



Aberlour Child Care Trust

Annual Report and Accounts

Year ended 31 March 2017



Company Number SC312912

Scottish Charity Number SC007991

**Aberlour Child Care Trust
Chief Executive's Report
For the year ended 31 March 2017**

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Directors

Valerie Surgenor – Board Chair and Chair of Nominations & Succession Committee

David Elder – Vice Chair

Prof. Joyce Lishman – Chair of Improvement, Audit & Risk Committee until 15 August 2016.

Andrew McFarlane

Robert Lindsay

Antony John Sinclair – Chair of Finance Committee

Allison Beattie

Jane Elizabeth Morgan - Chair of Improvement, Audit & Risk Committee from 15 August 2016

Gary Tanner

Chief Executive

SallyAnn Kelly

Company Secretary

Carol Currie (resigned 15 August 2016)

Ian Black (appointed 15 August 2016)

Charity Number

SC007991

Company Number

SC312912

Registered Office

36 Park Terrace, Stirling, FK8 2JR

Tel: 01786 450 335

www.aberlour.org.uk

Auditor

BDO LLP, Registered Auditors, Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD

Investment Managers

Quilter Cheviot Investment Management, Delta House, 50 West Nile Street, Glasgow, G1 2NP

Bankers

The Royal Bank of Scotland plc, 2 Pitt Terrace, Stirling, FK8 2EX

**Aberlour Child Care Trust
Chair's Report
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With the presentation of the Annual Accounts, I am pleased to report that Aberlour Child Care Trust continues to develop as a strong and sustainable organisation in what are the most challenging of economic times.

Supporting and protecting what are often some of Scotland's most vulnerable children, young people and their families, we continue to support and adapt our services to meet the needs of those children who face the most overwhelming of obstacles. Put simply, giving children the best possible start in life is at the heart of everything Aberlour Child Care Trust does.

Overview of the activities of Aberlour Child Care Trust

As we implement and develop the three year strategy entitled "Our Aberlour" with four key strategic drivers of growth, quality, sustainability and impact we take comfort in some of the gains and successes we have achieved but are alert to future opportunities. The Board, working alongside the Chief Executive, SallyAnn Kelly, and her Senior Leadership Team, continue to witness progress of this strategy, delivering on-time in key areas, and in some cases earlier than had been anticipated. Overall, the organisation is achieving in delivering our strategic objectives in all areas during the year. This activity included the implementation of a new approach to business development whereby we research growth opportunities, prioritise those we are best placed to win and submit tender responses that focus on the commissioners stated objectives. A number of successes have been delivered using this model and it will serve us well going forward.

There have been many highlights this year, and I would like to highlight two in particular as they demonstrate, quite differently, the impact we have made in delivering high-quality services and the enduring level of support for Aberlour; with both demonstrating the need for Aberlour to continue with its activities.

The corporate work to win the contract for residential services in the Highlands following market research, commercial pricing with a focus on commissioner's requirements was a success for team-working and a demonstration of what is possible from within our organisation. Equally encouraging was further growth in demand for our services from local authorities and families alike, as evidenced in the continued growth of spot purchased placements.

The accounts show a strong trading position and a resilient balance sheet that position us well for the challenges we face in the future.

Governance and our risk management approach

The Board properly discharges its governance responsibilities by undertaking an ongoing scrutiny of the activities of the Charity. We fully engage with all charitable and care activities undertaken by independent bodies, regulators, the press and, of course, the general public. Risk is an everyday and inherent part of charitable activity, and the Board of Directors are acutely aware of the ongoing need to provide transparency and accountability to all. We continue in our approach of reviewing and assessing the risks faced by the organisation and ensuring adequate steps are put in place to actively manage the risks facing the organisation ensuring not only that Aberlour safeguards its charitable funds and its assets, but achieves its strategic goals. As part of our stewardship processes, fundraising has been an area where we have undertaken deeper examination during this year. Expert advice was sought and valuable lessons have been learned and we are already seeing the benefits of this.

Amongst the challenges ahead for the organisation, particularly as we face a departure from the European Union and all of the uncertainties that creates, funding is the most obvious and critical; however the ongoing development of our IT platform, digital strategy and corporate engagement go hand in hand with safeguarding this key area of sustainability for the Charity. The Charity will continue to develop these areas in this coming year in seeking to safeguard and grow funding.

We have had stability amongst Board membership over the past twelve months but an important aspect of governance is ensuring the frameworks we operate within remain fit for purpose. Accordingly

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the Chief Executive is leading a review of our Constitution and Articles of Association which will conclude in 2017. As part of our review of governance, we will be considering succession planning and identifying skills gaps amongst Board members and commencing targeted recruitment to address any identified needs.

The Board and its committees regularly meet and review the progress towards meeting our strategic objectives. We undertake a regular review of the processes and controls set in place to deal with those matters set out in our risk register and to review progress on our corporate strategy.

The relationships with BDO LLP our external auditors and Quilter Cheviot Investment Management Services our external investment managers are strong and valued. Their contributions have been highly beneficial to both the Board in its governance role and to the Senior Leadership Team and we remain grateful for their support.

Once again, the efforts of all at Aberlour, in working with our external networks and appointments, our supporters and volunteers and our funders and fundraisers have improved the lives of many children and young people across Scotland in the past year and I am thankful to everyone who has played a part.



**Valerie Surgenor LLM, LLB, BA (Hons), DipLP, NP
Chair
Aberlour
Governance**

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The last year saw a continuation of a successful period for Aberlour within its 142 year history.

We continue to face some significant challenges in our external environment and have required an awareness of future challenges along with an agile response from our organisation to keep pace with change. Following a period of staffing turnover we have refreshed our Senior Leadership Team with the appointment of Pippa Johnston and Ian Black as Directors of Marketing & Fundraising and Director of Finance & Resources respectively in December 2016. Both have a wide range of experience and functional insight which complement our Senior Leadership Team in its management of the organisation and providing advice to decision-makers on the Board. We have continued with significant investment in the leadership capacity within Aberlour and we are confident that this investment will add to our expertise and effectiveness as we move forward with Our Aberlour – the Strategic Plan for the Organisation.

We have continued putting personalisation at the heart of our agenda and emphasise the importance of this. Over the year we demonstrated the embedding of this within our ethos by rolling out a number of events and seminars and high profile promotional materials.

We engage proactively with our staff groups and held our Staff Conference in the autumn of 2016. This went very well and we intend to make it an annual event, celebrating success and learning more about the sector we work in and the young people we support. We have also introduced a series of regional events to enhance the visibility of Leaders as we promote the restated values of the organisation and use these as a guide to organisational activity. This year also saw a very successful youth conference being held by Aberlour. This conference was designed and supported by young people themselves and involved 50 young people coming together for a weekend to discuss important issues for them. Given the success of the first conference we have given a commitment to our young people that we will continue to support these events.

Our established services across residential care and disability continue to perform well with grading from inspection agencies consistently above the national average. Spot purchase and self-directed support demands within these services has grown and Aberlour will continue to build on this success as we move forward.

We have achieved considerable organisational boost from the success in being awarded a tender for the provision of residential care from the Highlands Council. This was hard won and involved a multi-disciplinary bid team tapping into a wide range of skills, and expertise. We constructed a bid that focussed on the requirements that commissioners had set in their tender, portraying Aberlour's expertise in a more commercial focus while not detracting from our core principles and objectives as a high quality care provider.

