STATEMENT OF PRINCIPAL 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 were prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the FE HE SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2015/16 Accounts Direction Handbook.

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

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 25.

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

The application of first time adoption allows certain exemptions from the full requirement of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemption has been taken in these financial statements:

- Revaluation as deemed cost - at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value.

Going Concern

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

The College had available cash reserves of £3.6m as at 31 July 2016, and £24k loan outstanding with bankers, negotiated in 2011/12 on a fixed rate basis over 5 years. The College forecasts 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.

The FE College sector is subject to a programme of Area Based Reviews in the period to March 2017. The Cumbria review commenced in April 2016 and made recommendations in September 2016. That recommendation was for Lakes and Carlisle Colleges to merge, with Carlisle College dissolving. After accepting this Area Based Review recommendation, Carlisle College has resolved to merge with Newcastle College Group. Therefore, this merger is not being pursued at the time of approving these financial statements.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements are prepared under the historical cost convention as modified by the use of previous valuations as derived cost at transition for certain non-current assets.

Recognition of Income

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

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 at the end of November following the year end. 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 or construction of fixed assets are treated as deferred income and recognised in income over the expected useful life of the asset under the accrual method permitted by FRS 102.

Income from tuition fees is recognised in the period for which it is receivable 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.

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 for most employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded from the state pension scheme.

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. 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 assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus as part of staff costs incurred. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs and recognised in the statement of comprehensive income. Actuarial gains and losses are recognised in other recognised gains and losses.

Short Term Employment Benefits

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible Fixed Assets

a. 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 costs at acquisition which is treated as deemed cost under the transitional provisions of FRS 102. Land and buildings acquired since incorporation 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 institution of 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 income 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. The deferred income is allocated between creditors due within one year and those due after more than one year.

Finance costs that are directly attributable to the construction of significant buildings are not capitalised as part of the cost of those assets.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings as deemed cost and not to adopt a policy of revaluations of these properties in the future

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use. Any associated grants related to these assets are not released until the asset is brought into use.

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 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

b. Equipment
Equipment costing less than £1,000 per individual item, unless this forms part of a larger project, is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation less depreciation.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Tangible Fixed Assets (continued)

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College. All other equipment is depreciated on a straight line basis, over its useful economic life as follows:

General Equipment:	5 years
Computer Equipment:	3 and 5 years
3G Pitch Surface	10 years
3G infrastructure	30 years

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 grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased Assets

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

The College does not have any assets acquired under finance leases.

Investments

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

Current asset investments are included in the Balance Sheet at the lower of their original cost and net realisable value.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore 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, where the inputs themselves are tangible fixed assets by nature.

Liquid Resources

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

Provisions

Provisions are recognised when the institution 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support related funds and bursaries received from funding and other bodies. Subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in note 28, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. Any funds held are within creditor balances.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determined whether leases entered into by the College either as a lessor or lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other Key sources of estimation uncertainty

- *Tangible Fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values,

Where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and the projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 15, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2014 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Year Ended 31 July 2016

Re-stated 2015 £000	Income	*Notes*	2016 £000
10,759	**Funding body grants**	1	9,404
793	**Education contracts**	2	693
1,407	**Tuition fees and charges**	3	1,489
429	**Other operating income**	4	624
11	**Investment income**	5	11
13,399	Total Income		12,221
	Expenditure		
7,897	**Staff costs**	6	8,205
4,262	**Other operating expenses**	8	3,234
859	**Depreciation**	10	911
100	**Interest and other finance costs**	9	98
13,118	Total expenditure		12,448
281	Surplus/(Deficit) before other gains and losses		(227)
-	(Loss) on disposal assets	10	(2)
281	Surplus/(Deficit) before tax		(229)
-	Taxation		-
281	Surplus/(Deficit) in the year		(229)
(307)	Actuarial (loss) in respect of pension schemes	15/16	(2,057)
(26)	Total comprehensive income for the year		(2,286)
	Represented by:-		
(26)	Unrestricted comprehensive income		(2,286)

The income and expenditure account is in respect of continuing activities. There were no operations that were acquired or discontinued during the year.

