / Foundation Learning Centre - part funded by SFA Enhanced Renewal Grant (ERG3) and a new Animal Academy – part funded by SFA College Capital Investment Fund (CCIF) grant were both completed. In addition, the next phase of developments totalling £11m, partially funded by external borrowings and grant, taking College to 2017 has been agreed and the funding secured.

Going Concern

Corporation has been presented with the outcomes of a series of tests, including security of funding streams, political environment, budgets and cashflows all of which have been satisfactorily demonstrated to be in place. No material uncertainties leading to significant doubt about going concern have been identified. Therefore going concern has been assumed when preparing these financial statements.

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RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the Preston centre which is owned, agricultural land plus two farms locally and sites in Merseyside and East Lancashire all of which are leased.

Financial

The College has £30.8m of net assets, (including £8.8m pension liability).

People

The College employs 564 people (expressed as full time equivalents), of whom 294 are teaching staff.

Reputation

The College has a good reputation locally, nationally and increasingly internationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken work during the year to further embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed weekly by the Principalship, quarterly by the Audit Committee and Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College. The register is also reviewed annually by the Senior Management of the College. The process is subject to annual scrutiny by Internal Auditors.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

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1. Government Funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and from HEFCE (via UCLAN and directly). In 2014/15, over 50% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. In fact there is still an expectation of significant cuts in public spending.

The College is aware of several issues which may impact on future funding,

- Continued reduction in the funding rates per student
- Significant reduction in HEFCE funding, and the potential impact of removal of student number controls.
- Local Authority funding cuts impacting on College services and the wider economy
- Reduction in staffing levels at funding bodies and Government offices
- Continued reduction in Adult 'classroom based learning' funding
- Potential removal of further grant funded places for students aged 19+ repeating level two or three and the expansion of Advanced Learner Loans

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- Constantly seeking new sources of income and contracts
- By ensuring the College is rigorous in delivering high quality education and training in the most efficient manner.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the education sector funding bodies / UCLAN

2. Implementation of the Property Strategy

The College Property Strategy identifies that a significant portion of the original 1960's estates requires either rebuilding or refurbishing. A capital plan is in place, whereby the College will deliver the required improvements over an extended timescale.

Other similar Colleges have been successful in securing high levels of funding to deliver their property strategies, and hence there is a risk that Myerscough could lose its market share as students and employers are attracted to other institutions with more modern facilities.

This risk is mitigated in a number of ways:

- Significant new builds and refurbishment works have been completed.
- External funds have been secured.
- Further campus developments are planned to deliver a number of the identified improvements.
- Other sources of funding are being investigated.

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3. Maintain Adequate Funding of Pension Liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17. This has decreased during the year, due to the change in assumptions and life expectancy. This is outside the control of the College management and is dependent on the ongoing performance of the national and international financial markets, hence the College is unable to mitigate the risk.

4. Tuition Fee Policy

In Further Education, despite the current economic climate, the SFA maintains the fee assumption (contributions required) from individuals aged over 19 at 50%. The removal of funding for students aged 24 and above studying a level three programme has also been removed, students are now expected to apply for a student loan and pay fees of up to £9,000 for an extended diploma. Despite publicity this is likely to have a detrimental impact on demand.

Myerscough College will increase tuition fees each year, but has significant concerns regarding the levels of increases required and has therefore not increased fees to the level expected by the Skills Funding Agency.

In Higher Education, fees are up to £8,000 for Foundation Degrees and £9,000 for Honours Degrees. Likewise, part-time course fees have increased significantly.

The risk for the College is that demand falls off as fees are increased. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change
- Prompt debt collection

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Myerscough College has many stakeholders. These include:

- Students;
- Staff;
- Other HE / FE institutions;
- Sector Skills Councils;
- Education sector funding bodies
- FE Commissioner
- Government departments e.g. DfE, BIS, DEFRA
- Local employers (with specific links);
- Local Authorities;

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- Local Enterprise Partnerships;
- Local community;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through meetings, social media, the College Internet site and other methods.

Equal Opportunities and the Employment of Disabled Persons

Myerscough College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, religion or belief, disability and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat discrimination, harassment or victimisation. This policy will be resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Internet site.

The College publishes an Annual Equality and Diversity Report for Corporation to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The Two Ticks commitments which were re-accredited August 2015, demonstrates the College's commitment to the employment, retention, training and career development of people with disabilities together with the provision of disability awareness for staff.

Following the successful award of Investors in Diversity in 2013, the College is working towards being recognised as Leaders in Diversity in 2016.

The College seeks to achieve the objectives set down in the Equalities Act 2010, the following systems are embedded in to College practice:

- a) Admissions & Support Advisory Panel is in place to review applications with disclosures relating to a complex disability, learning difficulty or where exceptional support is required. The Panel also reviews support arrangements arising for existing students throughout the year. An appeals process is in place.
- b) Head of Inclusive Learning is in post to coordinate additional learning support provision for students with learning difficulties and disabilities.

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- c) Continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- d) Myerscough Code is in place to raise awareness of the standards expected by staff and students at the College.
- e) Equality and Diversity Policy is in place.
- f) The Equality and Diversity Strategy Group oversees the strategic direction of the College to meet our equality objectives.
- g) The Equality and Diversity Good Practice Group led by the Equality and Diversity Coordinator ensures staff have a forum for upward communication around the equality objectives and supports the implementation of the strategic objectives.

Disclosure of Information To Auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 15th December 2015 and signed on its behalf by:



Stephen Rigby - Chairman to the Corporation

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Professional Advisers

Financial Statement and Regularity Auditors:

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)

9th Floor

3 Hardman Street

Manchester M3 3HF

Internal Auditors

RSM Risk Assurance Services LLP (formerly Baker Tilly Risk Advisory Services LLP)

9th Floor

3 Hardman Street

Manchester M3 3HF

Bankers:

Barclays Bank PLC

Navigation Way

Preston PR2 2XY

NatWest Bank PLC

Fishergate,

Preston PR1 3BH

Handelsbanken

Winckley Chambers

30 Winckley Square

Preston PR1 3JJ

Lloyds Bank PLC

1st Floor, 5 St Paul's Square

Old Hall Street

Liverpool L3 9SJ

Solicitors:

Napthens LLP

7 Winckley Square

Preston PR1 3JD

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Statement of Corporate Governance and Internal Control

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

- i. in accordance with the ten principles previously agreed by the College. These build on the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) which have been expanded by amalgamating honesty and integrity and adding respect for others, personal judgement, stewardship and duty to uphold the law;
- ii. in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges; and
- iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The Governing body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015. In the opinion of the Governors, the College complies with the majority of the provisions of the Code and is working towards full compliance by July 2016. Throughout the year ended 31 July 2015 it took full account of the provisions of the previous Foundation Code which it adopted in July 2013 together with Audit and Accountability annex to the Code.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011 and listed below, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The Corporation conducts its business through a number of committees and each has terms of reference that have been approved by the full Corporation.