We continue to build our reputation for delivering high quality family support and early intervention. We have successfully delivered an innovative, capacity building approach to supporting women affected by poor mental health in the peri-natal stage and have plans to develop this approach across Scotland in future years. We have also successfully developed a service providing early intervention for young people who are on the "Edge of Care" and we were awarded two year funding from STV Appeal to implement and develop this further in the Highlands.

Our work with the higher education sector continues and our formal agreement in place with Stirling University will see opportunities for research, internships and practice based learning develop over the future. We are a founding member for the Centre for Child Protection and Wellbeing at the University of Stirling and will fund a post graduate student over the next three years to ensure ongoing understanding and testing of childcare research and innovation continues.

Following the incorporation of the St Clair's Trust into Aberlour, the last year has seen the further roll-out of the Aberlour Urgent Assistance Fund. This allowed us to make the offer of monetary support to families from across Scotland who demonstrate hardship and meet set criteria. The Fund has been

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promoted to all local authorities, thereby allowing Aberlour to spread its reach and support and bring relief to families in desperate circumstances.

Effective partnership working remains at the heart of what we do and we continue to work effectively with a number of service providing organisations including the Scottish Refugee Council, Turning Point Scotland and a range of children's charities. Additionally we have embarked on a review of possible shared-services opportunities with other third sector providers.

Like many other organisations we continue to face challenges in relation to the reduction in public spending and in our broader fundraising activity. We have therefore experienced some loss in service provision and local authorities now applying accumulated reserves to ease their funding burden

We have refreshed our efforts and focus within our fundraising team and the last year saw the implementation of the recommendations of an independent report to support us to achieve our ambitions in relation to corporate and individual giving. An internal task group was supported by Bob Keillor, a highly respected industrialist, as we set ambitious but achievable targets. This will allow us to consider the key issues in relation to governance highlighted from the Etherington and SCVO reports on Fundraising.

Our influencing activity has continued to grow in impact and effectiveness. We have continued to use our experience to help shape government policy to improve the experiences of a range of groups within the childcare environment including those with disabilities, looked after children, asylum seekers and refugees. During the year Aberlour have been represented on the Scottish Government's Child Protection Improvement Programme and have an active role in advising the Systems Review Group on ways to enhance Scotland's formal child protection arrangements, covering policy, practice, services and structures.

In early 2017 Aberlour was informed that it would be one of the organisations being investigated at a Preliminary Hearing of the Scottish Child Abuse Inquiry. The notification also included a request for information to be submitted to the Inquiry. Aberlour have since fully complied with requirements. The Board of Directors have been advised of these matters and will continue to be regularly briefed on developments. OSCR have been advised of this as a Notifiable Event.

We look forward to continuing to deliver on our strategy and reaching yet more children and families over the course of the next year.



SallyAnn Kelly
Chief Executive

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Directors' Report for the year ended 31 March 2017

The Directors present their report and financial statements for the year ended 31 March 2017. These have been prepared in accordance with UK Generally Accepted Accounting Practice, the requirements of the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, the Companies Act 2006 and the Charities SORP (FRS102).

Structure, Governance and Management

Aberlour was founded as an orphanage by Canon Charles Jupp in 1875. He believed that every child has the ability to grow up and flourish in society, regardless of the circumstances of his or her birth. In 1978 Aberlour Child Care Trust became a Scottish Charity constituted by a statutory instrument. On 31 March 2010 the Trust was wound up and on 1 April 2010 its assets, liabilities and undertakings were transferred in its entirety to a charitable company limited by guarantee, Aberlour Child Care Trust. The Office of the Scottish Charities Regulator approved the transfer, with the principles and ethos of Canon Jupp continued and reflected in Aberlour's values of Integrity, Challenge, Innovation and Respect.

Governance, management and activities of the charitable company remain very similar to those of the Trust. The Governors of the Trust became Directors of the company. The Directors of the company are the members of the Trust and their liability is limited to £1 each. A review of the constitution has been initiated to ensure governance remains effective and flexible to adapt to future developments.

The Board comprises Directors elected for their experience and contribution to the governance of the charity. The Scottish Episcopal Church may propose candidates for two Director positions. New Directors have references taken up along with enhanced Disclosure Scotland checks. Induction packs and briefings on Aberlour's policies and plans are provided and Directors are encouraged to visit services. It is the Board's practice to elect Directors to serve an initial four year term and can be extended by mutual agreement.

The Board meets at least four times a year; it approves the operating plan and budget for the forthcoming year in March and at each meeting monitors performance and outcomes. The Board operates three Committees namely: Finance; Improvement, Audit & Risk; and, Nominations & Succession. Implementation of the strategy and financial plan is delegated to the Chief Executive.

The Board continues to assess the major risks to which Aberlour is exposed, in particular those relating to services to children and families and to its finances. The Risk Register is reviewed regularly by the Senior Management Team and bi-annually by the Board.

The Board

The Directors who held office since 1 April 2016 are listed on page 1.

The Directors of the charitable company (the Trust) are its Trustees for the purpose of Charity Law and throughout this report are referred to as the Directors.

Key management of the company is carried out by the Senior Leadership Team which consists of the Chief Executive, Director of Children and Families, Director of People & Quality, Director of Marketing & Fundraising and the Director of Finance & Resources.

Overview

Aberlour Child Care Trust is proud of its heritage and it continues to be recognised for its high quality, innovative work with some of Scotland's most vulnerable children, young people and families. During the past year we have continued to operate within a challenging economic environment with ongoing austerity bearing down on public sector finances. Further reductions in public spending have meant that we continue to operate with standstill budgets or, in some cases, have had to accept funding reductions. Many long-standing services are being subjected to re-tendering processes which are challenging and introduce risks, but Aberlour has been successful in winning work in new areas.

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2016/17 was the first full year of administering the Aberlour Urgent Assistance Fund, created following the one off donation from St Clair's Trust of £1.325m in 2015/16. The earnings totalled £29k, of which £25k was paid to beneficiaries across Scotland. The remainder will be carried forward as Restricted Funds for application in 2017/18.

Monies received from bequests and legacies totalled £0.389m which has improved Unrestricted Funds. As a sign of public sector funding restrictions, income for the year would have been insufficient to meet expenditure given a reduction in local authority funding and with commissioners agreement Aberlour applied accumulated restricted reserves in several services.

We continue to adapt organisational structures to meet future challenges, focussing on building a more sustainable future. Aberlour has sought to influence the national policy agenda for children and young people, seeking to ensure that they are at the heart of decision processes of national and local Government. We have developed our volunteering strategy and have expanded opportunities across our services. As a learning organisation, we continue student placements so the social care workforce of the future can benefit from our vast experience, knowledge and skills across key areas of work.

Though the overall economic climate remains harsh and this has led to a challenging and competitive landscape across the Third Sector, this has not stopped Aberlour from delivering quality services, seeking new opportunities and growing our business. We have collaborated with other charities and key stakeholders where this offers best value, reduces unnecessary duplication and shares resources.

