



Aberlour Child Care Trust

Annual Report and Accounts

Year ended 31 March 2018

Company Number SC312912

Scottish Charity Number SC007991

Aberlour Child Care Trust
For the year ended 31 March 2018

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Aberlour Child Care Trust

For the year ended 31 March 2018

Charity Information

Directors

Valerie Surgenor – Board Chair and Chair of Nominations & Succession Committee
David Elder – Vice Chair
Andrew McFarlane
Robert Lindsay
Antony John Sinclair – Chair of Finance Committee
Allison Beattie (resigned 18 March 2018)
Jane Elizabeth Morgan - Chair of Improvement, Audit & Risk Committee
Gary Tanner
Timothy Armstrong (appointed 18 September 2017)
Andrew Black (appointed 20 December 2017)
Ross Mathison (appointed 20 December 2017)

Chief Executive

SallyAnn Kelly

Company Secretary

Ian Black

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 Auditor
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

Solicitors

MacRoberts LLP	Clyde & Co
60 York Street	Albany House
Glasgow	58 Albany Street
G2 8JX	Edinburgh
	EH11 3QR

Aberlour Child Care Trust

For the year ended 31 March 2018

Chair's Report

With the presentation of the 2017/18 Annual Accounts, I am pleased to again report that Aberlour Child Care Trust continues to develop as a strong and sustainable organisation during 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 conclude the implementation of 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 challenges and opportunities. The Board, working alongside the Chief Executive, SallyAnn Kelly, and her Senior Leadership Team, continue to witness the progress of this strategy, delivering on-time in key areas. 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 meeting commissioners objectives. 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 some below, as they demonstrate the impact we have made in delivering high-quality services and the enduring level of support for Aberlour; with both evidencing the need for Aberlour to continue its activities.

The implementation of the contract for residential services in the Highlands within tight implementation timescales was a success for team-working and a demonstration of what is possible from our organisation. External scrutiny from regulators and the keen oversight from commissioners witnessed a positive development. Tender successes to retain work in Moray and win new work in Scottish Borders were encouraging, delivering organisational growth. Additionally successful bids for external, non-statutory funding in East Lothian and Dumfries & Galloway maintains and embeds our presence in those areas, providing a wider support network of services.

Our inclusion on a procurement Framework in the North-East of England could lead to a new chapter in our service provision, and the Senior Leadership Team are alert to business development opportunities.

The accounts show a strong trading position and a resilient balance sheet that positions Aberlour well for the challenges we face now and 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 appropriate charitable and care initiatives undertaken by independent bodies, regulators, and the media and, of course, the general public. Risk is an everyday and inherent part of charitable activity, especially in the care sector. The Board of Directors are acutely aware of the ongoing need to provide transparency and accountability. We continue in our approach of reviewing and assessing the risks faced by the organisation, ensuring adequate steps are put in place to actively manage those risks ensuring not only that Aberlour achieves its strategic goals but that it safeguards charitable funds and organisational assets. As part of our stewardship processes, fundraising remains has been an area under close examination. Expert advice was sought and valuable lessons have been learned and we are ready to commence a strategic shift in awareness-raising and fundraising through a Donor Acquisition Programme.

The Charity Sector generally continues to face funding challenges given ongoing public sector austerity. This is critical to the sustainability of Aberlour and we have acknowledged that challenge by seeking out alternative sources of external funding from Trusts, corporates and individuals and have sharpened our focus when bidding for public sector contracts. We aim to develop our organisational reach and aim to tap into new funding streams to safeguard and enhance resources.

Aberlour Child Care Trust
For the year ended 31 March 2018

Chair's Report (continued)

As the country faces European Union departure and the various uncertainties that creates, we also maintain an ongoing development of our IT platform, information management and digital strategy. We feel well prepared for the new GDPR regime but will treat our information with careful and effective stewardship.

The board remains stable with some changes over the last year. We saw the departure of Allison Beattie, and I thank her for her insightful contributions. An important aspect of corporate governance is ensuring that there is a broad skills mix within the Board, so the appointment of Tim Armstrong, Andrew Black and Ross Mathison see us enhance childcare and investment management capacities and I welcome their addition to this Board and feel confident in the contribution they will bring.

During 2017 the Chief Executive led a review of our Constitution and Articles of Association which concluded in November 2017. This has resulted in a governance structure that both recognises and respects our organisational heritage, but also strategically positions us for the future.

We are mindful of the changes to our regulatory environment through the new Duty of Candour and Notifiable Events procedure providing early awareness and information to OSCR. During 2017, the distressing circumstance of the death of a young person in our care led to the enactment of these procedures. The Board were satisfied with the reaction of our Services, but we remain alert to the matter and will implement any improvement actions and other findings from reviews undertaken by relevant statutory bodies and continue to develop our support for and safeguarding of young people and their families.