COLLEGE STATEMENT OF CHANGES IN RESERVES

For The Year Ended 31 July 2016

	Income and expenditure Account	Designated Reserves	Revaluation Reserve	Total
At 1st August 2014	4,600	800	377	5777
Actuarial Loss on pension schemes	(307)			(307)
Surplus from income and expenditure account	281			281
At 31st July 2015	4,574	800	377	5,751
Actuarial Loss on pension schemes	(2,057)			(2,057)
Deficit from income and expenditure account	(229)			(229)
Movement on enhanced pension provision	5			5
At 31st July 2016	2,293	800	377	3,470

BALANCE SHEET
BALANCE SHEET AS AT 31 JULY 2016

Re-stated 2015 £000		Notes	2016 £000
	Non-current assets		
17,980	Tangible fixed assets	10	18,526
-	Investment in joint venture	11	-
17,980	Total non-current assets		18,526
	Current assets		
755	Debtors	12	602
2,406	Investments		2,016
919	Cash at bank and in hand		1,651
4,080	Total current assets		4,269
1,674	Creditors: amounts falling due within one year	13	1,631
2,406	Net current assets		2,638
20,386	Total assets less current liabilities		21,164
11,779	Creditors amounts falling due after more than one year	14	12,562
342	Provisions	15	347
2,514	Defined benefit obligations after provisions	16	4,785
5,751	Total net assets		3,470
	Restricted reserves		
800	Designated reserve	17	800
	Unrestricted reserve		
4,574	Income and expenditure account	18	2,293
377	Revaluation Reserve	17	377
5,751	TOTAL FUNDS		3,470

The financial statements on pages 18 to 44 were approved by the Governing Body on 15 December 2016 and were signed on its behalf by:

Mark Stanger
Chairman

Chris Nattress
Principal

CASH FLOW STATEMENT
Year Ended 31 July 2016

Re-stated 2015 £000	Cash flow from operating activities	2016 £000
281	Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and before tax	(229)
859	Depreciation (note 10)	911
(312)	Deferred capital grants to income (note 1 and 4)	(324)
197	Decrease in debtors (note 12)	153
(60)	(Decrease) in creditors and provisions	(107)
162	Pension cost less contributions payable	245
-	Adjustment for investing or finance activities	-
4	Loss on disposal of fixed assets	2
(11)	Interest receivable (note 5)	(11)
7	Interest payable (note 9)	3
1,127	Net cash inflow from operating activities	643

2015 £000	Cash flows from investing activities	2016 £000
(992)	Purchase of tangible fixed assets	(1,460)
-	Sales of tangible fixed assets	1
104	Deferred capital grants received	1,150
(888)	Net cash (outflow) for capital expenditure and financial investment	(309)

2015 £000	Cash flows from financing activities Returns on Investment and servicing of finance	2016 £000
-	Investment Income	-
11	Interest received	11
(7)	Interest paid	(3)
4	Net cash inflow from returns on investments and servicing of finance	8

Re-stated 2015 £000		2016 £000
243	Increase in cash and cash equivalents in the year	342

NOTES TO THE ACCOUNTS

1. FUNDING BODY GRANTS

2015 £000		2016 £000
4,300	SFA Recurrent grant	3,474
5,656	EFA Recurrent Grant	5,096
455	HEFCE Recurrent Grant	479
125	Releases of government capital grants	125
223	Other Funds	230
10,759		9,404

2. EDUCATION CONTRACTS

2015 £000		2016 £000
215	Local Education Authority	237
578	Other Contracts	456
793		693

Education contract income represents fee income received which is not directly from SFA, EFA or HEFCE.

