



**BKSB Limited**

Annual report and financial statements

Registered number 03311079

31 July 2016

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## Company information

<b>Directors</b>	T J Clarke (Chair) R I Baggaley C G Thomas (appointed on 02/06/2016) P A Harman (resigned on 03/06/2016)
<b>Secretary</b>	M Bagshaw
<b>Auditor</b>	KPMG LLP One Snow Hill Snow Hill Queensway Birmingham B4 6GH
<b>Bankers</b>	Lloyds Bank Plc 1 <sup>st</sup> Floor Butt Dyke House 33 Park Row Nottingham NG1 6GY
<b>Solicitor</b>	Eversheds LLP 1 Royal Standard Place Nottingham NG1 6FZ
<b>Registered office</b>	I2 Centre Hamilton Court Mansfield NG18 5FB
<b>Registered number</b>	03311079

## Strategic report

BKSB Limited is wholly owned by West Nottinghamshire College in Mansfield, Nottinghamshire. It was incorporated on 31 January 1997. The principal activity of the company is to develop and promote English and mathematics software products collectively known as bksb.

### Business review

BKSB Limited operates out of premises in Mansfield, Nottinghamshire from where its core products are developed and marketed. Product delivery and hosting is by way of a managed cloud service. The key performance measures that the Board of Directors and sole shareholder uses to monitor progress of the company against its objectives are:

- Margins at operational level;
- Turnover growth and customer acquisition in each of the core markets;
- Mix of customers and type of business;
- Solvency;
- Staff turnover; and
- Staff skills development.

During the year ended 31 July 2016 ('2016') the company it's agreed business strategy and plans. Revenue was up 10.6% compared to previous year with growth across all core markets including emerging overseas markets such as Australia.

### Future prospects

The market BKSB Limited operates in continues to grow and it is viewed that the company has significant opportunity to grow with the market.

BKSB Limited's strategy is to grow the business through:

- Developing the current product portfolio for compliance with future curriculum developments;
- Developing new products to cover the needs and requirements of existing and new customers;
- Expanding operational capacity;
- Further geographical coverage;
- Developing the skills of existing employees; and
- Recruiting new employees to complement skills of existing employees.

### Principal risks and uncertainties

Activities continue to generate healthy returns but are subject to the usual market and commercial risks. The company takes measures to mitigate these risks such as changes in the regulatory environment of our main customers and assuring the capacity to maintain a consistently high level of product availability. A range of KPIs, such as sales volumes and growth by customer group, product availability and customer usage are maintained at both a financial and operational level to assist the directors in monitoring the company's performance.

T J Clarke



Director

12 Centre  
Hamilton Court  
Mansfield  
NG18 5FB

14 December 2016

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 July 2016.

### Results and dividends

The profit for the year after taxation amounted to £1,416,931 (2015: £1,194,342). The directors do not recommend a dividend in respect of the year ended 31 July 2016 (2015: £Nil).

### Principal activities and review of the business

The company's principal activity during the year continued to be that of developing and promoting the English and mathematics software products of bksb. The directors have reviewed the balance sheet at 31 July 2016 and events thereafter. They consider the results for the year ended and the position at 31 July 2016 to be positive.

### Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position and the principle risks and uncertainties are described above.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Directors

The directors who held office during the year were as follows:

T J Clarke (Chair)

R I Baggaley

C G Thomas (appointed on 02/06/2016)

P A Harman (resigned on 03/06/2016)

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

T J Clarke



Director

I2 Centre  
Hamilton Court  
Mansfield  
NG18 5FB

14 December 2016



## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report, and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

## **Independent auditor's report to the members of BKSB Limited**

We have audited the financial statements of BKSB Limited for the year ended 31 July 2016 set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **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 [www.frc.org.uk/auditscopeukprivate](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 company's affairs as at 31 July 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by Companies Act 2006**

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

## Independent auditor's report to the members of BKSB Limited *(continued)*

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**A Argyle (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

25/12/2013.