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 put in place to deal with the content set out in our Corporate Risk Register and we review progress on meeting 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. We remain grateful for their ongoing support and counsel.

Once again, we see evidence of the efforts of all at Aberlour, our external networks, our supporters and volunteers and our funders and fundraisers who have clearly improved the lives of many children, young people and families 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 of The Board

10 September 2018

Aberlour Child Care Trust

For the year ended 31 March 2018

Chief Executive's Report

A key part of Strategy was to achieve organisational growth; increasing turnover and the financial worth of Aberlour. Good progress was achieved towards this, with turnover in rising by over 12% to £18.4 million since 2016/17 and our investment value remaining stable at £10.8 million.

Business Development capacity has been increased in 2017 and we see evidence of positive results from our Sustain model and services supporting the objectives of the Pupil Equity Fund being awarded work across the country. Successes have been achieved in tenders in Moray that provides long-term stability in that area, and after several years within a precarious funding environment, the Dumfries Family Service has now formed a resilient funding position due to a partnership with CORRA.

Aberlour will remain focussed on providing excellent childcare in Scotland but we are ambitious to start providing access to services across the UK as part of our growth objective. Within that context it was gratifying to be included the NE12+ Framework for care services in North-East England. This has the potential to open up an exciting new chapter in the story of Aberlour, without any detriment to existing services in Scotland.

Aberlour prides itself on the track-record of working with young people to counter adverse childhood experiences and our ability to create an inspirational environment allowing young people to achieve their potential. That context explains the deep sense of loss felt following the tragic circumstances that led to the death of one of the young people in our care. We fully co-operated with statutory agencies at the time of the incident and remain engaged with the Significant Case Review being undertaken and will implement any relevant findings within our practice and policies.

Childcare is an ever-evolving profession and it is institutionally ingrained within Aberlour to analyse and distil any research on the subject and if appropriate to introduce this to our practice. We take a strategic yet pragmatic approach to Learning and Development and tailor a programme founded in our principles of personalisation to ensure all staff have the requisite skills and training.

External scrutiny independently reviews arrangements and we value and implement valid suggestions for improvement. We work closely with the Care Inspectorate to understand perceptions within reports and to implement actions to strengthen our services. Scoring by the Care Inspectorate remains high and we strive to achieve betterment towards excellence.

As an organisation centred on improving the lives of young people and families, we fully recognise the value that our staff represent. Our attainment of Investors in People is an external verification of that, and our Annual Staff Conference and Awards is becoming a fixture within the organisation, celebrating our successes and the enormous contribution of colleagues.

Given our long-term role in the history of childcare in Scotland, it is perhaps inevitable that we would be affected by the Historic Abuse Inquiry. In 2017/18 the focus has been on the decades following WWII, a time when childcare was evolving prior to improvement. In reviewing historic documents and records, it is heartening to observe an organisation espousing and acting-out many of the values and principles we still maintain. Aberlour was informed in January 2018 that we will be the subject of a joint case study to the Inquiry in the autumn of 2018.

In 2017/18 the Residential contract with Highland Council went live. Although there was a slight delay in being fully operational the services are working well. Strong working relationships have been formed with commissioners and we are hopeful of expanding local services. In November, Aberlour were awarded "Team of the Year" at the Go-Awards Procurement event in recognition of the efforts in making a success of this new area of work.

The review of the Articles of Association was concluded and implemented with effect from 1st November 2017. This ensures Aberlour is well positioned for future challenges whilst recognising our heritage and providing an ongoing role for the Episcopalian Church.

Aberlour Child Care Trust
For the year ended 31 March 2018

Chief Executive's Report (continued)

North-East Scotland Pension Fund concluded their 2017 Triennial review which resulted in no change to employer contributions. Aberlour is committed to meeting its obligations, whilst ensuring that arrangements are sustainable in the long-term. In the year our Defined Contributions Pensions provider changed from Aegon to Scottish Widows and it is anticipated a strong relationship will be formed.

Our property Asset Management Planning is progressing well with the marketing of our Stirling Head Office and surplus property in Annan. This will eventually allow us to focus investment the optimum manner.

2017 was a year of transition for our supporting IT systems as we migrate to a new customer/client relationship management system and a new support provider for our financial system. These changes will enable us to better measure and manage our impact and effectiveness and manage our cost base.

The new General Data Protection Regulations came into effect on 25th May 2018 and significant work has been applied to reviewing existing arrangements to ensure we meet the new standards. An independent expert was commissioned to support us in this and reports from their reviews have been encouraging.

Aberlour is a risk-aware organisation. We operate within a dynamic environment with regular reviews and updates to our Corporate Risk Register. These risks are exacerbated by the uncertainties around Brexit, but the situation is closely monitored.