3. TUITION FEES AND CHARGES

2015 £000		2016 £000
517	Further Education	465
890	Higher Education	1,024
1,407		1,489

Tuition fees funded by bursaries
Included within the above amounts are tuition fees funded by bursaries of £8,800 (2014/15 : £18,996).

4. OTHER OPERATING INCOME

2015 £000		2016 £000
187	Releases from non-government capital grants (non SFA/HEFCE)	199
135	Other income generating activities	147
107	Other income	278
429		624

5. INVESTMENT INCOME

2015 £000		2016 £000
11	Other interest receivable	11
11		11

6. STAFF NUMBERS

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

2015 Numbers		*2016 Numbers*
119	Teaching departments	118
46	Teaching support services	58
50	Administration and central services	48
8	Premises	8
3	Income Generation	4
226		236

Staff costs for the above persons:

Re-stated 2015 £000			*2016 £000*
4,568	Teaching departments (including Faculty Technicians and other support staff)		4,784
1,003	Teaching support services		1,064
1,775	Administration and central services		1,617
179	Premises		175
79	Income Generation Staff		102
1	Other costs		16
38	Pension Deficit Charge		58
93	FRS 102 retirement benefit charge		150
114	Restructuring costs	- contractual	203
17		Non-contractual	48
30	Movement in holiday pay accrual		(12)
7,897			8,205
6,582	Wages and salaries		6,697
413	Social security costs		455
809	Other pension costs		903
93	FRS 102 retirement benefit charge		150
7,897			8,205
6,995	Employment costs for staff on permanent contracts		7,206
809	Employment costs for staff on short-term and temporary contracts		849
93	FRS 102 retirement benefit charge		150
7,897			8,205

7. EMOLUMENTS OF KEY MANAGEMENT PERSONNEL

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal, Deputy and Assistant Principal. Staff costs include compensation paid to key management personnel for loss of office.

2015 £000		*2016 £000*
257	**Salaries**	306
2	**Benefits in kind**	2
259	**Sub Total**	308
36	**Pension contributions**	42
295		350

There were no amounts due to key management personnel that were waived in-year, nor any salary sacrifice schemes in place.

The above emoluments include amounts payable to the Principal (Accounting Officer) (who is also the highest paid officer) of:

2015 £000		*2016 £000*
105	**Salaries**	106
1	**Benefits in kind**	1
106	**Sub Total**	107
15	**Pension contributions**	17
121		124

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

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

2015 Key management personnel £000	No	Range	2016 Key management personnel £000	No
		£60,001-£70,000		
-	-	Salaries	60	1
-	-	Benefits in Kind	-	1
-	-	Sub-total	60	1
		£70,001 - £80,000		
152	2	Salaries	154	2
1	2	Benefits in Kind	2	2
153	2	Sub Total	156	2
		£100,000 - £110,000		
105	1	Salaries	106	1
1	1	Benefits in Kind	1	1
106	1	Sub Total	107	1
259	3	Total	323	4

The 2016 figures include the full year equivalent of an outgoing deputy principal.

The members of the corporation other than the Principal and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. No other staff received emoluments over £60,000

2015 £000	Compensation paid to former key management personnel.	2016 £000
-	Compensation paid to the former post holder	23
-	Estimated value of other contractual benefits, including provisions for pensions	7
-		30

The severance payment was approved by the College's remuneration committee.

8. OTHER OPERATING EXPENSES

2015 £000		2016 £000
576	Teaching departments	356
142	Teaching support services	70
217	Other support services	177
994	Administration and central services	807
690	General education expenditure	655
1,049	Premises costs	809
574	Sub-contracting	359
20	Other expenses	1
4,262		3,234

2015 £000	Other operating expenses include:	2016 £000
	Auditor's remuneration	
21	• Financial Statements Audit	21
2	• Other services provided by the financial statements auditors	1
17	• Internal Audit	17
8	• Other services provided by the internal auditors	-
15	• Hire of other assets – operating leases	15
1	Profit/(loss) on disposal of tangible fixed assets	(2)