COMMITTEES

The Committees in 2014/15 were as follows:

Finance & Resources Committee	=	F&R
Audit & Governance Committee	=	A&G
Remuneration Committee	=	REM
Quality & Standards Committee	=	Q&S
Appeals Committee	=	APPEALS

Following a review in March 2014, the Corporation agreed not to fill current and anticipated vacancies thus reducing the number of Independent Governors from

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Statement of Corporate Governance and Internal Control

fifteen down to twelve. No changes were proposed to the number of staff and student representatives.

In addition it was decided to amalgamate the Finance and Resources Committees and the Audit and Governance & Strategy Committees, which included a review of the membership, effective from 1 August 2014.

Corporation Members

Members who served on the Corporation during the year and up to the date that this report was signed, together with details of the Committees upon which they served and their attendance thereat was as follows:

MEMBER	DATE of APPOINTMENT	TERM of OFFICE	DATE of RESIGNATION	STATUS of APPOINTMENT	COMMITTEES SERVED and ATTENDANCE No / out of	CORPORATION MEETINGS ATTENDED No / out of
Adrian BOREHAM	01/04/2010	8	-	STAFF	A&G 4/4	6/6
Gerry CORLESS	01/08/2013	4		INDEPENDENT	A&G 4/4	6/7
Jolyon DODGSON	01/01/2008	8	-	INDEPENDENT	A&G 4/4, REM 2/2	5/7
Ian DOUGLASS	01/04/2012	4	-	INDEPENDENT	F&R 5/5	6/7
Allan FOSTER	01/10/2012	4	-	INDEPENDENT	Q&S 3/3	5/7
Stuart HEYS	01/10/2012	4	-	INDEPENDENT	F&R 3/5, REM 2/2	4/7
Ian HIGGINBOTHAM	01/07/2008	8	-	INDEPENDENT	F&R 4/5, REM 1/2	7/7
James HODGKINSON	01/08/2014	1	31/07/2015	STUDENT	Q&S 1/3	6/6
Gerard Anthony (Tony) HINDLE	01/10/2007	8	31/07/2015	INDEPENDENT	F&R 3/5	5/7
Jessica MOORE	01/08/2014	1	31/07/2015	STUDENT	A&G 1/4	1/6
Marion NUTTALL	01/01/2009	8	-	INDEPENDENT	Q&S 3/3, REM 1/2,	7/7
Garry PAYNE	01/10/2013	4	-	INDEPENDENT	A&G 3/4,	5/7
Clare PLATT	01/01/2010	8	-	INDEPENDENT	F&R 5/5	5/7
Stephen RIGBY	01/01/2005	12	-	INDEPENDENT	Q&S 2/3, REM 2/2	7/7

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MEMBER	DATE of APPOINTMENT	TERM of OFFICE	DATE of RESIGNATION	STATUS of APPOINTMENT	COMMITTEES SERVED and ATTENDANCE No / out of	CORPORATION MEETINGS ATTENDED No / out of
Rob ROBINSON				STAFF	Q&S 2/3	5/6
Ann TURNER	01/03/2006	N/A	-	PRINCIPAL	FIN 5/5, Q&S 3/3	6/6
Jean YATES	01/07/2008	8	-	INDEPENDENT	A&G 3/4,	5/7
Ron MATTHEWS, Clerk to the Corporation.						18/18

Co-opted Committee Members

ATTENDING	COMMITTEE	APPOINTED	RESIGNED	MEETINGS ATTENDED No / out of
Naveed SHARIFF	Q&S	01/01/2009	-	1/3
Ishwer TAILOR	A&G	01/08/2013	-	1/4

The following persons also acted as directors of the College's wholly owned subsidiaries, Myerscough Ltd and Myerscoll Ltd, both having been dormant throughout the year ended 31st July 2015.

Directors: Ian Higginbotham
Steve Rigby
Ann Turner (Company Secretary and Director)

The composition of the Corporation is set out on page 15-17. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation will continue to bring added value to the social, physical and economic well-being of the various communities served by the College by striving to become the leading provider of education in the land-based and sports sectors and the natural choice for research, industrial partners and students who aspire to succeed.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and human resources related matters such as health and safety and environmental issues. The Corporation meets a minimum of four times per year.

MYERSCOUGH COLLEGE

Statement of Corporate Governance and Internal Control

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. In 2014/15 these committees are Audit & Governance, Finance & Resources, Quality & Standards, Remuneration and Appeals. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available online at www.myerscough.ac.uk and are available from the Clerk to the Corporation at:

Myerscough College
Bilsborrow
Preston
PR3 0RY

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

All Governors are able to seek independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Corporation meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and the Chief Executive & Principal are separate.

The Corporation takes very seriously its responsibilities in relation to Equality, Diversity and Inclusion. It is an area that affects everybody at the College, staff, students and visitors. It is more than just equal opportunities; it is also about recognising and promoting diversity. Our dedication to Equality, Diversity and Inclusion is reflected in the policies and guidelines developed by the College which has been developed with the intention of eliminating unfair and unlawful discrimination.

Each year the Equality, Diversity and Inclusion Annual Report is considered by the Quality and Standards Committee at their November meeting and subsequently by the Corporation at their meeting in December. The report also includes an action plan to address any shortfalls in provision.

The document can be viewed on the College website from 1 January each year.

A self-assessment process of the effectiveness of the Governance Performance takes place each year together with reviews of the performance of individual Committees, the Corporation and the Committee/Corporation Chairs. This

MYERSCOUGH COLLEGE

Statement of Corporate Governance and Internal Control

information is collated and helps form the Governance Self-Assessment Report which feeds into the overall College Self-Assessment Report.

The findings from the Governance Self-Assessment report aids the development of Quality Improvement Plan with identified actions for the year. This Plan together with the progress on the identified actions is reported to the Audit and Governance Committee at each meeting.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. During the year the Corporation had an Audit & Governance Committee which was responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years. However, they are eligible for re-election for a further term of four years. Those Governors who have served as either Chair or Vice Chair of the Corporation are eligible to serve for a third term.