Vision

Aberlour's vision is to transform the lives of the children and families we work with and, through this, contribute to a fairer and more equal society. Aberlour is the largest solely Scottish children's charity and each year we help a significant amount of children, young people and their families to cope with major obstacles such as disability, exclusion, parental drug and alcohol dependency and family breakdown. We provide a range of specialist, high quality, community and residential care services in over 40 services across 35 locations across Scotland ranging from high tariff care to early intervention.

We have delivered and invested in:

- Residential care services for young people of all ages, based upon our specialist care practice and philosophy and will extend our person-centred approach to achieve optimum outcomes;
- A high profile tender for residential services in the Highlands was awarded which represents a significant increase in turnover offsetting service losses sustained in previous years;
- The Sustain Service, funded by STV Appeal, which is an innovation that aims to reduce the prospect of deterioration in the circumstance of young people on the "edge of care";
- Our specialised fostering service which supports foster carers 24 hours per day, 365 days per year, including dedicated respite care for children in foster care;
- A throughcare and aftercare service for young people who would normally leave care at 16 providing more support in adolescence and ongoing care to enable them to fulfil their potential, without public sector funding;
- Support to children whose lives are affected by parental alcohol and drug misuse.
- Residential care, respite and outreach services for children and young people with challenging and complex needs and often profound and severe disabilities;
- Support services for children and families impacted upon by parental learning disabilities.
- Support for young people not in education or employment who need help with life's challenges;
- Information, training and leisure activities for young people living in areas of social deprivation, crime, drug or alcohol dependency and gang cultures in challenging estates in cities;
- Facilities to promote positive parenting, early years learning and social skills within vulnerable and disadvantaged families;
- A Guardianship service, which supports young unaccompanied asylum seekers;

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- Support for mothers in prison with their babies or young children;
- Innovative support networks for women affected by poor mental health in perinatal stages; and,
- Training and education for childcare professionals to build and sustain a competent and confident workforce.

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

Investing in our Services

We continue to deliver services that make a difference to the lives of young people. A few of the highlights this year include the following:

- We invest in development and maintenance programmes for our Services, which we recognise as being home for the children and young people in our care;
- Our long-standing residential care provision in Kirkcaldy and Dunfermline to young people who have suffered trauma remain a main-stay, joined now by services in the Highland area;
- During the year we commissioned a comprehensive review and valuation of our own-buildings which ensures the balance sheet better represents our asset value and will also inform an organisation-wide asset management strategy;
- We continue to develop our perinatal mental health service supporting women children and their families with an innovative befriending model. Independent research by Stirling University affirms the positive impact derived from this service and we aim to roll this out nationally, supported by NHS Boards;

Investing in our People

Aberlour acknowledges and values the contribution our staff make and this has long been recognised externally through our independently evaluated Investors in People award which we hold at the Gold level. We are currently progressing the next generation IIP framework to ensure excellence in our workforce practices.

We have recently undergone a separate IIP evaluation of our employment support arrangements for our younger employees and it is reassuring to know that our practices are strong in this subset as we were awarded a silver level of accreditation in the Investors in Young People assessment. Building on this, we will implement a number of improvements over the coming year.

Aberlour operates fair and lawful practices in the promotion of equitable and needs-based access to training and career development resources for all staff. We view this as a key requirement to ensure our workforce remains skilled to meet changes and future development challenges.

In November 2016 we held a highly successful one-day Staff Conference. This event looked both inwardly, by celebrating the contribution of our staff in making a meaningful difference to the lives of the children, young people and families we support, but also looked outwardly, considering external events that will shape childcare policy going forward for many years. The day was shared with staff, young people, board members, invited guests – and as always the outside world through various social media channels! The event was valuable at many levels and will be made an annual fixture.

Aberlour hold the disability "Two-Tick" award showing our commitment to equal opportunities from the start of the recruitment process where we actively encourage applications from disabled people. Aberlour operates fair and lawful practices in the promotion of training and career development for all staff regardless of disability.

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KEY PERFORMANCE INDICATORS

Residential care remains a mainstay of Aberlour's operations and a relatively fixed cost. We monitor this closely and our occupancy rate in 2016/17 was 93.8% which is slightly lower than the 96.6% in 2015/16, largely due to some placement planning considerations.

Absence rate is sitting at 4.97% for 2016/17 which is slightly up on 2015/16 of 4.7% but comparable with the sector.

Turnover was 24.91% which is slightly lower than 2015/16 of 26% but includes six members of staff who left following redundancy. Turnover rates are always reviewed closely as this has implications across the organisation from management time involved in recruitment and induction, through to human resource processes.

Of those staff required to be registered with the SSSC, 100% meet the registration requirements. Over half of those registered are fully qualified with others being supported to meet the necessary qualification levels within the allocated 5 year deadline.

Aberlour have completed the Gender Pay Gap Reporting exercise and we will analyse the findings and publish this in line with required statutory timescales.

We had 22 registered services in 2016/17, which continue to perform well in inspections. Our average of grade of 4.49 (4 is good) demonstrates the importance placed on high-quality service provision.

REMUNERATION POLICY

Aberlour pays no less than the Living Wage to all staff and are committed to maintaining this policy. There is an agreed job evaluation scheme against which all jobs are evaluated. This scheme includes all posts within the organisation, including promoted posts. Any changes to remuneration for employees outwith the cost of living arrangements which are recognised in an Annual Pay Award, must be assessed and justified using the job evaluation scheme and the associated pay scales.

The Annual Pay Award is considered and determined by the Board of Directors on an annual basis. Decisions are based after consideration of affordability, sustainability and third sector employment trends.

FINANCIAL REVIEW OF 2016/17

Income from charitable activities for the year was £13.7m comparable with £13.9m in 2015/16. Voluntary income, including donations, legacies and other income for the year was £2.6m compared with £3.6m for the previous year but 2015/16 included a one off donation from St Clair's Trust of £1.3m.

Total expenditure for the year was £16.9m compared with £15.9m in 2015/16. The charity recorded an 'operating' surplus of £180k being the net expenditure of £586k per the statement of financial activities excluding impairment losses of fixed assets of £766k incurred in the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have assessed the major risks to which the Trust is exposed, in particular those related to the operations, reputation and financing of the Trust, and are satisfied that systems are in place to mitigate their exposure to the major risks. A comprehensive Risk Register is maintained with regular reviews undertaken to ensure the key risks are identified and the mitigations are effective. The most significant risks and mitigation are detailed below:

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Identified Risk – Failure to evidence the impact of our work with children and young people leading to lower estimation of the value of our work from commissioners

- Outcomes Reporting implementation and full compliance with reporting standards to aid measurement. Cancellation of relationship with software provider Intrelate and launch of a project to introduce new corporate client information and reporting software.

Identified Risk – Local authority spending restrictions lead to reduction in value of work commissioned nationally from Aberlour, risking financial sustainability

- Service viability is assessed; service redesign and recovery plan options are considered; stand-alone services will be considered and set-up; relationships with local authorities enhanced.

FUTURE DEVELOPMENTS

Our 2015-18 strategy for success "Our Aberlour" stated our ambitions as being to:

- Grow and deliver services in and out-with Scotland;
- Leverage a step-change in funding and resources;
- Become the leading edge organisation of choice;
- Shape and lead through new campaigns; and,
- Provide a platform for lived experiences.