9. INTEREST PAYABLE

2015 £000		2016 £000
79	Pension finance cost	87
14	Enhanced pension provision	8
7	Interest Charges	3
100		98

10. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £000	*Equipment £000*	*Total £000*
Cost or Valuation			
At 1 August 2015	19,602	4,766	24,368
Additions	1,141	319	1,460
Disposals	-	(145)	(145)
At 31 July 2016	**20,743**	**4,940**	**25,683**
Depreciation			
At 1 August 2015	3,193	3,195	6,388
Charge for period	389	522	911
Eliminated on disposals	-	(142)	(142)
At 31 July 2016	**3,582**	**3,575**	**7,157**
Net Book Value As At 31 July 2016	**17,161**	**1,365**	**18,526**
Net Book Value As At 31 July 2015	**16,409**	**1,571**	**17,980**
Inherited	366	-	366
Financed by capital grant	12,691	195	12,886
Other	4,104	1,170	5,274
Net Book Value As At 31 July 2016	**17,161**	**1,365**	**18,526**

Land and buildings additions includes work on the development of a 3G pitch, partly funded from deferred grants and development on the National College for Nuclear facility fully funded from deferred grants.

	2015 £	2016 £
If inherited land and buildings had not been re-valued they would have been included at the following historical cost amounts:		
Cost	-	-
Aggregate depreciation based on cost	-	-
Net book value based on cost	£-	£-

The College enjoyed the use of Distington Walled Garden for which it did not pay rent under a peppercorn lease agreement with Copeland Borough Council. No value is attributed to the use of the Garden in these accounts. The lease on the Garden ceased in September 2015.

11. INVESTMENTS

Investment relates to the College's involvement in the National College for Nuclear (NCfN) requirements. The College was approved by the Secretary of State in March 2016 and is not yet trading.

The College is a founding member of NCfN alongside Bridgewater College, Sellafield Ltd, EDF Energy Ltd, University of Cumbria and University of Bristol. Directors all share equal voting rights. The NCfN is established to support the national development of skills to meet Nuclear Industry

2015 £000		*2016 £000*
-	National College for Nuclear	-
-		-

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

2015 £000		*2016 £000*
153	Trade debtors after provision for bad debts	138
386	Prepayments and accrued income	360
216	Amounts owed by the Skills Funding Agency	104
755		602

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Re-stated 2015 £000		*2016 £000*
103	Bank loans	24
343	Trade creditors	218
2	VAT	9
127	Other taxation and social security	135
491	Accruals and deferred income	383
235	Other creditors	326
64	Deferred income – government revenue grants	212
309	Deferred income – government capital grants	324
1,674		1,631

Restricted reserves of £62,000 moved to deferred income in 2014/15 as reflects the accumulation and release of bursary and support funds for the benefit of learners.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Re-stated 2015 £000		2016 £000
	Bank loans and overdrafts repayable as follows:	
28	Bank loans due between one and two years.	-
11,751	Deferred income – government capital grants	12,562
11,779		12,562

The bank loan was a fixed term loan taken with Barclays bank at 3.55 % fixed interest rate for the development of Britain's Energy Coast Construction Skills Centre

15. DEFINED BENEFIT OBLIGATIONS

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

Total pension cost for the year

2015	2015 £000		2016	2016 £000
	408	Teachers' Pension Scheme: contributions paid		491
362		Local Government Pension Scheme: Contributions paid	381	
70		FRS 102 charge	150	
39		Lump sum deficit	58	
	471			589
	879			1,080

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the schemes were at 31 March 2012 for the TPS and 31 March 2013 for the LGPS. Contributions amounting to £112,252 (2015 £104,127) were payable to the above schemes at 31 July and are included within creditors. An enhanced pension provision in respect of unfunded pensioners' benefits is included in provisions detailed in note 16.