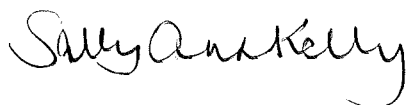
Our Fundraising Strategy has been reviewed and assessed and it is felt that we would achieve better levels of unrestricted donations and more resonant brand awareness by undertaking a Donor Acquisition Programme. This will commence in the summer of 2018. The pattern of recent years for significant legacies being left for the benefit of Aberlour in its furtherance of childcare was repeated in 2017/18. These resources are gratefully received and we are mindful of the generosity of benefactors and apply the resources carefully.

Opportunities exist for our successful Foster Care Service to expand and an investment programme will commence to expand our capacity and geographical reach across Scotland.

A Shared Services review was undertaken with other third sector organisations in 2017. Whilst this wasn't progressed, it did provide a helpful insight into other ways of working and some examples of good practice. We continue to work in partnership with like-minded organisations to further our core objectives. Strong business relationships exist with Scottish Refugee Council, Shelter, Turning Point Scotland, Glen Housing Association, to name a few and we remain open to the progression of other beneficial collaborations.

Specific developments exist in Fife and Scottish Borders and we aim to fully exploit these opportunities to extend our reach and operational activity.

New statutory powers are coming forward through the Public Lobbying Act and Duty of Candour. These changes have been analysed and we are fully prepared for their implementation.



SallyAnn Kelly
Chief Executive

10 September 2018

Aberlour Child Care Trust

For the year ended 31 March 2018

Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2018. 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 was concluded in 2018 to ensure governance remains effective and flexible to adapt to future developments.

The Board comprises Directors elected following recommendation of the Nomination & Succession Committee, based on their experience and ability to make positive contributions 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 four Committees namely: Finance; Improvement, Audit & Risk; Nominations & Succession; and, Investment 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 Leadership Team and bi-annually by the Board.

The Board

The Directors who held office since 1 April 2017 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, who also performs the role of Company Secretary.

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 geographic areas, for innovative and transformational concepts and have strengthened its role several areas where we have had a long-term presence.

Aberlour Child Care Trust

For the year ended 31 March 2018

Directors' Report (continued)

We continue to promote the availability of the Aberlour Urgent Assistance Fund, which was created following the one off donation from St Clair's Trust of £1.325m in 2015/16. The earnings in 2017/18 totalled £48k, of which £47k was paid to beneficiaries across Scotland. These monies support families in crisis situations and are often essential to maintaining stability within family units. Annually any earnings that were unspent are carried forward as Restricted Funds for application in the following year.

Monies received from bequests and legacies totalled £0.532m 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 constrained economic climate remains prevalent, creating a challenging and competitive landscape across the Third Sector, Aberlour continues 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 which represented 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 age 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;
- **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.

Aberlour Child Care Trust
For the year ended 31 March 2018

Directors' Report (continued)

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 for young people who have suffered trauma remain a main-stay, joined now by services in the Highland area;
- During the year we prepared for introducing an organisation-wide asset management strategy that will ensure our organisational infrastructure remains fit for purpose and robust;
- We continue to develop and promote 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 will progress the next generation IIP framework to ensure excellence in our workforce practices.

A separate IIP evaluation of our employment support arrangements for our younger employees and determined 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 in coming years.

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.

Our annual one-day Staff Conference. This is a forum for looking inwardly, by celebrating successes in the contribution of our staff in the lives of the children, young people and families we support, but also looked outwardly, considering developments in child care and events that will shape childcare policy going forward. The day was shared with staff, young people, board members, invited guests – and the outside world through various social media channels. The event is valuable at many levels and is now 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.

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 2017/18 was 90.2% compared to 93.8% in 2016/17 which is due to some placement planning considerations.

Aberlour Child Care Trust

For the year ended 31 March 2018

Directors' Report (continued)

Absence rate is sitting at 4.27% for 2017/18 which is slightly down on 2016/17 of 4.97% but comparable with the sector.

Staff turnover was 23.39% which is slightly lower than 2016/17 of 24.91% however 2016/17 included 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 reported a 7% mean pay gap and a 0% median pay gap. As per legal requirements the report has been published in full on our website and we are reviewing ways to reduce our pay gap further.

We had 25 registered services in 2017/18, which continue to perform well in inspections. Our average of grade of 4.53 (2016/17 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 2017/18

Income from charitable activities for the year was £15.5m compared to £13.7m in 2016/17. Voluntary income, including donations, legacies and other income for the year was £2.4m compared with £2.1m for the previous year and efforts will continue to grow this income stream to maximise the services provided.

Total expenditure for the year was £18.6m compared with £16.9m in 2016/17. The charity recorded an 'operating' surplus of £553k (2017: £180k) as reflected in the statement of financial activities (after adjusting for the pension fund expenditure movement).