**Statement of Comprehensive Income**  
*for the year ended 31 July 2016*

	<i>Note</i>	2016 £	2015 Re-stated £
<b>Turnover</b>	2	<b>3,182,952</b>	2,877,929
Cost of sales		<b>(1,572,748)</b>	(1,477,917)
		—————	—————
<b>Gross profit</b>		<b>1,610,204</b>	1,400,012
Administrative expenses		<b>(189,812)</b>	(212,053)
		—————	—————
<b>Operating profit</b>	3	<b>1,420,392</b>	1,187,959
Other interest receivable and similar income	6	<b>11,539</b>	10,383
Interest payable and similar charges	7	<b>(15,000)</b>	(4,000)
		—————	—————
<b>Profit on ordinary activities before taxation</b>		<b>1,416,931</b>	1,194,342
Taxation on profit on ordinary activities	8	<b>(297,024)</b>	(225,007)
		—————	—————
<b>Profit for the financial year</b>		<b>1,119,907</b>	969,335
		—————	—————
Actuarial loss in respect of Pension Schemes	14	<b>(267,000)</b>	(56,000)
Deferred taxation on actuarial loss in respect of Pension Schemes	8	<b>53,400</b>	9,160
		—————	—————
<b>Total comprehensive income for the year</b>		<b>906,307</b>	922,495

All amounts relating to continuing activities.

The notes on pages 10 to 23 form part of the financial statements.

**Balance sheet**  
*at 31 July 2016*

	<i>Note</i>	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	9	41,659	82,760
Investments	10	-	-
		<hr/>	<hr/>
		41,659	82,760
<b>Current assets</b>			
Debtors	11	805,099	621,528
Investments	10	81,146	40,000
Cash at bank and in hand		2,379,669	1,983,316
		<hr/>	<hr/>
		3,265,914	2,644,844
<b>Creditors: amounts falling due within one year</b>	12	2,630,378	2,296,772
		<hr/>	<hr/>
<b>Net current assets</b>		635,536	348,072
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		677,195	430,832
<b>Provision for Liabilities</b>	15	645,400	353,200
		<hr/>	<hr/>
<b>Net assets</b>		31,795	77,632
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Called up share capital	13	25,000	25,000
Profit and loss account		6,795	52,632
		<hr/>	<hr/>
<b>Shareholder's funds</b>		31,795	77,632
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 23 form part of the financial statements.

These financial statements were approved by the board of directors on 14 December 2016 and were signed on its behalf by:



**T J Clarke**  
*Director*

Company registered number: 03311079

**Statement of Changes in Equity**  
*at 31 July 2016*

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 August 2014	25,000	33,554	58,554
<b>Total comprehensive income for the period</b>			
Profit or loss	-	922,495	922,495
	<u>          </u>	<u>          </u>	<u>          </u>
Total comprehensive income for the period	-	922,495	922,495
	<u>          </u>	<u>          </u>	<u>          </u>
Gift Aid	-	(1,143,565)	(1,143,565)
Reduction in Corporation Tax as a result of Gift Aid Payment	-	240,148	240,148
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance at 31 July 2015</b>	<b>25,000</b>	<b>52,632</b>	<b>77,632</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 1 August 2015	25,000	52,632	77,362
<b>Total comprehensive income for the period</b>			
Profit or loss	-	906,307	906,307
	<u>          </u>	<u>          </u>	<u>          </u>
Total comprehensive income for the period	-	906,307	906,307
	<u>          </u>	<u>          </u>	<u>          </u>
Gift Aid	-	(1,190,179)	(1,190,179)
Reduction in Corporation Tax as a result of Gift Aid Payment		238,035	238,035
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance at 31 July 2016</b>	<b>25,000</b>	<b>6,795</b>	<b>31,795</b>
	<u>          </u>	<u>          </u>	<u>          </u>

## Notes

### *(Forming part of the financial statements)*

#### 1 Accounting policies

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

bksb Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 20.

The Company's ultimate parent undertaking, West Nottinghamshire College includes the Company in its consolidated financial statements. The consolidated financial statements of West Nottinghamshire College are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from West Nottinghamshire College. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of West Nottinghamshire College include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **Going concern**

In preparing these accounts the directors believe it is appropriate to adopt the going concern assumption based on the continued profitability of the company and their forecasts that the company will continue to have sufficient resources for its ongoing operations.



## Notes (continued)

### 1 Accounting policies (continued)

#### **Foreign currencies**

The presentation currency of these financial statements is Sterling.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### **Revenue recognition**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured as the fair value of the consideration received, excluding any discounts and VAT. Revenue from licenced sales is included to the extent of the proportion of the licence fee attributable to the current financial period. Any income arising for licence fees relating to future periods is deferred within creditors.

#### **Tangible fixed assets**

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

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows

Leasehold property	-	Over the life of the lease
Plant and machinery	-	3 years on straight line basis
Fixtures and fittings	-	5 years on a straight line basis
Computer equipment	-	3years on a straight line basis

The carrying values of tangible fixed assets are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable.