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 (in excess of price increases and currently set at 3.5%), 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 and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%)
- 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 was 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

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 £490,877 (2015: £408,335)

FRS 102

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer 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 FRS 102 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 deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Cumbria County Council.

The total contribution made for the year ended 31 July 2016 was £591,692 (2015: £561,382) of which employers contributions totalled £438,037 (2015: £400,554) and employees contributions totalled £153,655 (2015: £160,828). The agreed contribution rates for 2015/16 and for future years is 15% for employers; and employees rates are calculated using LGPS – Employee Contributions Procedures, which have now been banded.

FRS 102

The following information is based upon a full valuation of the fund at 31 March 2010, updated to 31 July 2014 by a qualified independent actuary.

At 31 July 2015		*At 31 July 2016*
3.7%	Rate of increase in salaries	3.2%
2.2%	Rate of increase for pensions in payment/inflation	1.8%
3.8%	Discount rate for scheme liabilities	2.5%
2.2%	Inflation assumption (CPI)	1.7%
50%	Commutation of pensions to lump sums	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 2015		*At 31 July 2016*
	Retiring today	
23 years	Males	23 1 years
25.6 years	Females	25.7 years
	Retiring in 20 years	
25.8 years	Males	25.9 years
28.8 years	Females	28.9 years

The College's share of assets in the scheme and the expected rates of return were:

Value at 31 July 2015 £000		Value at 31 July 2016 £000
6,442	Equities	7,048
2,241	Government Bonds	2,741
882	Other Bonds	1,021
1,359	Property	1,468
343	Cash	420
980	Other	1,287
12,247	**Total fair plan value of assets**	**13,985**
14,761	Present value of un-funded liabilities	**18,770**
(2,514)	**Net pension (Liability)**	**(4,785)**
4.3%	**Weighted average expected long term rate of return**	**3.8%**
1,319	**Actual return on plan assets**	**1,478**

Year Ended 31 July 2015 £000		Year Ended 31 July 2016 £000
	Amounts recognised in the statements comprehensive income reflect of the plan	
	Amounts included in staff costs	
492	Current service costs	555
492	**Total operating charge**	**555**
	Amount involved in investment costs	
(79)	Net interest cost	(87)
(79)	**Pension finance (costs)**	**(87)**
	Amount recognised in comprehensive income offer	
854	Return on plan assets	1,007
(1,149)	Experience losses arising on the scheme liabilities	(3,041)
(295)	**Amount recognised in other comprehensive income**	**(2,034)**
	Movement in deficit in year	
(2,047)	(Deficit) in scheme at 1 August	(2,514)
	Movement in year:	
	Change in basis of valuation of scheme assets	
(492)	Current service cost	(555)
411	Employer contributions	439
-	Past service cost	-
-	Curtailments	(22)
(12)	Administration expenses	(12)
(79)	Net interest cost	(87)
(295)	Actuarial (loss)	(2,034)
(2,514)	**(Deficit) in scheme at 31 July**	**(4,785)**

Year Ended 31 July 2015 £000		Year Ended 31 July 2016 £000
	Changes in the present value of defined benefit obligations	
	Defined benefit	
12,742	**Liabilities at start of period**	14,761
492	Current service cost	555
544	Interest cost	558
161	Employee contributions	154
1,149	Actuarial (gain)/loss	3,041
(327)	Benefits (paid)	(321)
-	Curtailments	22
14,761	**Defined benefit Liabilities at end of period**	18,770
	Changes in fair value of plan assets	
10,695	**Fair value of plan Assets at start of period**	12,247
-	Change in basis of valuation of scheme assets	-
465	Interest on plan assets	471
854	Return on plan assets	1,007
(12)	Administration Expenses	(12)
411	Employer contributions	439
161	Employee contributions	154
(327)	Benefits paid	(321)
12,247	**Fair value of plan Assets at end of period**	**13,985**

The estimated value of employer contributions for the year ended 31 July 2017 is £419,000