As stated earlier, a decision was taken in March 2014 to reduce the number of Independent Governors from fifteen to twelve, this together with a revision of the number of Committees and their membership was implemented from 1 August 2014, this ensures the efficient and effective operation of the Corporation.

The Corporation adopted a Recruitment Policy in October 1998 which has subsequently been amended and remains fit for purpose. Following amendment to the Colleges Instruments and Articles in 2013/2014, the Search and Governance Committee was abolished on 31 July 2014. The 'search' function passed to the Audit and Governance Committee as part of their 'Governance' role as identified in their Terms of Reference effective from 1 August 2014. Details of their work on Governance is identified in the Audit and Governance Committee Annual Report presented to Corporation each December.

Recruitment is based on open advertisement unless specific skills are required and other forms of search are utilised. All candidates must attend an interview by a Selection panel which includes members of the Committee and/or the Chair and Vice Chair of the Corporation. All selection criteria is based on the Equality, Diversity and Inclusion Policies of the College and whilst the Corporation strives to ensure a gender balance of Governors it has to ensure that the best candidates are chosen. The use of Co-opted Committee Governors aids the Succession Planning for Governors to ensure that all vacancies are filled as quickly as possible.

Remuneration Committee

The Committee comprises a total of five Governors made up from the Chair and Vice Chair of the Corporation and all other Committee Chairs, some of whom were involved in the appraisal process. The Committee's responsibilities are to make recommendations to the board on the remuneration and benefits of the Senior Post Holders, currently the Principal, the Clerk to the Corporation, the Vice Principal and

MYERSCOUGH COLLEGE

Statement of Corporate Governance and Internal Control

Deputy Chief Executive, the Deputy Principal – Finance and Funding and the Deputy Principal – Resources. Details of remuneration for the year ended 31st July 2015 is set out in note 7 to the financial statements.

Audit & Governance Committee

The Audit & Governance Committee comprises of six members of the Corporation (excluding the Principal and Chair of the Corporation) and one Co-opted member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets four times per year and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of college management. The Committee also receives and considers reports from the relevant funding agencies as they affect the College's business.

The College's internal auditors review 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 are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Internal Control

Scope of Responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day to day responsibility to the Principal, as Chief Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between Myerscough College and the Skills Funding Agency. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve all policies, aims and objectives; it is

MYERSCOUGH COLLEGE

Statement of Corporate Governance and Internal Control

therefore only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Myerscough College for the year ended 31st July 2015 and up to the date of the approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2014 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system on internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

Myerscough College has an internal audit service, which operates in accordance with the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and internal audit plans are endorsed by the Corporation on the recommendation of the Audit & Governance Committee. The Internal Auditors undertake three visits per annum and report to the next Audit & Governance Committee. The report includes independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Chief Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by:

- the work of internal auditors;

MYERSCOUGH COLLEGE

Statement of Corporate Governance and Internal Control

- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by financial statements auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit & Governance Committee which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.


The Principalship receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within all areas of the College and reinforced by risk awareness training. The Principalship and Audit & Governance Committee also receive regular reports from internal audit, and other sources of assurance, which include recommendations for improvement. The Audit & Governance Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Principalship and the Audit & Governance Committee. The emphasis is on obtaining the relevant assurance and not merely reporting by exception. At its September 2015 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31st July 2015.

Based on the advice of the Audit & Governance Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 15th December 2015 and signed on its behalf by:



Stephen Rigby
Chairman to the Corporation



Ann Turner FCMA
Chief Executive and Principal

MYERSCOUGH COLLEGE

Statement of Corporate Governance and Internal Control

Corporation Statement on the College's regularity, propriety and compliance with the Funding Bodies terms and conditions of funding

The Corporation has considered its responsibilities to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with the Skills Funding Agency's terms and conditions of funding, under the financial memorandum in place between the College and the funding bodies. As part of its considerations the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and **to the best of our knowledge**, we are able to identify any material irregularities or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date, nor have any been notified to the Skills Funding Agency. If any instances are identified after the date of this statement, these will be notified to the Skills Funding Agency.

Approved by order of the members of the Corporation on 15th December 2015 and signed on its behalf by:



Stephen Rigby
Chairman to the Corporation



Ann Turner FCMA
Chief Executive and Principal

MYERSCOUGH COLLEGE

Statement of Corporate Governance and Internal Control

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

In preparing the financial statements, the corporation is required to:

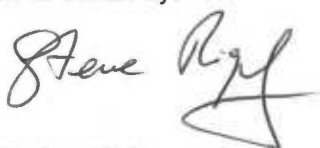
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 15th December 2015 and signed on its behalf by:



Stephen Rigby
Chairman to the Corporation



Ann Turner FCMA
Chief Executive & Principal

MYERSCOUGH COLLEGE

Independent Auditor's Report to the Corporation of Myerscough College

We have audited the College financial statements ("the financial statements") set out on pages 25 to 50. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 19 November 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 19 November 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 19 November 2015 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Myerscough College and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 23, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with the terms of our engagement letter dated 19 November 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Sm in Audit W

RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP)

Chartered Accountants

3 Hardman Street

Manchester M3 3HF

13 December 2015

MYERSCOUGH COLLEGE

Income and Expenditure Account

	Notes	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Income			
Funding body grants	2	12,111,522	12,787,354
Tuition fees and education contracts	3	7,896,759	7,046,064
Research grants and other contracts	4	237,038	365,919
Other income	5	7,480,706	7,361,386
Investment income – interest receivable		30,481	33,751
Total Income		27,756,506	27,594,474
Expenditure			
Staff costs	6-7	15,857,488	15,751,132
Other operating expenses	8	9,061,074	9,127,749
Depreciation	13	1,629,313	1,547,008
Interest payable and other finance costs	9	288,183	443,003
Total Expenditure		26,836,058	26,868,892
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		920,448	725,582
Profit / (Loss) on disposal of assets	13	17,390	(268,467)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		937,838	457,115
Taxation	10	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		937,838	457,115
Movement to Restricted Reserves	23	(981)	(891)
Surplus for the year retained within general reserves	21	936,857	456,224

The income and expenditure account is in respect of continuing activities.

No operations were acquired or discontinued by Myerscough College during the year.