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 Corporate 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:

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 will be strengthened following the roll-out of our new Microsoft Dynamics CRM, which commenced implementation early in 2018. Full corporate implementation and full compliance with reporting standards will aid measurement of our impact on children and families.

Aberlour Child Care Trust
For the year ended 31 March 2018

Directors' Report (continued)

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 organisational 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 growth. 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.

Our continued application of the Shipley approach to competitive tenders emphasises the merits of Aberlour to commissioners. This is felt to be a key factor in our recent successes in tenders across the Country. Our services ensure that we are able to respond to the demands created through the 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 been included in a framework agreement for the North-East of England. This is an exciting new venture for Aberlour, with the prospect for a number of business opportunities with great potential.

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.

Our investments held in NESPF maintained their value in 2017/18, rising marginally from £51.0m to £51.2m. This was accompanied by a slight reduction in the value of defined benefit liabilities. Accordingly net liabilities fell from £11.5m in 2016/17 to £10.0m in 2017/18.

Separately work is underway to review the options available to Aberlour in managing the pension deficit.

Aberlour Child Care Trust

For the year ended 31 March 2018

Directors' Report (continued)

Aberlour's employer contribution rates are at 20.3%, which is unchanged following the outcome of the NESPF Triennial Valuation in 2017. This provides stability to operational finances.

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 (which transferred from Aegon 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 the year.

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 £3.537m in 2017/18. There are three main components to that improvement from the 2016/17 position of £2.498m, those being:

- Investment Income £310k
- Legacy/Bequests £532k
- Trading surpluses £124k

Unrestricted funds of £3.537m of which free reserves are £2.234m (being unrestricted funds less tangible fixed assets) which represents 3.5 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 by Quilter Cheviot with the objective of at least maintaining its value in real terms while meeting our operational 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, international trade etc.) but performance of the Endowment Fund portfolio ended extremely positively. The value at 31 March 2018 was £8.99m and over the year this fell slightly by 1% to £8.89m. Similar movement was made for the monies transferred from St. Clair's which fell from £1.41m to £1.37m. Movements in investments in total are set out in Note 15.

Income from the main portfolio and interest earned during the year was £310k compared with £232k in 2016/17. The former St. Clair's portfolio generated £48k (2016/17 was £29k) 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 Child Care Trust

For the year ended 31 March 2018

Directors' Report (continued)

Aberlour's ethical investment policy remains a key determinant of investment decisions taken by our investment managers Quilter Cheviot. The portfolio fully reflects 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, ownership of the shares of companies involved in armament manufacture, alcohol, retail and high-interest credit facilities are scrutinised and restricted to ensure there is no conflict with Aberlour's values.

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. The Board of Directors have considered the position for the next twelve months and concluded that the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast doubt over the ability of the charity to continue as a going concern. Consequently, the financial statements have been prepared on the going concern basis.

DIRECTORS' 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.

Aberlour Child Care Trust
For the year ended 31 March 2018

Directors' Report (continued)

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 *10 September 2018* and signed on its behalf by:



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

Aberlour Child Care Trust
For the year ended 31 March 2018

Independent Auditor's Report to the Directors and Members of Aberlour Child Care Trust for the year ended 31 March 2018

Opinion

We have audited the financial statements of Aberlour Child Care Trust ("the charitable company") for the year ended 31 March 2018 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the chair's report, the chief executive's report and the directors' report (including strategic report). The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Aberlour Child Care Trust
For the year ended 31 March 2018

Independent Auditor's Report to the Directors and Members of Aberlour Child Care Trust for the year ended 31 March 2018 continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report, which includes the strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report included within the directors 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatement in the strategic report or the director's report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors (who are also the trustees of the charitable trust 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, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**Aberlour Child Care Trust
For the year ended 31 March 2018**

Independent Auditor's Report to the Directors and Members of Aberlour Child Care Trust for the year ended 31 March 2018 continued

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's directors, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's members and directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

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

1 OCTOBER 2018

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

Aberlour Child Care Trust
for the year ended 31 March 2018

Statement of Financial Activities (incorporating income & expenditure account)