#### **Basic financial instruments**

##### *Financial Assets- Trade and other debtors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. The assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period the financial assets are assessed for evidence of impairment. If an asset is impaired, the impairment loss is recognised in the profit and loss. Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### *Financial Liabilities- Trade and other creditors*

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Financial Liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

#### *Current taxation*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

#### *Deferred taxation*

Deferred taxation is provided in full in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in either an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The deferred tax balance has not been discounted.

#### *Pensions*

Post-employment benefits to employees of the College are provided by the Local Government Pension Scheme (LGPS). This is a defined benefit plan, which is externally funded and contracted out of the State Second Pension.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

**Notes** (continued)

**2 Turnover**

Turnover, which is stated net of value added tax, represents the provision of goods and services which fall within the company's ordinary activities.

**3 Operating profit**

	2016	2015
	£	£
<b>Operating profit is stated after charging:</b>		
Auditor's remuneration:		
Audit of the company's financial statements	4,460	3,490
Other fees - taxation services	-	-
Depreciation	<b>43,747</b>	81,229
	<u>          </u>	<u>          </u>

**4 Director's remuneration**

No Director received any emoluments from the company during the year (2015: £Nil)

The company has applied the exemptions available in respect of the disclosure of Key Management Personnel compensation.

**5 Staff Costs**

	2016	2015
	£	£
Wages and salaries	843,422	790,032
Social security costs	70,350	59,767
Other pension costs	125,301	92,847
	<u>          </u>	<u>          </u>
	<b>1,039,073</b>	942,646
	<u>          </u>	<u>          </u>

The average monthly number of employees (including directors) during the year was made up as follows:

	No.	No.
Operations	14.13	14.96
Sales	7.64	7.64
Finance and administration	2.0	1.0
	<u>          </u>	<u>          </u>
	23.77	23.60
	<u>          </u>	<u>          </u>

**Notes** (continued)

**6 Other interest receivable and similar income**

	2016 £	2015 £
Bank interest	11,539	10,382

**7 Interest payable and similar charges**

	2016 £	2015 £
Interest Payable	15,000	4,000

**8 Taxation**

**Total tax expense recognised in the statement of comprehensive income and equity**

The tax assessed in the year is (2015: standard rate) the standard rate of corporation tax in the UK for small companies of 20% (2015: 21%). The difference are explained below:

The tax charge is made up as follows:

	2016 £	2015 £
<b><i>Current tax</i></b>		
UK corporation tax on the profit for the year	281,008	240,148
Under provision in prior years	23,424	0
Total current tax	<u>304,432</u>	<u>240,148</u>
<b><i>Deferred tax</i></b>		
Origination and reversal of timing differences	(7,408)	(14,350)
Effect of changes in tax rates	0	(791)
Total deferred tax	<u>(7,408)</u>	<u>(15,141)</u>
Total tax expense	<u><u>297,024</u></u>	<u><u>225,007</u></u>

**8 Taxation (continued)**

	<b>2016</b>	<b>2015</b>
	£	£
Profit on ordinary activities before tax	<b>1,416,931</b>	1,194,342
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	283,386	250,811
<i>Effects of</i>		
Transfers of taxable losses from fellow subsidiaries	(13,734)	(26,557)
Adjustments in respect of previous years	23,424	
Other disallowed items	3,948	202
Rate Change in deferred taxation		551
<b>Taxation within total comprehensive income for the year</b>	<b>297,024</b>	225,007
Deferred tax assets/(liabilities)	<b>2016</b>	<b>2015</b>
	£	£
Holiday Pay Accrual	-	3,949
Accelerated Capital Allowances	5,582	(375)
	5,582	3,574
Pension ( Shown as a deduction from pension provision)	127,600	68,800
Total of balances related to deferred tax	133,182	72,374

**Notes** (continued)

**9 Tangible fixed assets**

	Plant & Equipment £	Leasehold Improvements £	Motor Vehicles £	Total £
<b>Cost</b>				
At 1 August 2015	91,466	98,127	221,354	410,947
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 July 2016	91,466	98,127	221,354	410,947
<b>Depreciation</b>				
At 1 August 2015	81,200	59,936	187,051	328,187
Charge for year	9,447	18,720	12,934	41,101
On disposals	-	-	-	-
At 31 July 2016	90,647	78,656	199,985	369,288
<b>Net book value</b>				
At 31 July 2016	819	19,471	21,369	41,659
At 1 August 2015	10,266	38,191	34,303	82,760



**Notes (continued)**

**10 Investments**

	2016 £	2015 £
Investment in BKSB India Private Limited	81,146	40,000

The company owns 100% of the ordinary share capital of its subsidiary BKSB India Private Limited. The share capital is held at its nominal value.