MYERSCOUGH COLLEGE

Statement of Historical Cost Surpluses and Deficits

	Notes	Year Ended 31 July 2015	Year Ended 31 July 2014
		£	£
Surplus on continuing operations before taxation		936,857	457,115
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	22	98,261	109,567
Realisation of property revaluation gains of previous years	22	125,238	329,034
Accelerated release of revaluation reserves relating to the Property strategy		-	-
Historical cost surplus for the year before taxation		1,160,356	895,716
Historical cost surplus for the year after taxation		1,160,356	895,716

Statement of Total Recognised Gains and Losses

	Notes	Year Ended 31 July 2015	Year Ended 31 July 2014
		£	£
Surplus on continuing operations after depreciation and disposal of tangible assets at valuation and taxation		937,838	457,115
Actuarial (loss) / gain in respect of pension scheme	30	(1,814,000)	648,000
Total Recognised (Losses) / Surpluses Relating to the Year		(876,162)	1,105,115
Reconciliation of reserves and endowments			
Opening reserves and endowments		26,798,410	25,693,295
Total recognised surpluses for the year		(876,162)	1,105,115
Closing reserves and endowments		25,922,248	26,798,410

MYERSCOUGH COLLEGE

Balance Sheet as at 31 July

	Notes	2015 £	2014 £
Fixed assets			
Intangible assets	12	-	-
Tangible assets	13	43,167,125	40,608,262
Investments	14	-	-
		43,167,125	40,608,262
Current assets			
Stock	15	716,140	738,696
Debtors	16	1,247,655	1,076,164
Cash at bank and in hand		4,105,696	5,305,883
		6,069,491	7,120,743
Creditors: amounts falling due within one year	17	(4,597,100)	(5,337,460)
Net current assets		1,472,391	1,783,283
Total assets less current liabilities		44,639,516	42,391,545
Creditors: amounts falling due after more than one year	18	(5,094,915)	(5,468,899)
NET ASSETS - Excluding pension liability		39,544,601	36,922,646
Pension liability	30	(8,778,000)	(6,711,000)
NET ASSETS - Including pension liability		30,766,601	30,211,646
Deferred capital grants	20	4,844,353	3,413,236
Reserves			
Income & expenditure account excluding pension reserve	21	31,158,384	29,745,028
Pension reserve	30	(8,778,000)	(6,711,000)
Revenue reserves including pension reserve		22,380,384	23,034,028
Revaluation reserve	22	3,523,567	3,747,066
Restricted reserve – trust fund	23	18,297	17,316
Total Reserves		25,922,248	26,798,410
TOTAL FUNDS		30,766,601	30,211,646

The financial statements on pages 25 to 50 were approved and authorised for issue by the governing body on 15 December 2015 and were signed on its behalf by:-



Stephen Rigby
Chairman to the Corporation



Ann Turner FCMA
Chief Executive & Principal

MYERSCOUGH COLLEGE

Cash Flow Statement for the year ended 31 July

	Notes	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Cash flow from operating activities	24	3,247,303	3,777,919
Returns on investments and servicing of finance	25	(260,439)	(263,433)
Capital expenditure and financial investment	26	(3,817,662)	(2,613,035)
Cash inflow / (outflow) before use of liquid resources and financing		(830,798)	901,451
Management of liquid resources	28	(13,755)	508,056
Financing	27	(369,389)	(352,260)
Increase / (Decrease) in cash in the year		(1,213,942)	1,057,247

Reconciliation of net cash flow to movement in net debt

Increase / (Decrease) in cash in the year		(1,213,942)	1,057,247
Cash (outflow) / inflow from liquid resources	28	13,755	(508,056)
Financing	27	369,389	352,260
Movement in net funds / (debt) in the year		(830,798)	901,451
Net debt at 1 August		(532,472)	(1,433,923)
Net debt as at 31 July	29	(1,363,270)	(532,472)

ANALYSIS OF CHANGE IN NET FUNDS

	At 1 August 2014 £	Cashflows £	Non-cash Movement £	At 31 July 2015 £
Cash in hand and at bank	3,283,162	(1,213,942)	-	2,069,220
Liquid Resources	2,022,721	13,755	-	2,036,476
	5,305,883	(1,200,187)	-	4,105,696
Loan Less 1 yr	(369,456)	369,389	(373,983)	(374,050)
Over 1 yr	(5,468,899)	-	373,893	(5,094,916)
	(532,472)	(830,798)	-	(1,363,270)

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

1 ACCOUNTING POLICIES

Statement of accounting policies

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 2007* (the SORP), the Accounts Direction for 2014 to 15 financial and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes. The College currently has £5.5m of loans outstanding with bankers on terms negotiated in 2005 and 2011. The terms of the existing agreements are for 18-20 years. A further £5m of borrowing has been approved by the Corporation and agreed with NatWest bank for investment in a sports centre, sportsturf technology centre and additional residential accommodation both to be completed by summer 2016.

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants 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.

Basis of consolidation

The financial statements have not been consolidated on the basis of materiality. Both subsidiary companies are dormant. Accordingly, the financial statements present information about the College as an individual entity only. The financial statements do not consolidate the College's investment in The Lancashire Colleges Limited or the National Landbased College as it is not deemed to be material, further information is shown in notes 14 and 33.

Recognition of income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

1 ACCOUNTING POLICIES (*Continued*)

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

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS') (until April 2016), and the assets are held separately from those of the College.

The TPS is an unfunded scheme and contributions 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 the Government Actuary on the basis of quadrennial valuations using a prospective benefit method. As stated in Note 30, the TPS 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 TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of College in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since 1996 are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the college of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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.

Where carrying value is found to be more than recoverable value, an impairment loss is recognised to write down the asset to its recoverable value. Impairment losses are recognised in the Income and Expenditure account in the period in which they are incurred.

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

1 ACCOUNTING POLICIES (*Continued*)

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31st July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance
- Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Infrastructure	5%
Motor Vehicles	20%
Fixtures and fittings	10%
Teaching equipment	10%
Kitchen equipment	10%
Computer equipment	33⅓% / 50%
Plant and Machinery	10% / 20%
Special Teaching equipment	20%

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Milk quota – intangible assets

The college operated a milk quota, and purchased additional quota during the year to 1999/2000. The College recognised this in the balance sheet and originally amortised it over a period of five years, one year less than the guaranteed life of the quota system. Following changes in the market place, the fall in value and the fall in demand for quota, the quota was fully amortised in 2007/2008. The milk quota scheme ended on 31 March 2015, the fully amortised cost has been derecognised in the statements.