History of experience gains and losses

	2016	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:						
Amount £000	(3,041)	(1,149)	692	(233)	(57)	575
Percentage of scheme liabilities	(16.2%)	(7.8%)	5.4%	(1.9%)	(0.7%)	7.4%
Experience gains and losses on scheme assets:						
Amount £000	1,007	735	(88)	945	0	16
Percentage of scheme liabilities	7.2%	6%	0.8%	9.4%	0%	0.2%
Total amount recognised in SOCI:						
Amount £000	2,034	(414)	604	712	(605)	591
Percentage of scheme liabilities	10.8%	2.8%	4.7%	5.7%	5.3%	5.9%

16. PROVISIONS FOR LIABILITIES AND CHARGES

Pension Enhancement Provision 2015 £000		*Pension Enhancement Provision 2016 £000*
342	At 1 August 2015	342
(26)	Expenditure in the period	(26)
26	Transferred from statement of comprehensive income	31
342	At 31 July 2016	347

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

2015		2016
3.46%	Interest rate	2.3%
1.75%	Net interest rate	1.00%

17. RESERVES

REVALUATION RESERVE

2015 £000		2016 £000
377	At 1 August 2015	377
377	At 31 July 2016	377

DESIGNATED RESERVES

2015 £000		*2016 £000*
800	At 1 August 2015	800
-	Movement in designated reserves	-
800	At 31 July 2016	800

The designated reserve fund was established as a reserve for planned maintenance and replacement programmes.

18. MOVEMENT ON GENERAL RESERVES ACCOUNT

Re-stated 2015 £000		2016 £000
4,600	At 1 August 2015	4,574
(307)	Actuarial (loss)on pension schemes	(2,057)
-	Movement of enhanced pension provision	5
281	Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and tax	(229)
4,574	**At 31 July 2016**	2,293
	Balance represented by:	
(2,514)	Pension reserve	(4,785)
7,088	Income and expenditure account reserve excluding pension reserve	7,078
4,574	**At 31 July 2016**	2,293

19. CAPITAL COMMITMENTS

2015 £000		2016 £000
	Capital commitments relate to the capital development of the National College for Nuclear, fully funded by the Skills Funding Agency	
	Capital commitments	
-	Commitments contracted for at 31 July	213
-	Authorised but not contracted at 31 July	6,438
-		6,651

20. FINANCIAL COMMITMENTS

At 31 July 2016 the College had minimum lease payments under non-cancellable operating leases as follows:

Land and buildings 2015 £000	*Other 2015* £000		*Land and buildings 2016* £000	*Other 2016* £000
-	15	**Expiring within one year**	-	15
-	15	**Expiring between two and five years inclusive**	-	-
-	-	**Expiring after five years**	-	-
-	30		-	15

21. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified in respect of governors which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

The Principal of Lakes College West Cumbria is also a director of Energy Coast University Technical College (UTC). The College provides some shared services for the Energy Coast UTC resulting in transactions in year of £122,913 (2015: £343,648) Debtor balance due from Energy Coast UTC as at 31 July 2016, £38,998 (2015: £NIL)

National College for Nuclear joint venture vehicle was established in the year. Related party transactions amount to £3,862, being payment of insurance cover for the National College for Nuclear.

Transactions with the funding bodies and HEFCE are detailed in notes 1, 14, 15 and 19.

22. DISCRETIONARY SUPPORT FUNDS

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income

Access Funds

2015 *£000*		*2016* *£000*
283	Funding Body Grant	340
(279)	Disbursed to Students	(204)
(7)	Administration Costs	(10)
(3)	Balance (under)spent 31 July 2016	126

Other Learner Support Funds

2015 *£000*		*2016* *£000*
32	Funding Body Grants – Childcare	18
75	Funding Body Grants – Free Meals	38
107		56
(32)	Disbursed to Students – Child care	(18)
(10)	Disbursed to Students – Free Meals	(14)
65	Balance underspent 31 July 2016	24