	Note	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Pension fund £000	Total 2018 £000	Total 2017 £000
Income:							
Charitable activities	4	7,339	8,128	-	-	15,467	13,707
Donations and legacies	5	1,132	1,281	-	-	2,413	2,108
Income from other trading activities	6	30	34	-	-	64	92
Investment income	7	310	48	-	-	358	261
Other income	8	13	78	-	-	91	115
		8,824	9,569	-	-	18,393	16,283
Expenditure on:							
Charitable activities	9	7,294	9,833	118	725	17,970	16,247
Raising funds	10	585	10	-	-	595	622
		7,879	9,843	118	725	18,565	16,869
Net income/(expenditure) before gains and transfers		945	(274)	(118)	(725)	(172)	(586)
Gains/(losses) on Investments	15	-	20	162	-	182	1,164
Net (expenditure)/income after gains before transfers		945	(254)	44	(725)	10	578
Transfers between funds	11	94	(94)	-	-	-	-
Net income/(expenditure) before other recognised gains and losses		1,039	(348)	44	(725)	10	578
Other recognised gains and (losses):							
Gains on revaluation of fixed assets	14	-	-	-	-	-	3,180
Actuarial gains / (losses) on defined benefit pension scheme	25	-	-	-	2,255	2,255	(3,628)
Net movement in funds		1,039	(348)	44	1,530	2,265	130
Funds brought forward		2,498	4,185	14,334	(11,512)	9,505	9,375
Funds carried forward	22,23	3,537	3,837	14,378	(9,982)	11,770	9,505

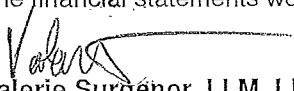
All results relate to continuing activities. There were no recognised gains and losses during the year other than as shown above. The notes on pages 20 to 35 form part of these financial statements.

Aberlour Child Care Trust

Balance Sheet as at 31 March 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	14	7,707	7,389
Investments	15	10,796	10,661
		<u>18,503</u>	<u>18,050</u>
Current assets			
Debtors	16	1,084	1,297
Cash at bank and in hand		3,507	3,271
		<u>4,591</u>	<u>4,568</u>
Liabilities			
Creditors: amounts falling due within one year	17	(1,095)	(1,354)
Net current assets		<u>3,496</u>	<u>3,214</u>
Total assets less current liabilities		21,999	21,264
Provisions for liabilities and charges	18	(247)	(247)
Net assets, excluding pension liability		<u>21,752</u>	<u>21,017</u>
Pension scheme liability	25	<u>(9,982)</u>	<u>(11,512)</u>
Net assets		<u>11,770</u>	<u>9,505</u>
Charity funds			
Endowment Fund	22	14,378	14,334
Restricted income funds	22	3,837	4,185
Unrestricted funds	22	3,537	2,498
Pension reserve	22	(9,982)	(11,512)
Total charity funds	22, 23	<u>11,770</u>	<u>9,505</u>

The financial statements were approved and authorised for issue by the Directors on 10 September 2018


Valerie Sargenor, LL.M, LL.B, BA (Hons), DipLP, NP
Chair of The Board

Company Registration Number: SC312912

The notes on pages 20 to 35 form part of these financial statements.

Aberlour Child Care Trust
for the year ended 31 March 2018

Cash Flow Statement

Reconciliation of net income/expenditure to net cash flow from operating activities

	2018	2017
	£000	£000
Net income as per SOFA	10	578
Adjustments for:		
Gains on investments	(182)	(1,164)
Gain on sale of fixed assets	-	(14)
Adjustment to pension costs	725	389
Depreciation charges	202	196
Decrease/(increase) in debtors	213	(275)
Decrease in creditors	(259)	(62)
Interest and dividends	(358)	(261)
Losses on revaluation of fixed assets	-	766
Net cash from operating activities	351	153
Cash flows from investing activities		
Dividends from investments	358	261
Purchase of tangible fixed assets	(520)	(980)
Proceeds of sale of tangible fixed assets	-	15
Purchase of investments	(3,095)	(4,751)
Proceeds of sale of investments	3,422	4,475
Proceeds/(purchase) of fixed term deposits	(302)	(5)
Net cash from investing activities	(137)	(985)
Change in cash and cash equivalents	214	(832)
Cash and cash equivalents at the beginning of the reporting period	3,176	4,008
Cash and cash equivalents at the end of the reporting period	3,390	3,176
Analysis of cash and cash equivalents		
Cash at bank and in hand	2,889	2,955
Deposits – investments (note 15)	501	221
	3,390	3,176
Reconciliation to cash per balance sheet		
Cash at bank and in hand	2,889	2,955
Fixed term deposits – access greater than 3 months	618	316
Cash per balance sheet	3,507	3,271

Aberlour Child Care Trust for the year ended 31 March 2018

Notes to the Financial Statements

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 financial statements. 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 £3,522k at 31 March 2018. The charity has 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.

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.

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

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.

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.

Aberlour Child Care Trust for the year ended 31 March 2018

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

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.

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.

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

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.

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.

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

4 Income from charitable activities

	Unrestricted & designated funds	Restricted funds	Endowment fund	Total 2018	Total 2017
	£000	£000	£000	£000	£000
Local authority and government funding	6,917	6,711	-	13,628	12,308
Receipts from service users	422	1,417	-	1,839	1,399
	7,339	8,128	-	15,467	13,707

In 2017 income from charitable activities generated unrestricted & designated funds of £7,142K, restricted funds of £6,565K and endowment funds of £Nil.