Our approach to business planning is focussed on quality, impact, sustainability and grow, Service and regional plans feed into our organisational plan so they can be easily monitored from our organisational business plan dashboard. We have set annual growth targets of 6% per region and can monitor progress towards this through quarterly reviews.

In 2016 we recognised that our approach to bidding for work could be more commercially focussed. Accordingly, we adopted the Shipley approach to emphasise the merits of Aberlour to commissioners. This was a key factor in our successful tender for residential care to Highland Council and were awarded a contract for £6 million over a three year period. On a smaller scale individually, our services ensure that we are able to respond to the demands created through the Scottish Government's Self-Directed Support agenda and we are seeing a growth in spot purchase and SDS work.

In relation to growing and delivering services outwith Scotland, we have consider opportunities about the potential to build strategic partnerships with partners whose interests our own. We also research tender advertisements to determine appropriate opportunities.

Our efforts to achieve a step change in funding and resources previously resulted in our "bank model" that would enable local authorities to start to significantly reduce expenditure, creating a "pot" of funding released from financial savings from which Aberlour's service would be provided in a more efficient manner on a long-term, sustainable basis. This model continues to be promoted to local authorities and we were successful in being awarded monies by STV Appeal to commence such a model for young people on the "Edge of Care" in the Highlands.

Aberlour's brand awareness continues to grow with the general public but this is an area we recognise we need to continue to emphasise and have plans to continue promotional activity through various mediums. Our reputation within professional networks and academic fields continue to strengthen and we are well respected for our experience, innovation and quality services.

PENSIONS

Aberlour is Local Government Pension Scheme (LGPS) admitted-body employer under arrangements with North-East Scotland Pension Fund (NESPF). Details of Aberlour's share of the Fund, reported in accordance with FRS 102, are detailed in Note 25 of the Accounts.

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Our investments held in NESPF performed strongly in 2016/17, rising from £42.4m to £51.0m. However this was offset by an increase in the valuation of defined benefit liabilities. The long-term Pension deficit fluctuates as changes in assumptions are reflected in actuarial calculations. Due to a fall in the return of corporate bonds (a sensitive and influential valuation factor) liabilities rose 25.3% to £62.5m in 2016/17 from £49.9m in 2015/16. The overall pension deficit therefore increased to £11.5m in the 2016/17 Accounts, from £7.5m in 2015/16. This situation is disappointing, but whilst Aberlour is an active member of NESPF, there is no immediate impact. Separately work is underway to review the options available to Aberlour in managing the pension deficit.

Aberlour's employer contribution rates are at 20.3% until the outcome of the NESPF Triennial Valuation in 2017. Rates thereafter are currently under review by NESPF and will impact from 1 April 2018.

Aberlour has closed access to NESPF for new employees, with a qualifying period for membership in place for staff who joined before November 2015. However a Defined Contribution scheme (with Aegon during 2016/17 but transferring to Scottish Widows in 2017) is available for new employees and others during the qualifying period.

Aberlour also provides Defined Contribution arrangements for employees affected by Auto-Enrolment. This transferred from Aegon to the UK Government-backed NEST scheme during 2016/17.

FINANCIAL RESERVES

The major reserve is the Endowment Fund provided by generations of donors over the years. It is the Board's policy to seek to maintain the real value of this fund, so that income will continue to be available to further Aberlour's objectives.

Restricted funds are held for a specific purpose determined externally by third party funders and cannot be used for alternative purposes. Designated and unrestricted funds are earmarked by the Board to cover future commitments. A breakdown of funds is provided in Note 22 of the financial statements.

The unrestricted reserves held by Aberlour continue to rise, standing at £2.498m in 2016/17. There are two main components to that improvement from the 2015/16 position of £1.697m, those being:-

- Trading surpluses £0.201m;
- Legacies received £0.389m.

Unrestricted funds of £2.498m of which free reserves are £1.58m (being unrestricted funds less tangible fixed assets) which represents 2.5 months of unrestricted expenditure.

The board have been cautious about having a single figure set as a target for unrestricted reserves. Aberlour operate in a financially constrained environment but our financial risks are reduced by having a diversity in our funding streams and having multiple contracts with different cessation or renewal dates. Accordingly, our requirements are threefold:

- provide sufficient liquid resources to meet working capital needs;
- hold resources to provide resilience to cushion against unanticipated event; and,
- retain a reserve to provide a development capacity.

INVESTMENTS

Investment policy is reviewed annually and performance is assessed quarterly. The portfolio is managed with the objective of at least maintaining its value in real terms while meeting our requirement for income from dividends. Appropriate benchmarks have been adopted to provide an assessment of performance and return.

During a volatile year various events caused concern and uncertainty on stock market investments (e.g. Brexit, sluggish global growth, US election etc.) but performance of the Endowment Fund portfolio ended extremely positively. The value at 31 March 2016 was £8.2m and over the year this

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rose 9% to £9.2m. Similar returns were made for the monies transferred from St. Clair's which rose from £1.3m to £1.4m. Movements in investments are set out in Note 15.

Income from the main portfolio and interest earned during the year was £232k compared with £245k in 2015/16. The former St. Clair's portfolio generated £29k (2015/16 was £16k) which was restricted to be fully applied to the Aberlour Urgent Assistance Fund. The investment managers are clear about the targets set for them and are focussed on their achievement.

Aberlour's ethical investment policy was reviewed in-year following the change of investment managers to Quilter Cheviot. The portfolio was adjusted to reflect fully our organisational values and ethical investment policy. Socially responsible investment is a concept at the forefront of investment holdings and a key requirement is that the portfolio must not be invested in shares of companies whose activities exploit children or are clearly detrimental to their well-being. Under the policy, shares in tobacco, gambling, and defence companies are avoided.

GOING CONCERN

The Board of Directors is of the opinion that the company can continue to meet its obligations, as they fall due, for the foreseeable future. Consequently, the financial statements have been prepared on the going concern basis.

DIRECTOR'S RESPONSIBILITIES

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

Charity law and company law requires the director' to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under charity law and 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 charity and of the incoming resources and application of resources, including the income and expenditure, of the charity 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the directors'. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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Directors' Report for the year ended 31 March 2017

DISCLOSURE OF INFORMATION TO AUDITOR

To the knowledge and belief of each of the persons who are Directors at the time the report is approved:

- a) So far as the Director is aware, there is no relevant information of which the charitable company's auditor is unaware; and
- b) He/she has taken all 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 auditor is aware of that information.

APPOINTMENT OF AUDITOR

Each year we are required by our rules and by law to appoint the Charity's auditor. Our auditor, BDO LLP, have already been intimated their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

APPROVAL

In approving the Directors' Report, the Directors are also approving the Strategic Report in their capacity as company Directors. The report was approved by the Directors on ~~18 SEPTEMBER 2017~~ and signed on its behalf by:



Valerie Surgenor LLM, LLB, BA (Hons), DipLP, NP
Chair

Aberlour Child Care Trust
Independent Auditor's Report to the Directors and Members
for the year ended 31 March 2017

We have audited the financial statements of Aberlour Child Care Trust for the year ended 31 March 2017 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's directors and members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's directors and 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 charity and the charity's directors and 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 Statement of Directors' Responsibilities, the directors (who are also the trustees of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 Financial Reporting Council's (FRC'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 FRC's website at 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 charity's affairs as at 31 March 2017 and of the charity's incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Aberlour Child Care Trust
Independent Auditor's Report to the Directors and Members
for the year ended 31 March 2017

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report, which includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The directors' report, which includes the strategic report, has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report, which includes the strategic report.