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

1 ACCOUNTING POLICIES (*Continued*)

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Stocks

Farm stocks are valued by an external value in accordance with the current RCIS Valuation Standards (Global and UK) and also in accordance with Central Association of Agricultural Valuers 'Guidance Notes on Agricultural Stock Valuations for Tax Purposes', HMRC Help sheet HS232 'Farm Stock Valuation' (previously BEN 19) and the Statement of Standard Accounting Practice 9 (SSAP 9). Stocks have been valued at cost or, if lower, net realisable value, deemed cost has been used where actual cost is not accurately ascertainable. Any increase or decrease in the value of farm or shop stock is written off to income and expenditure account in the period to which it relates.

Raw materials and goods for resale are stated at the lower of their cost and net realisable value.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred. The College has adopted the provisions of FRS12 and only makes a provision where there is a legal or constructive obligation to transfer economic benefit as a result of past events.

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 Chapter 3 Part 11 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 a minor element of 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, here the inputs themselves are tangible fixed assets by nature.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions

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.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Learner Support, National Scholarship Programme and Access to Learning Funds received from the funding bodies. Subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 34, except for the 5 per cent of the Discretionary Support Funds grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Discretionary Support Fund applications and payments.

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

2 FUNDING BODY GRANTS	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Skills Funding Agency – recurrent grant	3,006,124	3,338,335
Education Funding Agency – recurrent grant	8,930,349	9,173,905
HEFCE	110,683	182,833
Non recurrent grants	-	65,119
Releases of deferred capital grants (note 20)	64,366	27,162
Total	12,111,522	12,787,354

3 TUITION FEES AND EDUCATION CONTRACTS	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Higher Education Contract Income	3,909,631	3,941,951
Other Income (<i>including indirect funding from the Funding bodies</i>)	955,950	548,954
	<u>4,865,581</u>	<u>4,490,905</u>
UK Further Education Tuition Fees	782,705	727,032
UK Higher Education Tuition Fees – indirect funded	780,268	737,999
UK Higher Education Tuition Fees – direct funded	1,468,205	1,090,128
Total	7,896,759	7,046,064

Higher Education income is received both via a partnership arrangement with the University of Central Lancashire (UCLAN) and a direct contract with HEFCE. No bursaries are included within the Higher Education tuition fees.

4 RESEARCH GRANTS AND CONTRACTS	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
European Commission	62,250	201,199
Other funds	20,548	36,187
Other grants and contracts	92,974	55,426
Releases from deferred capital grants(non-funding bodies)(Note 20)	61,266	73,107
Total	237,038	365,919

5 OTHER INCOME	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Residencies, catering and conferences	3,903,330	3,597,979
Farming activities	937,241	1,003,589
Full cost courses	508,084	503,775
Other income generating activities	1,966,338	2,081,920
Other income	165,713	174,123
Total	7,480,706	7,361,386

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

6 STAFF COSTS

The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:

	Year Ended 31 July 2015	Year Ended 31 July 2014
	Number	Number
Teaching staff	294	296
Non-teaching staff	270	285
	564	581

Staff costs for the above persons:	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Wages and salaries	12,886,086	12,941,837
Social security costs	783,672	795,431
Other pension costs (including FRS17 Adjustments of a £245k charge (2013/14 £352k charge) see note 30)	1,810,462	1,872,285
Payroll sub total	15,480,220	15,609,553
Redundancy costs	54,015	19,250
Contracted out staffing services	323,253	122,329
TOTAL	15,857,488	15,751,132

The number of staff, including senior post-holders and the Principal who received emoluments, excluding employers' pension contributions but including benefits in kind, in the following ranges expressed as FTEs as at 31 July 2015:

	31 July 2015		31 July 2014	
FTE	Senior post-holders	Other Staff	Senior post-holders	Other Staff
£60,001 to £70,000	2	-	2	-
£70,001 to £80,000	1	-	1	-
£110,001 to £120,000	1	-	1	-
	4	-	4	-

7 SENIOR POST-HOLDERS' EMOLUMENTS

The senior post holders during the year were the Principal, the Vice Principal, the Deputy Principal – Resources, the Deputy Principal – Finance and Funding and the Clerk to the Corporation. The Deputy Principal – Finance and Funding left the College on 31 July 2015 and was replaced on 5 October 2015.

Senior post-holders' emoluments are made up as follows:

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Salaries	350,745	321,440
Benefits in kind	2,631	2,661
Pension contributions	49,331	43,821
Total emoluments	402,707	367,922

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

7 SENIOR POST-HOLDERS' EMOLUMENTS (Continued)

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Salary	119,000	118,120
Benefits in kind	877	887
	<u>119,877</u>	<u>119,007</u>
Pension contributions	16,740	16,124
Total	<u>136,617</u>	<u>135,131</u>

The pension contributions in respect of the Principal are in respect of employer's contributions to the Pension Scheme and are paid at the same rate as for other employees.

Under the terms of the contract of employment the Principal is required to reside on site at Myerscough and accommodation is therefore provided.

The members of the Corporation, other than the Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses where claimed and incurred in the course of their duties.

8 OTHER OPERATING EXPENSES

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Teaching costs	3,106,899	3,260,676
Non-teaching costs	4,086,609	4,190,164
Premises costs	1,867,566	1,676,909
Total	<u>9,061,074</u>	<u>9,127,749</u>

Other operating expenses include:	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
External auditors' remuneration:		
-financial statements audit and regularity assurance work	16,600	16,400
-other services from external audit	2,350	2,350
Internal auditors' remuneration	11,800	11,840
Property leases	267,007	286,872

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

9 INTEREST PAYABLE AND OTHER FINANCE COSTS

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
On bank loans;		
Repayable wholly or partly in more than 5 years	280,183	296,003
Pension finance costs (note 31)	8,000	147,000
Total	288,183	443,003

10 TAXATION

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
UK Corporation Tax	-	-
	-	-

11 SURPLUS ON CONTINUING OPERATIONS FOR THE PERIOD

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
The surplus on continuing operations for the period is made up as follows:		
College's surplus for the period	937,838	457,115
Total	937,838	457,115

The impact of FRS17 in 2014/15 was a charge of £253k and a charge of £499k in 2013/14.