Included in Local Authority and Government Income is income from the Scottish Government comprising £19k (2017 - £8k) for South Ayrshire Family Support service and £40k (2017 - £3k) for Volunteering Service.

5 Donations and legacies

	Unrestricted & designated funds	Restricted funds	Endowment fund	Total 2018	Total 2017
	£000	£000	£000	£000	£000
Big Lottery Fund	-	673	-	673	628
Donations	600	608	-	1,208	1,091
Legacies	532	-	-	532	389
	1,132	1,281	-	2,413	2,108

In 2017 donations and legacies generated unrestricted & designated funds of £1,067K, restricted funds of £413k and endowment funds of £Nil.

Big Lottery Fund income comprised £170k for Dundee Early Intervention Service, £121k for South Ayrshire Family Support Service, £199k for Sycamore Through and After Care Service and £183k for Glasgow Bridges Partnership.

6 Income from other trading activities

	Unrestricted & designated funds	Restricted funds	Endowment fund	Total 2018	Total 2017
	£000	£000	£000	£000	£000
Events and sponsorship	-	-	-	-	28
Rental of surplus property	30	34	-	64	64
	30	34	-	64	92

In 2017 income from other trading activities generated unrestricted & designated funds of £55K, restricted funds of £37K and endowment funds of £Nil.

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

7 Investment income

	Government stocks	Equities & other	Total 2018	Total 2017
	£000	£000	£000	£000
United Kingdom	15	239	254	170
Overseas	-	104	104	91
	15	343	358	261

In 2017 Investment income generated unrestricted & designated funds of £228k, restricted funds of £33k and endowment funds of £Nil.

8 Other income

	Unrestricted & designated funds	Restricted funds	Endowment fund	Total 2018	Total 2017
	£000	£000	£000	£000	£000
Other	13	78	-	91	101
Gains on asset disposals	-	-	-	-	14
	13	78	-	91	115

In 2017 other incoming resources generated unrestricted & designated funds of £43K, restricted funds of £72K and endowment funds of £Nil.

9 Expenditure on charitable activities

	Activities undertaken directly	Support costs	Total 2018	Total 2017
	£000	£000	£000	£000
Children and families affected by disability	5,048	147	5,195	4,988
Children and families affected by drugs and alcohol	151	4	155	248
Early years	2,142	62	2,204	2,384
Early intervention and prevention	10,122	294	10,416	7,861
Losses on revaluation of fixed assets	-	-	-	766
	17,463	507	17,970	16,247

In 2017 expenditure on charitable activities utilised unrestricted & designated funds of £7,057K, restricted funds of £7,925K endowment funds of £876K and a pension fund charge of £389K.

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

10 Expenditure on raising funds

	Total 2018 £000	Total 2017 £000
Donations and legacies	330	429
Fundraising events and sponsorship	190	137
Investment manager's fees	75	56
	<u>595</u>	<u>622</u>

In 2017 expenditure on costs of generating funds utilised unrestricted & designated funds of £614k, restricted funds of £8k, endowment funds of £Nil and pension funds of £Nil.

11 Transfers between funds

	Unrestricted funds £000	Restricted funds £000
Transfers from restricted reserves to unrestricted reserves	94	(94)

The transfer relates to the unrestricted core funding contribution received as part of restricted project funding.

12 Staff costs

	Total 2018 £000	Total 2017 £000
Salaries	11,115	9,875
Social security costs	903	808
Employer's pension costs	892	921
Pension scheme net debit recognised (Note 25)	725	389
Redundancy, settlement and ex-gratia payments	35	66
	<u>13,670</u>	<u>12,059</u>

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

Included in salaries are redundancy payments of £22,938 (2017: £35,975). There were 2 settlement payments made during this period totalling £11,812 (2017 - £29,700).

Four Directors were reimbursed for travel costs totalling £1,510 for the year (2017: £276 reimbursed to four Directors).

	2018	2017
Number of employees who received remuneration exceeding £60,000:		
Between £60,000 and £70,000	3	3
Between £80,001 and £90,000	1	1

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

12 Staff costs (continued)

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 £5,530 (2017: £1,695). 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 £22,244 (2017: £17,250).

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 £398K (2017: £355K).

	2018	2017
	Number	Number
Average number of full time equivalent employees during the year		
Operational	244	212
Administrative & support	61	61
Management	70	63
	375	335

13 Audit and accountancy fees

	2018	2017
	£000	£000
Audit services	19	19
	19	19

Aberlour Child Care Trust
for the year ended 31 March 2018

Notes to the Financial Statements (continued)

14 Tangible fixed assets

	Land and buildings	Fixtures and fittings	Vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000
Cost / valuation					
Balance at 1 April 2017	7,249	10	440	3	7,702
Additions	468	-	52	-	520
Balance at 31 March 2018	7,717	10	492	3	8,222
Depreciation					
Balance at 1 April 2017	19	10	283	1	313
Charge in year	117	-	84	1	202
Balance at 31 March 2018	136	10	367	2	515
Net book value:					
31 March 2017	7,230	-	157	2	7,389
31 March 2018	7,581	-	125	1	7,707

Included in land and buildings is land of £1,613k (2017 - £1,528k) 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 £5,953k (2017 - £5,485k) accumulated depreciation of £787k (2017 - £669k) and net book value of £5,166k (2017 - £4,816k) at 31 March 2018.