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

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

BDO LLP

Barbara Southern (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh
United Kingdom

21 SEPTEMBER 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Aberlour Child Care Trust
Statement of Financial Activities (incorporating income & expenditure account)
for the year ended 31 March 2017

	Note	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Pension fund £000	Total 2017 £000	Total 2016 £000
Income:							
Charitable activities	4	7,142	6,565	-	-	13,707	13,880
Donations and legacies	5	1,073	1,035	-	-	2,108	3,077
Income from other trading activities	6	55	37	-	-	92	157
Investment income	7	228	33	-	-	261	261
Other income	8	43	72	-	-	115	79
		8,541	7,742	-	-	16,283	17,454
Expenditure on:							
Charitable activities	9	7,057	7,925	876	389	16,247	15,307
Raising funds	10	614	8	-	-	622	600
		7,671	7,933	876	389	16,869	15,907
Net income/(expenditure) before gains and transfers		870	(191)	(876)	(389)	(586)	1,547
Gains/(losses) on Investments	15	-	153	1,011	-	1,164	(607)
Net (expenditure)/income after gains before transfers		870	(38)	135	(389)	578	940
Transfers between funds	11	(69)	69	-	-	-	-
Net income/(expenditure) before other recognised gains and losses		801	31	135	(389)	578	940
Other recognised gains and (losses):							
Gains on revaluation of fixed assets	14	-	-	3,180	-	3,180	-
Actuarial gains / (losses) on defined benefit pension scheme	25	-	-	-	(3,628)	(3,628)	2,493
Net movement in funds		801	31	3,315	(4,017)	130	3,433
Funds brought forward		1,697	4,154	11,019	(7,495)	9,375	5,942
Funds carried forward	22,23	2,498	4,185	14,334	(11,512)	9,505	9,375

All results relate to continuing activities. There were no recognised gains and losses during the year other than as shown above.
The notes on pages 17 to 29 form part of these financial statements.

Aberlour Child Care Trust
Balance Sheet
as at 31 March 2017

	<i>Note</i>	2017 £000	2016 £000
Fixed assets			
Tangible assets	14	7,389	4,115
Investments	15	10,661	9,551
		<u>18,050</u>	<u>13,666</u>
Current assets			
Debtors	16	1,297	1,022
Cash at bank and in hand		3,271	3,769
		<u>4,568</u>	<u>4,791</u>
Liabilities			
Creditors: amounts falling due within one year	17	(1,354)	(1,340)
Net current assets		<u>3,214</u>	<u>3,451</u>
Total assets less current liabilities		21,264	17,117
Provisions for liabilities and charges	18	(247)	(247)
Net assets, excluding pension liability		<u>21,017</u>	<u>16,870</u>
Pension scheme liability	25	(11,512)	(7,495)
Net assets		<u>9,505</u>	<u>9,375</u>
Charity funds			
Endowment Fund	22	14,334	11,019
Restricted income funds	22	4,185	4,154
Unrestricted funds	22	2,498	1,697
Pension reserve	22	(11,512)	(7,495)
Total charity funds	22, 23	<u>9,505</u>	<u>9,375</u>

The financial statements were approved and authorised for issue by the Directors on **18 SEPTEMBER 2017**

Valerie Surgenor, LLM, LLB, BA (Hons), DipLP, NP
Chair



Company Registration Number: SC312912

The notes on pages 17 to 29 form part of these financial statements

Aberlour Child Care Trust
Cash Flow Statement
for the year ended 31 March 2017

Reconciliation of net income/expenditure to net cash flow from operating activities	2017	2016
	£000	£000
Net income as per SOFA	578	940
Adjustments for:		
(Gains)/losses on investments	(1,164)	607
Gain on sale of fixed assets	(14)	(49)
Adjustment to pension costs	389	390
Depreciation charges	196	157
(Increase)/decrease in debtors	(275)	83
Decrease in creditors	(62)	(522)
Interest and dividends	(261)	(261)
Losses on revaluation of fixed assets	766	-
Investments received from St Clair's Trust	-	(1,312)
Net cash from operating activities	153	33
Cash flows from investing activities		
Dividends from investments	261	248
Purchase of tangible fixed assets	(980)	(77)
Proceeds of sale of tangible fixed assets	15	149
Cash received from St Clair's Trust	-	63
Purchase of investments	(4,751)	(9,391)
Proceeds of sale of investments	4,475	9,420
Purchase of fixed term deposits	(5)	(3)
Net cash from investing activities	(985)	409
Change in cash and cash equivalents	(832)	442
Cash and cash equivalents at the beginning of the reporting period	4,008	3,566
Cash and cash equivalents at the end of the reporting period	3,176	4,008
Analysis of cash and cash equivalents		
Cash at bank and in hand	2,955	3,458
Deposits – investments (note 15)	221	550
	3,176	4,008
Reconciliation to cash per balance sheet		
Cash at bank and in hand	2,955	3,458
Fixed term deposits – access greater than 3 months	316	311
Cash per balance sheet	3,271	3,769

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

1 General information

Aberlour Child Care Trust is a private company limited by guarantee, incorporated in Scotland. The charity's registered office, company number and charity number are disclosed on page 1 to these accounts. The principal activity of the charity is the provision of child care services in Scotland.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. Functional currency is sterling and level of rounding is to nearest £'000.

Aberlour Child Care Trust meets the definition of a public benefit entity under FRS 102.

The preparation of the financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the charities accounting policies, as shown in note 3 below.

Going Concern

The Board have prepared a three year forecast from the balance sheet date. The Board of Directors is of the opinion that the company can continue to meet its obligations, as they fall due, for the foreseeable future. The charity has accumulated unrestricted funds of £2,498k at 31 March 2017.

The Board have prepared financial projections and cash flows for at least 12 months from the date of sign off of these financial statements that show that the charity has the necessary funding and reserves to meet all future obligations as they fall due.

Consequently, the financial statements have been prepared on the going concern basis.

Change in accounting policy

During the year the charity re-assessed its accounting for land and building with respect to the measurement of properties after initial recognition. The charity has previously measured all property using the cost model, whereby the asset was carried at cost less accumulated depreciation and any impairment losses.

On 1 April 2016 the charity elected to change the method of accounting for land and buildings classified in fixed assets, since the charity believes that the revaluation model more effectively demonstrates the fair value of these properties held in the balance sheet.

The charity applied the revaluation model prospectively and the impact on the current year as a result of this revaluation policy is disclosed within note 14.

Investments

Investments are carried at bid market value. Gains and losses on revaluation and disposal are recognised in the year in which they arise.

Revalued gains and losses are recognised in other recognised gains or losses unless the losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case excess losses are recognised in the statement of financial activities.