12 INTANGIBLE FIXED ASSETS

	2015 £	2014 £
Cost		
At 1 August 2014	57,457	57,457
Additions	-	-
Disposals	(57,457)	-
At 31 July	-	57,457
Amortisation		
At 1 August 2014	57,457	57,457
Additions	-	-
Disposals	(57,457)	-
At 31 July	-	57,457
Net Book Value at 31 July	-	-

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

13 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Assets Under Construction £	Equipment £	Total £
Cost or Valuation				
At 1 August 2014	47,720,028	500,258	7,787,450	56,007,736
Additions	93,653	4,029,894	290,878	4,414,425
Disposals	(227,567)	-	(250,929)	(478,496)
Transfers	1,801,260	(1,861,866)	60,606	-
At 31 July 2015	49,387,374	2,668,286	7,888,005	59,943,665
Depreciation				
At 1 August 2014	10,028,060	-	5,371,414	15,399,474
Charge for year	1,060,753	-	568,560	1,629,313
Eliminated in respect of disposals	(30,305)	-	(221,942)	(252,247)
At 31 July 2015	11,058,508	-	5,718,032	16,776,540
Net book value at 31 July 2015	38,328,866	2,668,286	2,169,973	43,167,125
Net book value At 31 July 2014	37,691,968	500,258	2,416,036	40,608,262
Inherited	3,523,566	-	-	3,523,566
Financed by capital grant	4,797,135	-	47,218	4,844,353
Other	30,008,165	2,668,286	2,122,755	34,799,206
Net book value At 31 July 2015	38,328,866	2,668,286	2,169,973	43,167,125

Included in land and buildings is land with the value of £1,022,880 (2014: £1,146,630) which is not depreciated.

Inherited land and buildings were valued in 1993 for the purpose of incorporation at depreciated replacement cost (buildings only) by Storey Sons & Parker, 13 Chapel Street, Preston.

Other tangible fixed assets inherited from the Local Education Authority at incorporation were valued by the corporation on a depreciated replacement cost basis.

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

14 INVESTMENTS

The College is one of fourteen members of The Lancashire Colleges Limited, a company limited by guarantee and registered in England and Wales. The principal business of The Lancashire Colleges Limited is to co-ordinate bids for ESF and other external funding. The College's investment is not considered to be material to consolidate. Further details are given in note 33.

The College is a member of 'TUCO Ltd' a catering purchasing consortium for Universities and Colleges, the company is limited by guarantee and registered in England and Wales. The College is a member of The Crescent Purchasing Consortium, which is also a company limited by guarantee and registered in England and Wales, whose principal business activity is procurement.

The College is a member of Cultiva Limited a consortium of five colleges established to enhance education, training and research programmes in land based studies and where appropriate to share resources. Further details are given in note 33.

The College is one of twenty eight members of the National Landbased College, a company limited by guarantee and registered in England and Wales. A development board has been formed chaired by Sir Don Curry on which the Principal sits as a Director. The College's investment is not considered to be material to consolidate. Further details are given in note 33.

Subsidiary Undertakings

The College owns 100% of the issued ordinary share capital of Myerscough Limited, a company incorporated in Great Britain and registered in England and Wales. This company is now dormant. The College owns 100% of the issued ordinary share capital of Myerscoll Limited, a dormant company.

Consolidated amounts have not been prepared as these subsidiaries have not traded during the year and their assets and liabilities are insignificant.

15 STOCKS

	2015 £	2014 £
Raw materials	208,512	212,072
Livestock	424,626	430,642
Goods for resale	83,002	95,982
Total	716,140	738,696

16 DEBTORS

	2015 £	2014 £
Amounts falling due within one year:-		
Trade debtors	670,625	713,460
Prepayments and accrued income	314,609	246,097
Other debtors	38,560	43,407
Amounts owed by the funding provider	223,861	73,200
Total	1,247,655	1,076,164

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Bank loans	374,050	369,456
Trade creditors	1,107,817	1,099,842
Other creditors	485,520	554,922
Other taxation and social security	422,071	442,737
Accruals & deferred income	2,075,125	1,812,892
Amounts owed to the funding bodies (including capital grants received in advance)	132,517	1,057,611
Total	4,597,100	5,337,460

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £	2014 £
Bank loans	5,094,916	5,468,899
Total	5,094,916	5,468,899

19 BORROWINGS

	2015 £	2014 £
Bank Loans & Overdrafts		
In one year or less	374,050	369,456
Between one and two years	381,644	374,050
Between two and five years	1,264,750	1,204,265
In five years or more	3,448,522	3,890,584
Total	5,468,966	5,838,355

Bank loans totalling £5.0m were taken out in July 2005 for a period of 20 years ending 31st July 2025. Interest is charged on the fixed rate element at 6.25% per annum. The interest rate payable on the variable rate element of the loan is 2.25% above LIBOR. This bank loan is secured on the self-catering residential accommodation.

A further bank loan totalling £2.9m was taken in 2013, the fixed rate element of £1.74m is repayable over 19 years from June 2013 at 6.18%. The variable rate element is repayable over up to 20 years from January 2013 at 2.45% over LIBOR. This bank loan is also secured on the self-catering residential accommodation.

A further £5m of borrowing has been approved by the Corporation and agreed with NatWest bank for investment in a sports centre, sportsturf technology centre and additional residential accommodation both to be completed by summer 2016.

A short term, interest free loan is in place with SALIX to spread the cost of a range of sustainability initiatives, including lighting upgrades and voltage optimisation equipment.

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

20 DEFERRED CAPITAL GRANTS

	Other £	Funding Body £	Total £
At 1 August 2014			
Land and buildings	2,222,078	1,147,191	3,369,269
Equipment	22,114	21,853	43,967
	2,244,192	1,169,044	3,413,236
Cash received			
Buildings	-	1,534,803	1,534,803
Equipment	16,943	5,003	21,946
	16,943	1,539,806	1,556,749
Released to income and expenditure account			
Land and buildings	53,225	53,713	106,938
Equipment	8,041	10,653	18,694
	61,266	64,366	125,632
Total	2,199,869	2,644,484	4,844,353
At 31 July 2015			
Land and buildings	2,168,853	2,628,281	4,797,134
Equipment	31,016	16,203	47,219
Total	2,199,869	2,644,484	4,844,353

21 INCOME AND EXPENDITURE ACCOUNT RESERVES

	2015 £	2014 £
At 1 August	23,034,028	21,491,203
Surplus on continuing operations for the year	937,838	457,115
Transfer from revaluation reserve	223,499	438,601
Actuarial (loss) / gain in respect of pension scheme	(1,814,000)	648,000
Transfer to restricted reserve	(981)	(891)
At 31 July	22,380,384	23,034,028
Balance represented by:		
Pension Reserve	(8,778,000)	(6,711,000)
Income & Expenditure Reserve excluding pension reserve	31,158,384	29,745,028
At 31 July	22,380,384	23,034,028

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

22 REVALUATION RESERVE

	2015 £	2014 £
At 1 August	3,747,066	4,185,667
Depreciation on Revalued Assets	(98,261)	(109,567)
Disposals	(125,238)	(329,034)
Accelerated depreciation release relating to property strategy (note 13)	-	-
At 31 July	3,523,567	3,747,066

23 RESTRICTED RESERVE

	2015 £	2014 £
At 1 August	17,316	16,425
Movements in year	981	891
At 31 July	18,297	17,316

This balance comprises of a number of trust funds, the interest is used to fund awards to students.