23. INVESTMENT IN JOINT VENTURE

In March 2016 the College entered into a joint venture with Sellafield Ltd, EDF Energy, Bridgwater College, University of Bristol and University of Cumbria to form the National College for Nuclear, one of the government's flag-ship national colleges. The company did not trade during 2015/16

24. POST BALANCE SHEET EVENTS

In September 2017, the College and Carlisle College agreed to accept the Area Based Review recommendation to explore a Type B merger with Carlisle College. In November 2017, Carlisle College indicated its intention to explore merger with Newcastle College Group. At the time of approving these financial statements the College does not expect to merge with Carlisle College.

25. TRANSITION TO FRS 102 AND THE 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below:

	Note	1st August 2014	31st July 2015
		£'000	£'000
Financial Position			
Total reserves under previous SORP		6,041	6,045
Employee leave accrual	(a)	(202)	(232)
Changes to measurement of net finance cost on defined benefit plans	(b)	--	-
Total effect of transition to FRS 102 and 2015 FE HE SORP		(202)	(232)
Total Reserves under 2015 FE HE SORP		5,839	5,813

	Note	31st July 2015
		College £'000
Financial Performance		
Surplus for the year after tax under previous SORP		430
Employee leave accrual	(a)	(30)
Changes to measurement of net finance cost		(307)
On defined benefit plans	(b)	(119)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(456)
Total comprehensive income for the year under 2015 FE HE SORP		(26)

(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 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 6 days unused leave for teaching staff and 13 days unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £202,000 was recognised at 1 August 2014, and £232,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £12,000 has been credited 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 31st 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.

GOVERNING BODY:

The Governors who served on the Board during the year and up to the date of signature of this report, were as follows:

Category and Roles	Date of appointment and re-appointments	[1]Term of office	Date of Resignation	[2]Attendance at Corporation & Committee Meetings 2015-16
Independent				
Mr Joe Holliday Health and Safety Lead Governor	05/07/01 05/12/02 29/06/06 28/01/10 01/01/14	4 yrs		Corporation 73%
Mrs Norma Boyes Chair, Search and Governance Committee; Audit Committee Member; Remuneration Committee Member SEN Lead Governor	09/07/98 06/12/01 15/12/05 28/01/10 01/01/14	4 yrs		Corporation 93% Audit 100% Search & Gov 100% Remuneration 100%
Mr Andrew Oldham Chair of Audit Committee	11/12/08 01/12/12 30/11/16	8 mths		Corporation 73% Audit 100%
Mr Mark Stanger Chair of Corporation Remuneration Committee Member Search and Governance Committee Member Finance Lead Governor	02/07/09 01/07/13	4 yrs		Corporation 100% Search & Gov 100% Remuneration 100%
Dr Robin Talbot Teaching and Learning Lead Governor Search and Governance until 31 July 2015 Quality Working Group from 22/09/16	01/01/10 01/01/14	4 yrs		Corporation 57% Search & Gov 30%
Mr Les Agnew Vice Chair of Corporation from to 31/08/16 Chair, Remuneration Committee Search and Governance Committee Member	18/03/10 01/01/14	4 yrs		Corporation 71% Search & Gov 67% Remuneration 100%
Mr Mark Telford Business Development Lead Governor	22/09/11 30/06/15	4 yrs		Corporation 33%
Mr Phil Jardine Search and Governance Committee Member Quality Working Group Member from 22/09/15	01/10/12 27/06/13	3.5 yrs		Corporation 93% Search & Gov 100%
Mrs Claire Madden Remuneration Committee Member Audit Committee Member	18/09/13 16/09/14	3yrs		Corporation 73% Audit 100% Rem Cttee 0% (1 mtg)
Mr Mike Muir	11/12/14 10/12/15	3.5 yrs		80%
Mr Mike Priestley Vice Chair from 22/09/16 Chair, Quality Working Group from 22/09/16 Safeguarding and Prevent Lead Governor	17/10/13 26/09/14	3yrs		Corporation 93%
Mrs Lesley Carruthers	22/10/15	1 yr	08/12/15	n/a
Mrs Helen Johnson Quality Working Group Member from 22/09/16	10/12/15 09/12/16	8 mths		70%
Ms Tanya Crofts Quality Working Group Member from 22/09/16	07/07/16	1 yr		Corporation 100% (1 meeting)