Tangible fixed assets

Tangible fixed assets are included at cost and are depreciated by equal annual instalments over their estimated useful lives, which are:

Freehold buildings	50 years
Fixtures and fittings	4 years
Vehicles	4 years
Computer equipment	1 - 4 years

The value for capitalisation of assets is £1,000. Land is not depreciated.

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

2 Accounting policies (continued)

Revaluation of land and buildings

Land and buildings are carried at fair value, as determined by an independent registered valuer, less accumulated depreciation and any impairment losses recognised after the date of any revaluation. Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of financial activities, in which case the increase is credited to the statement of financial activities to the extent of the decrease previously charged. A decrease in the carrying amount arising on revaluation of such land and buildings is charged to the statement of financial activities to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on deposit where funds can be accessed without penalty within three months or less from the opening of the account and cash held with the investment manager.

Operating leases

The cost of operating leases is charged to the statement of financial activities on a straight line basis over the lease term.

Rentals received under operating leases are recorded within income in the year to which it relates.

Income

Service income

Service income which is generated through the provision of services is recognised through the statement of financial activities in the period in which they relate.

Donations and legacies

This income is recognised through the statement of financial activities in the period which they are measurable and there is entitlement and probability of receipt.

In certain circumstances income is deferred where funds are conditional on performance standards. Under these circumstances, the income is deferred provided the conditions of the funds allow the extension.

Investment income

Investment income is accounting for in the period in which the charity is entitled to receipt.

Expenditure

Expenditure is recognised when a legal or constructive obligation arises. Expenditure is allocated to the activity to which it relates, directly or apportioned on the basis of ratios of activity.

- Charitable expenditure comprises those costs incurred by the charity on its activities and services.
- Cost of generating funds includes financing costs and fundraising costs.
- Governance costs are those costs which are directly attributable to the governance arrangements of the charity and its strategic management.
- Support costs consist of indirect costs to the charity. These include finance, human resources, IT and operational costs. Support costs are apportioned over the charitable activities based on the percentage cost of activities undertaken directly.

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

2 Accounting policies (continued)

Funds

The Endowment Fund was established with legacies and other funds donated to the orphanage at Aberlour. The Fund has since been credited with the proceeds of sale of the orphanage and other properties and has continued to increase on receipt of substantial legacies and donations. The Fund is invested in securities, property and cash deposits, and the income from these is used to support the activities of the company.

Restricted funds have been received for specific purposes and may be repayable if underspent.

Designated funds have been reserved for specific purposes. Unrestricted funds are balances carried forward towards future expenditure and to meet working capital requirements.

The Pension Reserve is the company's projected pension asset or unfunded pension liability calculated in accordance with FRS 102, section 28. See below and note 25.

VAT

The company is not registered for VAT and accordingly costs are stated inclusive of applicable VAT.

Creditors

Short term creditors are measured at the transaction price.

Taxation

The company is recognised as a charity by HM Revenue & Customs and is exempt from Corporation Tax. No provision for taxation has been made in the accounts.

Financial instruments

Under FRS 102 financial assets and liabilities are given the technical term "financial instruments", and the directors are required to indicate how these are recognised and measured in the financial statements. All financial instruments held by the company are considered basic and as such are treated in line with well-established accounting convention. An analysis is given in note 19.

Pension costs

The company participates in the Local Government Pension Scheme under arrangements with the North East Scotland Pension Fund (previously named the Aberdeen City Council Pension Fund). The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

In accordance with FRS 102, section 28, the operating and finance costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Financial Activities as is the difference between the actual and expected return on assets, including changes in actuarial assumptions. Service costs are systematically spread over the service lives of employees. Financing costs are recognised in the period in which they arise.

The company also operates two defined contribution pension schemes, both operated by AEGON and one being an auto-enrolment scheme. Contributions payable to the Schemes are charged to the Statement of Financial Activities in accordance with FRS 102, section 28.

Donations in kind

Donations in kind are recorded in the financial statements at market value on the date of donation, where the value of the donation exceeds £500.

Termination benefits

Termination benefits are recognised through the statement of financial activities in the period in which they relate to. Where there is a constructive obligation at the year end, the expected costs are provided for.

Holiday pay accrual

Aberlour Child Care trust is required to recognise a liability for unpaid holiday pay, per FRS 102. A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

3 Judgements and estimates

The preparation of these financial statements has required the Directors to make judgements, estimates and assumptions that affect the application of the policies and reported amounts. The areas involving a degree of judgement significant to the view given by these statements are:

- Actuarial assumptions in respect of the defined benefit pension scheme. In making these assumptions, advice has been taken from an independent qualified actuary. These assumptions are shown in note 25.
- Tangible fixed assets are depreciated over a period intended to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.
- Tangible fixed assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired.
- Provisions for dilapidations are generated to reflect the expected costs of dilapidation expenses following the cessation of the lease period. The provisions for dilapidations are reviewed annually, taking into account historical dilapidations incurred, further work completed on leased sites and physical condition of the properties.

4 Income from charitable activities

	Unrestricted & designated funds	Restricted funds	Endowment fund	Total 2017	Total 2016
	£000	£000	£000	£000	£000
Local authority and government funding	6,823	5,485	-	12,308	12,581
Receipts from service users	319	1,080	-	1,399	1,299
	7,142	6,565	-	13,707	13,880

In 2016 income from charitable activities generated unrestricted & designated funds of £7,472K, restricted funds of £6,408K and endowment funds of £Nil.

Included in Local Authority and Government Income is income from the Scottish Government comprising £8k for South Ayrshire Family Support service, £3k for Volunteering Service, £16k from the Voluntary Sector Development Fund and £95k for The Lens Project. £16k was also returned to the Voluntary Sector Development fund for underspends from a prior year.

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

5 Donations and legacies

	Unrestricted & designated funds	Restricted funds	Endowment fund	Total 2017	Total 2016
	£000	£000	£000	£000	£000
Big Lottery Fund	6	622	-	628	553
Donations	678	413	-	1,091	2,356
Legacies	389	-	-	389	168
	1,073	1,035	-	2,108	3,077

In 2016 donations and legacies generated unrestricted & designated funds of £670K, restricted funds of £2,407K and endowment funds of £Nil.

Big Lottery Fund income comprised £161k for Dundee Early Intervention Service, £197k for South Ayrshire Family Support Service, £116k for Sycamore Through and After Care Service, £6k for Aberlour Youth Conference and £147k for Glasgow Bridges Partnership.

6 Income from other trading activities

	Unrestricted & designated funds	Restricted funds	Endowment fund	Total 2017	Total 2016
	£000	£000	£000	£000	£000
Events and sponsorship	24	4	-	28	94
Rental of surplus property	31	33	-	64	63
	55	37	-	92	157

In 2016 income from other trading activities generated unrestricted & designated funds of £121K, restricted funds of £36K and endowment funds of £Nil.

7 Investment income

	Government stocks	Equities & other	Total 2017	Total 2016
	£000	£000	£000	£000
United Kingdom	20	150	170	174
Overseas	-	91	91	87
	20	241	261	261

In 2016 Investment income generated unrestricted & designated funds of £245K, restricted funds of £16K and endowment funds of £Nil.