24 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Surplus on continuing operations after depreciation of assets at valuation	937,838	457,115
Depreciation (note 13)	1,629,313	1,547,008
Deferred capital grants released to income (note 20)	(125,632)	(100,268)
Loss on disposal of tangible fixed assets	(17,390)	268,467
Decrease / (increase) in stocks	22,556	(17,199)
(Increase) / decrease in debtors	(171,492)	(473,254)
Increase / (Decrease) in creditors	461,408	1,334,798
Interest receivable	(30,481)	(33,751)
Interest payable (note 9)	288,183	296,003
FRS17 pension costs less contributions payable (note 30)	253,000	499,000
Net cash inflow from operating activities	3,247,303	3,777,919

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

25 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Interest received	30,481	35,270
Interest paid	(290,920)	(298,703)
Net cash outflow from returns on investment and servicing of finance	(260,439)	(263,433)

26 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Purchase of tangible fixed assets	(4,683,312)	(3,506,140)
Sales of tangible fixed assets	243,639	81,957
Deferred capital grants received	622,011	811,148
Net cash outflow from capital expenditure and financial investment	(3,817,662)	(2,613,035)

27 FINANCING

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Repayment of amounts borrowed	(369,389)	(352,260)
Loan advances	-	-
Net cash (outflow) / inflow from financing	(369,389)	(352,260)

28 MANAGEMENT OF LIQUID RESOURCES

	Year Ended 31 July 2015 £	Year Ended 31 July 2014 £
Withdrawals from deposits	-	508,056
Placing of deposits	13,755	-
Net cashinflow / (outflow) from management of liquid resources	13,755	508,056

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

29 ANALYSIS OF CHANGE IN NET FUNDS

	At 1 August 2014 £	Cashflows £	Non-cash Movement £	At 31 July 2015 £
Cash in hand and at bank	3,283,162	(1,213,942)	-	2,069,220
Liquid Resources	2,022,721	13,755	-	2,036,476
	<u>5,305,883</u>	<u>(1,200,187)</u>	<u>-</u>	<u>4,105,696</u>
Loan Less 1 yr	(369,456)	369,389	(373,983)	(374,050)
Over 1 yr	(5,468,899)	-	373,983	(5,094,916)
	<u>(532,472)</u>	<u>(830,798)</u>	<u>-</u>	<u>(1,363,270)</u>

30 PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Council. Both schemes are defined benefit schemes.

<i>Total pension cost for the year</i>	2015 £000	2015 £000	2014 £000	2014 £000
<i>Teachers' Pension Scheme:</i>				
Contributions paid		760		726
<i>Local Government Pension Scheme:</i>				
Contributions paid	805		794	
Adjustments	<u>245</u>		<u>352</u>	
Charge to the Income and Expenditure Account (staff costs)				
		<u>1,050</u>		<u>1,146</u>
Total Pension Cost for Year		<u>1,810</u>		<u>1,872</u>

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

30 PENSION AND SIMILAR OBLIGATIONS (*Continued*)

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31st March 2004 and of the LGPS 31st March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year/Contributions amounting to £196,504 (2014 £198,430) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS will be implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,203k (2014: £1,125k)

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds by Lancashire County Pension Fund. The total contribution made for the year ended 31st July 2015 was £1,155 of which employer's contributions totalled £805k and employees' contributions totalled £350k. The agreed contribution rates for future years are rising to 11.5% for employers and range between 5.5% and 12.5% for employees dependent upon earnings.

FRS 17

Principal Actuarial Assumptions– LGPS

The following information is based upon a full actuarial valuation of the Fund at 31st March 2013 updated to 31st July 2015 by a qualified independent actuary.

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	3.7%	3.8%
Rate of increase in pensions	2.2%	2.3%
Rate of CPI inflation	2.2%	2.3%
Discount rate for scheme liabilities	3.8%	4.3%
Commutation of pensions to lump sums	50%	50%

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

30 PENSION AND SIMILAR OBLIGATIONS (Continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are:

	At 31 July 2015	At 31 July 2014
Retiring today		
Males	22.9	22.8
Females	25.4	25.3
Retiring in 20 years		
Males	25.1	25.0
Females	27.8	27.7

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The rates quoted are gross of expenses.

The assets in the scheme total £5,011 billion, of which the college's share is estimated at 0.5%. The expected rates of return were:

	Long-term rate of return expected at 31 July 2015	Value of College Assets at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2014	Value of College Assets at 31 July 2014 £'000
Equity	6.5%	7,879	7.0%	9,980
Bonds Other	3.6%	596	4.1%	5,341
Bonds Government	2.5%	1,260	3.2%	40
Property	6.1%	2,084	6.2%	1,928
Cash	0.5%	298	0.5%	482
Other	6.5%	10,789	7.0%	2,309
Total market value of assets		22,906		20,080
Present value of scheme liabilities				
- Funded		31,684		26,791
- Unfunded				-
Related deferred tax liability				-
Deficit in the scheme		(8,778)		(6,711)
Actual return on assets		2,164		614

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

30 PENSION AND SIMILAR OBLIGATIONS (Continued)

Amounts recognised in the income and expenditure account

	2015 £'000	2014 £'000
Current service cost	1,050	1,146
Effect of Curtailments	-	-
Total operating charge	1,050	1,146

Analysis of pension finance income

	2015 £'000	2014 £'000
Interest on pension liabilities	1,172	1,212
Expected return on pension scheme assets	(1,164)	(1,065)
Pension finance costs	8	147

Total amount charged to income & expenditure 1,058 1,293

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2015 £'000	2014 £'000
Actuarial (loss) / gain	(1,814)	648
Actuarial (loss) / gain recognised in STRGL	(1,814)	648

The cumulative amount of actuarial gains and losses recognised in the STRGL since adoption of FRS17 is £0.283m (2014 £2.097m).