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

15 Investments

	2018	2017
	£000	£000
Quoted investments:		
Market value at 1 April 2017	10,440	9,001
Acquisitions at cost	3,095	4,751
Disposals	(3,422)	(4,475)
Realised gains	227	862
Unrealised (losses)/gains for year	(45)	301
Market value at 31 March 2018	10,295	10,440
Historical cost at 31 March 2018	9,255	9,355
Accumulated unrealised gains	1,040	1,085
Market value at 31 March 2018	10,295	10,440
United Kingdom	4,927	6,678
Overseas	5,368	3,762
Cash held for reinvestment	501	221
Market value at 31 March 2018	10,796	10,661
Government stocks	1,006	906
Equities and other investments	9,289	9,534
Cash held for reinvestment	501	221
Market value at 31 March 2018	10,796	10,661

At 31 March 2018 the charity had one (2017 – one) individual investment holding which made up more than 5% of the total investment portfolio value. This investment holding was Baillie Gifford & Co Japanese Income Growth Y Net Inc which at 31 March 2018 had a total value of £602k (2017 - £290k)

16 Debtors

	2018	2017
	£000	£000
Grants and fees	854	941
Taxation recoverable	4	2
Other debtors	46	152
Accrued income	180	202
	1,084	1,297

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

17 Creditors

	2018	2017
	£000	£000
Amounts falling due within one year:		
Trade creditors	120	181
Funding agencies - deferred income	452	499
Other creditors	187	378
Other taxation and social security	231	204
Pension creditor	105	92
	<u>1,095</u>	<u>1,354</u>
Deferred income		
Opening balance: Funding received in advance	499	548
Released in the period	(499)	(475)
Deferred during the period	452	426
Closing balance: Funding received in advance	<u>452</u>	<u>499</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

	2018	2017
	£000	£000
Property dilapidation costs:		
At 1 April 2017	247	247
Provision in the year	-	-
Utilised during the year	-	-
At 31 March 2018	<u>247</u>	<u>247</u>

19 Financial instruments

	2018	2017
	£000	£000
Financial assets:		
Financial assets measured at fair value	10,295	10,440
Financial assets measured at amortised cost	5,088	4,787
	<u>15,383</u>	<u>15,227</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>412</u>	<u>651</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
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

20 Operating lease commitments

	2018 £000	2018 £000	2017 £000	2017 £000
	Land & buildings	Other	Land & buildings	Other
Amounts payable under non-cancellable operating leases:				
Within one year	197	53	176	56
In two to five years	137	106	4	115
Total obligations	334	159	180	171

Operating lease rentals charged as an expense during the year totalled £245k (2017 – £202k).

21 Rental income under operating leases

At 31 March 2018 the charity had future minimum lease income under non-cancellable operating leases as follows:

	2018 £000	2017 £000
	Buildings	Buildings
within one year	43	41
In two to five years	18	53
	61	94

22 Analysis of net assets between funds

31 March 2018	Investments £000	Tangible fixed assets £000	Net current assets £000	Provisions £000	Pension fund deficit £000	Total £000
Endowment fund	9,421	5,555	(598)	-	-	14,378
Restricted funds	-	127	1,613	-	-	1,740
Restricted fund – Aberlour Urgent Assistance Fund (AUAF)	1,375	-	-	-	-	1,375
Restricted fixed asset reserve	-	722	-	-	-	722
Designated	-	-	546	-	-	546
Unrestricted funds	-	1,303	1,935	(247)	-	2,991
Pension reserve	-	-	-	-	(9,982)	(9,982)
	10,796	7,707	3,496	(247)	(9,982)	11,770

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

31 March 2017	Investments £000	Tangible fixed assets £000	Net current assets £000	Provisions £000	Pension fund deficit £000	Total £000
Endowment fund	9,249	5,590	(505)	-	-	14,334
Restricted funds	-	159	1,892	-	-	2,051
Restricted fund – AUAF	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

Aberlour Child Care Trust
for the year ended 31 March 2018

Notes to the Financial Statements (continued)

23 Analysis of charitable funds

	Balance at 1 April 2017	Income	Expenditure	Gains/ (losses)	Transfers (note 11)	Funds at 31 March 2018
	£000	£000	£000	£000	£000	£000
Unrestricted funds	2,498	8,824	(7,879)	-	94	3,537
Restricted funds	4,185	9,569	(9,843)	20	(94)	3,837
Endowment fund	14,334	-	(118)	162	-	14,378
Pension fund	(11,512)	-	(725)	2,255	-	(9,982)
	9,505	18,393	(18,565)	2,437	-	11,770

24 Post balance sheet events

Aberlour Child Care trust have sold the head office, 36 Park Terrace in Stirling after the year end. The missives were agreed on the 15th May 2018 for £560,000, subject to planning consent.