8 Other income

	Unrestricted & designated funds	Restricted funds	Endowment fund	Total 2017	Total 2016
	£000	£000	£000	£000	£000
Other	33	68	-	101	49
Gains on asset disposals	10	4	-	14	30
	43	72	-	115	79

In 2016 other incoming resources generated unrestricted & designated funds of £13K, restricted funds of £41K and endowment funds of £25K.

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

9 Expenditure on charitable activities

	Activities undertaken directly	Support costs	Total 2017	Total 2016
	£000	£000	£000	£000
Children and families affected by disability	4,760	228	4,988	4,599
Children and families affected by drugs and alcohol	236	12	248	553
Early years	2,275	109	2,384	2,704
Early intervention and prevention	7,501	360	7,861	7,451
Losses on revaluation of fixed assets	766	-	766	-
	15,538	709	16,247	15,307

In 2016 expenditure on charitable activities utilised unrestricted & designated funds of £6,660K, restricted funds of £8,163K, endowment funds of £94K and a pension fund charge of £390K.

10 Expenditure on raising funds

	Total 2017	Total 2016
	£000	£000
Donations and legacies	429	344
Fundraising events and sponsorship	137	209
Investment manager's fees	56	47
	622	600

In 2016 expenditure on costs of generating funds utilised unrestricted & designated funds of £600K, restricted funds of £Nil, endowment funds of £Nil and pension funds of £Nil.

11 Transfers between funds

	Unrestricted funds	Restricted funds
	£000	£000
Transfers from unrestricted reserves to cover restricted fund deficits	(69)	69
	(69)	69

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

12 Staff costs

	Total 2017	Total 2016
	£000	£000
Salaries	9,875	9,813
Social security costs	808	711
Employer's pension costs	921	912
Pension scheme net debit recognised (Note 25)	389	390
Redundancy, settlement and ex-gratia payments	66	20
	12,059	11,846

No Director received remuneration in the current or the prior year.

Four Directors were reimbursed for travel costs totalling £276 for the year (2016: £638 reimbursed to three Directors).

	2017	2016
Number of employees who received remuneration exceeding £60,000:		
Between £60,000 and £70,000	3	4
Between £80,001 and £90,000	1	1

None of the Executive Board members received any remuneration for their services as members of the Board.

Valerie Surgenor, a member of the Board, is a partner in MacRoberts LLP. Aberlour engaged MacRoberts LLP during the year to provide legal advice costing £1,695 (2016: £6,319). After an open selection process, MacRoberts LLP were also paid for a seconded staff member to look specifically at gathering evidence in relation to the Historic Abuse Inquiry costing £17,250 (2016: £Nil).

Antony Sinclair, Chair of Finance Committee, is a director of French Duncan Wealth Management Limited, which received £Nil (2016: £1,500).

The Senior Leadership Team is regarded by the Directors as being "Key Management" as defined by FRS 102. The Senior Leadership Team holds the decision making responsibility covering the whole organisation. The total remuneration of the Senior Leadership Team for the period was £355K (2016: £386K).

	2017	2016
	Number	Number
Average number of employees during the year		
Operational	212	215
Administrative & support	61	28
Management	63	53
	335	295

13 Audit and accountancy fees

	2017	2016
	£000	£000
Audit services	19	19
	19	19

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

14 Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	Vehicles £000	Computer equipment £000	Total £000
Cost / valuation					
Balance at 1 April 2016	4,568	12	375	425	5,380
Additions	918	-	135	3	1,056
Disposals	(1)	(2)	(70)	(425)	(498)
Revaluations	1,764	-	-	-	1,764
Balance at 31 March 2017	7,249	10	440	3	7,702
Depreciation					
Balance at 1 April 2016	560	12	267	425	1,264
Charge in year	110	-	85	1	196
Disposals	(1)	(2)	(69)	(425)	(497)
Revaluations	(650)	-	-	-	(650)
Balance at 31 March 2017	19	10	283	1	313
Net book value:					
31 March 2016	4,008	-	107	-	4,115
31 March 2017	7,230	-	157	2	7,389

Included in land and buildings is land of £1,313k (2016 - £1,313k) which is not depreciated. Both land and buildings were revalued at 28 March 2017 by an independent valuer, DM Hall Chartered Surveyors on an open market basis for existing use. Land and buildings at historic cost had a cost of £5,485k (2016 - £4,568k) accumulated depreciation of £669k (2016 - £560k) and net book value of £4,816k (2016 - £4,206k) at 31 March 2017.

15 Investments

	2017 £000	2016 £000
Quoted investments:		
Market value at 1 April 2016	9,001	8,398
Acquisitions at cost	4,751	10,640
Disposals	(4,475)	(9,429)
Realised gains/(losses)	862	(638)
Unrealised gains for year	301	30
Market value at 31 March 2017	10,440	9,001
Historical cost at 31 March 2017	9,355	8,355
Accumulated unrealised gains	1,085	646
Market value at 31 March 2017	10,440	9,001
United Kingdom	6,678	5,812
Overseas	3,762	3,189
Cash held for reinvestment	221	550
Market value at 31 March 2017	10,661	9,551
Government stocks	906	1,468
Equities and other investments	9,534	7,533
Cash held for reinvestment	221	550
Market value at 31 March 2017	10,661	9,551

At 31 March 2017 no individual investment holding held make up a value in excess of 5% of the portfolio value.

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

16 Debtors

	2017	2016
	£000	£000
Grants and fees	941	810
Taxation recoverable	2	14
Other debtors	152	42
Accrued income	202	156
	<u>1,297</u>	<u>1,022</u>

17 Creditors

	2017	2016
	£000	£000
Amounts falling due within one year:		
Trade creditors	181	104
Funding agencies - deferred income	499	548
Other creditors	378	402
Other taxation and social security	204	191
Pension creditor	92	95
	<u>1,354</u>	<u>1,340</u>
Deferred income		
Opening balance: Funding received in advance	548	778
Released in the period	(475)	(778)
Deferred during the period	426	548
Closing balance: Funding received in advance	<u>499</u>	<u>548</u>

Deferred income comprises payments received in advance of the expenditure made or before any performance conditions attached to the items of income have been met.

18 Provisions for liabilities

	2017	2016
	£000	£000
Property dilapidation costs:		
At 1 April 2016	247	286
Provision in the year	-	15
Utilised during the year	-	(54)
At 31 March 2017	<u>247</u>	<u>247</u>

19 Financial instruments

	2017	2016
	£000	£000
Financial assets:		
Financial assets measured at fair value	10,440	9,001
Financial assets measured at amortised cost	4,787	5,327
	<u>15,006</u>	<u>13,778</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>651</u>	<u>601</u>

Financial assets measured at fair value are listed investments (note 15).

Financial assets measured at amortised cost include cash at bank and in hand, cash held for investment, grants and fees debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost include trade creditors, other creditors and pension creditors.