Movement in deficit during year

	2015 £'000	2014 £'000
Deficit in scheme at 1 August	(6,711)	(6,860)
Employer current service charge	(1,050)	(1,146)
Employer contributions	805	794
Curtailments	-	-
Net interest on assets	(8)	(147)
Actuarial (loss) / gain	(1,814)	648
Deficit in scheme at 31 July	(8,778)	(6,711)

Asset and Liability Reconciliation

	2015 £'000	2014 £'000
Reconciliation of Liabilities		
Movements in the present value of defined obligations were as follows:		
Liabilities at start of period	26,791	25,868
Service cost	1,050	1,146
Interest cost	1,172	1,212
Employee contributions	350	358
Curtailments	-	-
Actuarial loss / (gain)	2,815	(1,254)
Benefits paid / transfers	(494)	(539)
Liabilities at end of period	31,684	26,791

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

30 PENSION AND SIMILAR OBLIGATIONS (Continued)

Reconciliation of Assets	2015	2014
	£'000	£'000
Movement in the fair value of College's share of scheme assets:		
Assets at start of period	20,080	19,008
Expected return on assets	1,164	1,065
Actuarial gain / (loss)	1,001	(606)
Employer contributions	805	794
Employee contributions	350	358
Benefits paid / transfers	(494)	(539)
Assets at end of period	22,906	20,080

The estimated value of employer contributions for the year ended 31st July 2016 is £850,000

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £167.8k to Mar 16 (£202.6k to Mar 17) per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

History of experience gains and losses

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Experience gains and (losses) on scheme assets	1,001	(606)	1,880	(504)	353
Experience gains on scheme liabilities	-	1,185	-	-	-
Total amount recognised in STRGL	(1,814)	648	1,318	(1,275)	2,065

History of scheme liability

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Fair value of share of scheme assets	22,906	20,080	19,008	15,519	14,422
Present value of defined benefit obligations	(31,684)	(26,791)	(25,868)	(23,188)	(20,369)
Deficit in scheme	(8,778)	(6,711)	(6,860)	(7,669)	(5,947)

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

31 CAPITAL COMMITMENTS

	31 July 2015 £	31 July 2014 £
Commitments contracted for	circa 3,614,000	circa 0
Commitments authorised by Corporation	circa 8,000,000	3,000,000
	<u>circa 11,614,000</u>	<u>circa 3,000,000</u>

Commitments authorised by the Corporation include the completion of an extension to the animal academy and other campus improvements, which started on site in autumn, this is funded via a mix of cash balances and an SFA capital grant. A new sports centre and sportsturf technology centre development funded through new approved borrowings has been contracted for. Additional residential accommodation also funded through approved borrowings has been authorised by the Corporation. Investment in a Food and Farming Innovation Technology Centre has been authorised by Corporation £2m funded by the College with the remainder from 3rd party funding.

32 FINANCIAL COMMITMENTS

At 31st July annual commitments under non-cancellable operating leases are as follows:

	31 July 2015 £	31 July 2014 £
Land and Buildings		
Expiring within one year	91,448	67,316
Expiring within two and five years inclusive	18,310	48,048
Expiring in over five years	104,190	109,057
	<u>213,948</u>	<u>224,421</u>

33 RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the Corporation (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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Stephen Rigby, Ian Higginbotham, and Ann Turner, College Governors, are also Directors of Myerscoll Limited and Myerscough Limited, both dormant companies, the directors have no beneficial interest in the share capital of the company.

The College invoiced The Lancashire Colleges Limited £ Nil (2014 - £Nil) as at 31st July 2014. £ Nil was outstanding (2014 - £Nil). Payments of £7,490 were made to The Lancashire Colleges Limited (2014 - £7,467).

The College invoiced Cultiva Limited £Nil (2014 - £4,750) as at 31st July 2015 £Nil was outstanding (2014 - £4,750). Payments of £5,500 were made to Cultiva Limited (2014 - £5,388). Ann Turner – College Principal - is a director of Cultiva Limited, the directors have no beneficial interest in the share capital of the company.

Transactions with the funding bodies are detailed in notes 2, 16, 17 and 20.

MYERSCOUGH COLLEGE

Notes to the Financial Statements for the year ended 31 July 2015

34 AMOUNTS DISBURSED AS AGENT

SFA – Adult Discretionary Support

	2015 £'000	2014 £'000
Funding body grants – hardship support	182	108
Funding body grants – childcare	25	45
Funding body grants – residential bursaries	70	82
	<u>277</u>	<u>235</u>
Disbursed to students	(264)	(180)
Administration costs / staffing	(13)	(12)
Balance unspent as at 31 July, included in creditors	<u>-</u>	<u>43</u>

EFA – 16-19 Bursary Funds

	2015 £'000	2014 £'000
Unspent balance brought forward	12	6
Funding body grants – hardship support	227	222
Funding body grants – residential bursaries	407	407
Funding body grants – vulnerable learners	24	47
	<u>670</u>	<u>682</u>
Disbursed to students	(638)	(639)
Administration costs / staffing	(32)	(31)
Balance unspent as at 31 July, included in creditors	<u>0</u>	<u>12</u>

National Scholarship Programme & Access to Learning Fund

	2015 £'000	2014 £'000
Unspent balance brought forward	1	-
Funding body grants - National scholarship programme	24	63
Funding body grants - Access to learning fund	2	4
	<u>27</u>	<u>67</u>
Disbursed to students	(27)	66
Balance unspent as at 31 July, included in creditors	<u>-</u>	<u>1</u>

Funding body grants are available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. The unspent balance relating to monies received from the EFA and Access to Learning Fund and is approved to be transferred to 2015/16.

For further information please contact:
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Myerscough College
Bilsborrow
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PR3 0RY

MYERSCOUGH COLLEGE

Independent Auditor's Report on Regularity to the Corporation of Myerscough College

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF MYERSCOUGH COLLEGE AND THE SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS ACTING THROUGH THE SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 19 November 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Myerscough College during the period 1 August 2014 to 31 July 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Myerscough College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Myerscough College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency those matters we are required to state in a 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 corporation of Myerscough College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Myerscough College and the reporting accountant

The corporation of Myerscough College is responsible, under the financial memorandum and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework and our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to

express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Ben in Audit

RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP)

Chartered Accountants

3 Hardman Street

Manchester

M3 3HF

18 December 2015