**11 Debtors**

	2016 £	2015 £
Trade debtors	707,818	520,738
Prepayments	66,701	72,218
Deferred Taxation	5,582	3,574
Amounts owed by group undertakings	24,998	24,998
	<u>805,099</u>	<u>621,528</u>

Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

**12 Creditors: amounts falling due within one year**

	2016 £	2015 £
Trade creditors	13,879	-
Corporation tax	42,972	-
Social security and other taxes	174,641	157,797
Amounts owed to group undertakings	683,542	658,166
Accruals and deferred Income	1,715,344	1,480,809
	<u>2,630,378</u>	<u>2,296,772</u>

Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

**13 Issued share capital**

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	25,000	25,000

## Notes (continued)

### 14 Pensions

The Company's employees belong to the Local Government Pension Scheme (LGPS) which is a defined benefit pension scheme managed by Nottinghamshire County Council.

	2016		2016		2015		2015
	£		£		£		£
<b>Total Pension cost for the Year</b>							
Local Government Pension Scheme: Contributions Paid	56,301			46,847			
FRS102 (28) Charge	69,000			46,000			
Charge to the Statement of Comprehensive Income			125,301				92,847
<b>Total Pension cost for the year</b>			<b>125,301</b>				<b>92,847</b>

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

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Nottinghamshire County Council Local Authority. The total contribution made for the year ended 31 July 2016 was £60,301, of which employer's contributions totalled £56,301 and employees' contributions totalled £4,000. The agreed contribution rates for future years are 11.0% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	4.00%	4.50%
Future pensions increases	2.20%	2.70%
Discount rate for scheme liabilities	2.60%	3.80%
Inflation assumption (CPI)	2.20%	2.70%
Commutation of pensions to lump sums	50%	50%

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 2016	At 31 July 2015
Retiring today:		
Males	22.10	22.10
Females	25.30	25.20
Retiring in 20 years:		
Males	24.40	24.20
Females	27.70	27.60

14 Pensions (continued)

The Company's share of the assets in the plan and the expected rates of return were:

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015
		£000		£000
Equities	7.00%	569	6.00%	498
Bonds	7.00%	28	6.00%	21
Other Bonds	7.00%	59	6.00%	49
Property	7.00%	106	6.00%	77
Cash	7.00%	40	6.00%	22
Other	7.00%	31	6.00%	20
Total market value of assets		<u>833</u>		<u>687</u>

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2016	2015
	£000	£000
Fair value of plan assets	833	687
Present value of plan liabilities	<u>1,606</u>	<u>1,109</u>
<b>Net pensions (liability)/asset (Note 19)</b>	<b>773</b>	<b>422</b>

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2016	2015
	£000	£000
<i>Amounts included in staff costs:</i>		
Current service cost	<u>69</u>	<u>46</u>
<b>Total</b>	<b>69</b>	<b>46</b>
<i>Amounts included in Interest costs:</i>		
Net interest costs	<u>15</u>	<u>4</u>
<b>Total</b>	<b>15</b>	<b>4</b>
<i>Amounts recognised in Other Comprehensive Income:</i>		
Return on pension plan assets	25	31
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	<u>(292)</u>	<u>(80)</u>
<b>Amount recognised in Other Comprehensive Income</b>	<b>267</b>	<b>49</b>

## 14 Pensions (continued)

### Movement in net defined benefit (liability)/asset during the year

	2016	2015
	£000	£000
Surplus/(deficit) in scheme at 1 August	(353)	(252)
<i>Movement in year:</i>		
Current service cost	(126)	(93)
Employer contributions	57	47
Past service cost	-	-
Net interest on the defined (liability)/asset	(15)	(4)
Actuarial gain or loss	(267)	(60[A1])
Change in deferred tax	58	9
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(646)</b>	<b>(353)</b>

### Asset and Liability Reconciliation

	2016	2015
	£000	£000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	1,109	867
Current Service cost	126	93
Interest cost	44	40
Contributions by Scheme participants	37	30
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	292	80
Estimated benefits paid	(2)	(1)
Past Service cost	-	-
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b>1,606</b>	<b>1,109</b>
<b>Reconciliation of Assets</b>		
Fair value of plan assets at start of period	687	555
Interest on plan assets	29	25
Return on plan assets	25	31
Employer contributions	57	47
Contributions by Scheme participants	37	30
Estimated benefits paid	(2)	(1)
<b>Assets at end of period</b>	<b>833</b>	<b>687</b>