[1] Potential merger is impacting on length of appointments and re-appointments
[2] Some attendance was affected by Conflicts of Interest

Category	Date of appointment and re-appointments	Term of office	Date of Resignation	[3]Attendance Corporation & Committee Meetings 2014-15
Staff				
Mr Chris Nattress (Principal) Search and Governance Committee; Cumbria Colleges Ltd Board (dormant); Energy Coast University Technical College Board - Director; Britain's Energy Coast Campus Accommodation Ltd – Director National College for Nuclear – Director & Member Representative	01/09/13			Corporation 100% Search & Gov 100%
Mrs Sarah Graham Audit Committee Member Equality and Diversity Lead Governor	01/01/10 01/01/14	4yrs		Corporation 57% Audit 67%
Mrs Angela O'Connell	15/05/14	4yrs	23/10/15	Corporation 90%
Mrs Elizabeth Walker	10/12/15 09/12/16	1 yr 8 mths		90%
Student				
Mr Justin Mahone	12/11/15	1 yr	23/02/16	75%
Mr Bradley Telford	12/11/15	1 yr		0%
Co-opted Member of the Audit Committee				
Ms Sarah Farquhar Co-opted Member of the Audit Committee	15/05/13 26/06/14 24/09/15	1 yr 1+ yr 2 yrs		Audit 67%

REPORTING COMMITTEES AT YEAR END:

Audit Committee: (5)

A Oldham (Chairman)
N Boyes
S Farquhar (co-opted)
S Graham
C Madden

Remuneration: (4)

L Agnew (Chairman)
C Madden
N Boyes
M Stanger

Search & Governance: (4)

N Boyes (Chairman)
M Stanger
L Agnew
C Nattress

Quality Working Group: (5)

M Priestley (Chairman)
T Crofts
H Johnson
P Jardine
R Talbot

KEY MANAGEMENT PERSONNEL

C Nattress (Principal)
K Wilson (Deputy Principal)
D Braithwaite(Assistant Principal)

PROFESSIONAL ADVISORS:

External Auditors:	**Armstrong Watson Audit Limited** Chartered Accountants & Statutory Auditors Fairview House Victoria Place Carlisle CA1 1HP
Internal Auditors:	**ICCA Education Training and Skills Ltd** 11th Floor McLaren House 46 Priory Queensway Birmingham B4 7LR
Bankers:	Barclays Bank plc 2 Finkle Street Workington CA14 2AU
Solicitors:	Eversheds Evershed House 20 Great Bridgewater Street Manchester M1 5ES

REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF LAKES COLLEGE, WEST CUMBRIA AND SECRETARY OF STATE FOR EDUCATION THROUGH SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 8th September 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 anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Lakes College West Cumbria during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not 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 Lakes College West Cumbria and 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 Lakes College West Cumbria and 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 Lakes College West Cumbria and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Lakes College and the reporting accountant

The corporation of Lakes College West Cumbria is responsible, under the requirements of the Further and 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 discussed and income received during the period 1 August 2015 to 31 July 2016 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.

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.

The work undertaken to draw our conclusion includes:

- A review of the accuracy of the corporation's self-assessment of compliance with regularity and propriety requirements and review of appropriate evidence and documentation.
- Review of expenditure systems for compliance with corporation policy and scheme of delegation.

- Consideration of staff expense claims in line with policy.
- Review of procedures in respect of government procurement cards.
- Review of corporation minutes.
- Consideration of advisory matters from internal auditors reports.

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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:

Jean Carroll
For and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors

16 December 2016.