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.

Contributions of £105k (2017: £92k) 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 2017 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 2018.

The main assumptions used in the actuarial calculations are:

	31 March 2018	31 March 2017
Rate of salary increases (% per annum)	2.2%	1.50%*
Rate of pension increase (% per annum)	2.2%	2.30%
Discount rate (% per annum)	2.7%	2.80%
Inflation rate (% per annum)	2.2%	2.30%

* 1.50% per annum for first 3 years then 2.2% per annum thereafter.

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

25 Pensions (continued)

Demographic/statistical assumptions

The demographic assumptions adopted are consistent with those used for the formal funding valuation as at 31 March 2018. The post retirement mortality tables adopted were the PA92 series projected to calendar year 2018 for current pensioners and 2019 for non-pensioners with the future improvement in mortality set at a minimum of 1% per annum.

The assumed life expectations from age 65 are:

		<u>2018</u>	<u>2017</u>
Retiring 31 March 2018	Males	22.7	22.3
	Females	24.9	24.9
Retiring in 20 years	Males	25.6	24.5
	Females	27.9	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

	2018	2017
Equities	5-7.5%	6.5%
Gilts	2%	2.2%
Other bonds	2%	2.9%
Property	6%	5.9%
Cash/liquidity	1%	0.5%
Other	6%	6.5%

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

	2018	2017
	£000	£000
Fair value of scheme assets	51,174	51,013
Present value of funded obligations	(61,156)	(62,525)
Net liability in the balance sheet	(9,982)	(11,512)

Aberlour Child Care Trust
for the year ended 31 March 2018

Notes to the Financial Statements (continued)

25 Pensions (continued)

Changes in the fair value of scheme assets

	2018	2017
	£000	£000
Opening fair value of scheme assets	51,013	42,419
Expected return on scheme assets	1,421	1,520
Actuarial gains/(losses)	(688)	7,477
Administration expenses	(12)	(13)
Contributions by employer	726	676
Contributions by scheme participants	182	201
Estimated benefits paid (net of transfers in)	(1,468)	(1,267)
Closing fair value of scheme assets	<u>51,174</u>	<u>51,013</u>

Changes in the present value of the defined benefit pension liability

	2018	2017
	£000	£000
Opening defined benefit liability	(62,525)	(49,914)
Service cost	(964)	(794)
Interest cost	(1,733)	(1,778)
Curtailments	(163)	-
Actuarial gains/(losses)	(530)	(11,105)
Experience gain/ (loss)	3,473	-
Estimated benefits paid (net of transfers in)	1,468	1,267
Members contributions	(182)	(201)
Closing defined benefit liability.	<u>(61,156)</u>	<u>(62,525)</u>

Movement in (deficit)/surplus during the year

	2018	2017
	£000	£000
Share of deficit in scheme at beginning of the year	(11,512)	(7,495)
Movement in year:		
Current service costs	(964)	(794)
Administrative expense	(12)	(13)
Contributions	726	676
Net return on assets	(312)	(258)
Curtailments	(163)	-
Experience (gain)/loss	3,473	-
Actuarial (losses)/gains	(1,218)	(3,628)
Share of deficit in scheme at end of the year	<u>(9,982)</u>	<u>(11,512)</u>

**Aberlour Child Care Trust
for the year ended 31 March 2018**

Notes to the Financial Statements (continued)

25 Pensions (continued)

Amounts recognised in the statement of financial activities

	2018	2018	2017	2017
	£000	£000	£000	£000
Current service costs	(964)		(794)	
Contributions	726		676	
Curtailments	(163)		-	
Administrative expense	(12)		(13)	
		(413)		(131)
Interest on pension scheme liabilities	(1,733)		(1,778)	
Expected return on scheme assets	1,421		1,520	
		(312)		(258)
Total		(725)		(389)

5 year history of experience gains and losses

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Defined benefit obligation	(61,156)	(62,525)	(49,914)	(51,106)	(42,666)
Scheme assets	51,174	51,013	42,419	41,508	37,821
Deficit	(9,982)	(11,512)	(7,495)	(9,598)	(4,845)
Experience adjustments to scheme liabilities	3,473	-	-	637	-
Experience adjustments to scheme assets	(688)	7,477	(539)	1,685	1,399