## 15 Provision for Liabilities

	2016	2015
	£	£
Net defined benefit (liability)/asset at 31 July	773,000	422,000
Deferred tax assets	(127,600)	(68,800)
<b>Provision for Liabilities</b>		
	<u>645,400</u>	<u>353,200</u>

## 16 Related party transactions

The company has taken advantage of the exemption available under paragraph 33.1a of the provisions of FRS102 Related Party Disclosures, on the grounds that it is a wholly owned subsidiary of a group headed by West Nottinghamshire College, whose financial statements are publicly available.

**17 Ultimate parent undertaking and controlling party**

The immediate parent undertaking is West Nottinghamshire College, a company incorporated under the Further and Higher Education Act 1992 which is also the ultimate controlling party. Copies of the ultimate parent undertaking's financial statements may be obtained from West Nottinghamshire College, Derby Road, Mansfield, Notts, NG18 5BH.

**18 Distributions**

	<b>2016</b>	<b>2015</b>
	£	£
Gift Aid payments made to West Nottinghamshire College	1,190,179	1,143,565
Total Distributions	<u>1,190,179</u>	<u>1,143,565</u>

**19 Accounting estimates and judgements**

***Key sources of estimation uncertainty***

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

*Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See note 9 for the carrying amount of the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

*Impairment of debtors*

The company makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of the debtors and associated impairment provision.

***Critical accounting judgements in applying the Company's accounting policies***

There are no such judgements in either the current or prior year.



**Notes (continued)**

**20 Explanation of transition to FRS 102 from old UK GAAP**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 July 2016 and the comparative information presented in these financial statements for the year ended 31 July 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

		1 <sup>st</sup> August 2014	31 <sup>st</sup> July 2015
	Note	£	£
<b>Financial Position</b>			
<b>Total reserves under previous SORP</b>		41	41
Employee leave accrual	(a)	(14,560)	(19,743)
Deferred Taxation	(e)	48,073	65,094
<b>Total effect of transition to FRS 102</b>		<u>33,513</u>	<u>45,351</u>
<b>Total reserves under FRS 102</b>		<u><u>33,554</u></u>	<u><u>45,352</u></u>
<i>Reconciliation of profit for 2014-15</i>			
			Year ended 31 <sup>st</sup> July 2015
			£
<b>Financial performance</b>			
<b>Surplus for the year after tax under previous UK GAAP</b>			1,203,525
Holiday Accrual	(a)		(5,183)
Movement of Tax effects of Gift Aid to Distributions Note	(b)		(240,148)
Change in recognition of defined benefit plan finance costs	(b)		(4,000)
Pensions provision – actuarial loss	(d)		(56,000)
Deferred Taxation	(e)		15,141
Deferred taxation on actuarial loss in respect of Pension Schemes	(f)		9,160
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>			<u>(288,940)</u>
<b>Total comprehensive income for the year under 2015 FRS102</b>			<u><u>922,495</u></u>

**a) Recognition of short term employment benefits**

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31<sup>st</sup> August each year for staff meaning that, at the reporting date, there was an average of 6.05 days unused leave. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £14,560 was recognised at 1 August 2014, and £19,743 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £2,687 has been charged to Comprehensive Income in the year ended 31 July 2016.

**b) Change in recognition of defined benefit plan finance costs**

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31<sup>st</sup> July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

**c) Tax charge on gift aid**

To match the treatment of gift aid, on which it arises, any tax effects of a gift aid are shown within the same location on the financial statements as the gift aid. A tax charge therefore arises within the statement of comprehensive income on the financial performance, as there is no tax credit within the statement of comprehensive income to offset it. The tax charge is then offset/partially offset by the effect of the gift aid payment within the distribution note.

**d) Presentation of actuarial gains and losses within Total Comprehensive Income**

Actuarial gains and losses on the Company's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

**e) Deferred Taxation**

Previously no provision has been made for deferred tax on the grounds that the company transfers its taxable profits by deed of covenant to West Nottinghamshire College to the extent of available distributable reserves, any future tax liability being covered by taxable losses available within a fellow subsidiary company for the foreseeable future, and therefore no deferred tax asset or liability will be realised in the Company, under FRS102 this flexibility is removed for material balances.

**f) Deferred taxation on actuarial loss in respect of Pension Schemes**

This represents the application of deferred tax, required by FRS102, to the pension scheme costs which are not allowable for tax.