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

20 Operating lease commitments

	2017	2017	2016	2016
	£000	£000	£000	£000
	Land & buildings	Other	Land & buildings	Other
Amounts payable under non-cancellable operating leases:				
Within one year	176	56	167	52
In two to five years	4	115	137	157
Total obligations	180	171	304	209

21 Rental income under operating leases

At 31 March 2017 the charity had future minimum lease income under non-cancellable operating leases as follows:

	2017	2016
	£000	£000
	Buildings	Buildings
within one year	41	48
In two to five years	53	94
	94	142

22 Analysis of net assets between funds

31 March 2017	Investments	Tangible fixed assets	Net current assets	Provisions	Pension fund deficit	Total
	£000	£000	£000	£000	£000	£000
Endowment fund	9,249	5,590	(505)	-	-	14,334
Restricted fund	-	159	1,892	-	-	2,051
Restricted fund – EAF	1,412	-	-	-	-	1,412
Restricted fixed asset reserve	-	722	-	-	-	722
Unrestricted funds	-	918	1,827	(247)	-	2,498
Pension reserve	-	-	-	-	(11,512)	(11,512)
	10,661	7,389	3,214	(247)	(11,512)	9,505

The restricted project balances represent approximately 26 projects, each with varying amounts, which will be utilised in future years.

31 March 2016	Investments	Tangible fixed assets	Net current assets	Provisions	Pension fund deficit	Total
	£000	£000	£000	£000	£000	£000
Endowment fund	8,230	3,286	(497)	-	-	11,019
Restricted fund	-	107	2,004	-	-	2,111
Restricted fund – EAF	1,321	-	-	-	-	1,321
Restricted fixed asset reserve	-	722	-	-	-	722
Unrestricted funds	-	-	1,944	(247)	-	1,697
Pension reserve	-	-	-	-	(7,495)	(7,495)
	9,551	4,115	3,451	(247)	(7,495)	9,375

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

23 Analysis of charitable funds

	Balance at 1 April 2016	Income	Expenditure	Gains / (losses)	Transfers (note 11)	Funds at 31 March 2017
	£000	£000	£000	£000	£000	£000
Unrestricted funds	1,697	8,541	(7,671)	-	(69)	2,498
Restricted funds	4,154	7,742	(7,933)	153	69	4,185
Endowment fund	11,019	-	(876)	4,191	-	14,334
Pension fund	(7,495)	-	(389)	(3,628)	-	(11,512)
	9,375	16,283	(16,869)	716	-	9,505

24 Post balance sheet events

The charity purchased a property on Morganie Road, Tain on 18 May 2017. The consideration paid in relation to the property, inclusive of legal fees, was £343k.

25 Pension scheme liability

Defined benefit superannuation scheme

Aberlour participates in the Local Government Pension Scheme, a defined benefit superannuation scheme, under arrangements with the North East Scotland Pension Fund (the Fund), previously named Aberdeen City Council Pension Fund. The scheme is a multi-employer scheme. The assets are held separately from those of the company.

Contributions to the scheme are charged to the statement of financial activities so as to spread the cost of pensions over employees' working lives with the company.

The contributions to the Fund are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last actuarial valuation was at 31 March 2014. The valuation as at 31 March 2017 is being calculated. Employer's contributions were as follows for the three years ended 31 March 2017:

Year to 31 March	Percentage of Member's Contributions
2015	320%
2016	320%
2017	320%

Contributions of £92k (2016: £95k) were outstanding at the year end.

Summary of actuarial assumptions used

The valuation used for FRS 102, section 28 disclosures has been based on the most recent actuarial valuation at 31 March 2014 and updated by a qualified actuary, John A Livesey of Mercer Limited, to take account of the requirements of FRS 102, section 28 in order to assess the assets and liabilities of the scheme at 31 March 2017.

The main assumptions used in the actuarial calculations are:

	31 March 2017	31 March 2016
Rate of salary increases (% per annum)	1.50%*	2.40%
Rate of pension increase (% per annum)	2.30%	2.00%
Discount rate (% per annum)	2.80%	3.60%
Inflation rate (% per annum)	2.30%	2.00%

* 1.50% per annum for first 3 years then 2.3% per annum thereafter.

Demographic/statistical assumptions

The demographic assumptions adopted are consistent with those used for the formal funding valuation as at 31 March 2017. The post retirement mortality tables adopted were the PA92 series projected to calendar year 2017 for current pensioners and 2019 for non-pensioners with the future improvement in mortality set at a minimum of 1% per annum.

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

25 Pensions (continued)

The assumed life expectations from age 65 are:

Retiring 31 March 2017	Males	22.3
	Females	24.9
Retiring in 20 years	Males	24.5
	Females	27.8

It has been assumed that 50% of retiring members will opt to increase their lump sums to the maximum allowed.

The scheme's expected rate of return on assets

	2017	2016
Equities	6.5%	6.5%
Gilts	2.2%	2.2%
Other bonds	2.9%	2.9%
Property	5.9%	5.9%
Cash/liquidity	0.5%	0.5%
Other	6.5%	6.5%

The table below compares the present value of the scheme liabilities, based on the actuary's assumptions, with the estimated employer assets.

	2017	2016
	£000	£000
Fair value of scheme assets	51,013	42,419
Present value of funded obligations	(62,525)	(49,914)
Net liability in the balance sheet	(11,512)	(7,495)

Changes in the fair value of scheme assets

	2017	2016
	£000	£000
Opening fair value of scheme assets	42,419	41,508
Expected return on scheme assets	1,520	1,371
Actuarial gains/(losses)	7,477	(539)
Administration expenses	(13)	(15)
Contributions by employer	676	881
Contributions by scheme participants	201	223
Estimated benefits paid (net of transfers in)	(1,267)	(1,010)
Closing fair value of scheme assets	51,013	42,419

Aberlour Child Care Trust
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

25 Pensions (continued)

Changes in the present value of the defined benefit pension liability

	2017	2016
	£000	£000
Opening defined benefit liability	(49,914)	(51,106)
Service cost	(794)	(969)
Interest cost	(1,778)	(1,673)
Administration expenses	-	15
Actuarial gains/(losses)	(11,105)	3,032
Estimated benefits paid (net of transfers in)	1,267	1,010
Members contributions	(201)	(223)
Closing defined benefit liability.	<u>(62,525)</u>	<u>(49,914)</u>

Movement in (deficit)/surplus during the year

	2017	2016
	£000	£000
Share of deficit in scheme at beginning of the year	(7,495)	(9,598)
Movement in year:		
Current service costs	(794)	(969)
Administrative expense	(13)	-
Contributions	676	881
Net return on assets	(258)	(302)
Actuarial (losses)/gains	(3,628)	2,493
Share of deficit in scheme at end of the year	<u>(11,512)</u>	<u>(7,495)</u>

Amounts recognised in the statement of financial activities

	2017	2017	2016	2016
	£000	£000	£000	£000
Current service costs	(794)		(969)	
Contributions	676		881	
Administrative expense	(13)		-	
		(131)		(88)
Interest on pension scheme liabilities	(1,778)		(1,673)	
Expected return on scheme assets	1,520		1,371	
		(258)		(302)
Total		<u>(389)</u>		<u>(390)</u>

5 year history of experience gains and losses

	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Defined benefit obligation	(62,525)	(49,914)	(51,106)	(42,666)	(41,572)
Scheme assets	51,013	42,419	41,508	37,821	34,013
Deficit	<u>(11,512)</u>	<u>(7,495)</u>	<u>(9,598)</u>	<u>(4,845)</u>	<u>(7,559)</u>
Experience adjustments to scheme liabilities	-	-	637	-	-
Experience adjustments to scheme assets	7,477	(539)	1,685	1,399	3,070