

Company number: 2050044  
Charity Commission number: 295192  
OSCR number: SC049476

# Vocational Training Charitable Trust

Report and financial statements  
for the year ended 31 July 2019

# Vocational Training Charitable Trust

## Contents

### For the year ended 31 July 2019

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Reference and administrative information .....	1
Trustees' annual report .....	3
Independent auditor's report .....	13
Consolidated statement of financial activities (incorporating income and expenditure account) ..	17
Balance sheets .....	18
Consolidated statement of cash flows .....	19
Notes to the financial statements .....	20

## Vocational Training Charitable Trust

### Reference and administrative information

For the year ended 31 July 2019

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Company number            2050044  
Country of incorporation    United Kingdom

Charity number            295192  
Country of registration    England & Wales

Charity number            SC049476  
Country of registration    Scotland

Registered office and operational address    Aspire House  
   Annealing Close  
   Eastleigh  
   Hampshire  
   SO50 9PX

**Trustees**                    Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

Dr Chris Laws	Chair
Julian Glicher	Vice Chair
Stephanie Barnett	
Stephen Dennison	
Barbara Mitchell	
Laraine Morris	Resigned 10 September 2019
Jenny Swarder	
Isabel Sutcliffe	
Stephanie Richardson	Appointed 21 October 2018
Jayne Lewis-Orr	Appointed 7 February 2019
Meri Huws	Appointed 1 April 2019

### Key management personnel

Alan Woods OBE	Chief Executive
Ashley Barnes	Deputy Chief Executive
Daniel Underwood	Chief Financial Officer
Marcus Bull	Chief Commercial Officer
Carina Fagan	Chief Academic Officer

**Bankers**                    Natwest Bank Plc  
   34 Southampton Road  
   Eastleigh  
   Hampshire  
   SO50 9XN

## Vocational Training Charitable Trust

### Reference and administrative information

For the year ended 31 July 2019

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<b>Solicitors</b>	Blake Morgan LLP New Kings Court Tollgate Chandler's Ford Eastleigh SO53 3LG
<b>Auditor</b>	Sayer Vincent LLP Chartered Accountants and Statutory Auditor Invicta House 108-114 Golden Lane LONDON EC1Y 0TL
<b>Investment Manager</b>	Smith & Williamson Investment Management Limited 25 Moorgate London EC2R 6AY
<b>Business and financial advisors</b>	Grant Thornton UK LLP No 1 Dorset Street Southampton Hampshire SO15 2DP

The trustees present their report and the audited financial statements for the year ended 31 July 2019.

2019 was a successful year for Vocational Training Charitable Trust (VTCT) and this success was only made possible through the continuing support of our world-wide staff, including salaried staff, Examiners and External Quality Assurers, End-Point Assessors for apprenticeships and a range of other external support colleagues including unit writers, markers and moderators. The trustees and senior leadership of the charity would like to thank all of the staff and other colleagues for their continuing professionalism, hard work and dedication. We very much look forward to a successful 2020, working in partnership employers and regulators and with schools, colleges and private training providers who deliver our qualifications to learners world-wide.

Reference and administrative information set out on pages 1 and 2 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

## Objectives and activities

### Purposes and aims

During the year, VTCT worked with the Charity Commission and professional advisors to update its charitable objects. VTCT remains the UK's market leading specialist vocational and technical qualification Awarding Organisation for Hair & Beauty but with its growing presence in other sectors, the objects were updated to reflect this.

The charity's objects, being for the public benefit

- 1) the advancement of education by:
  - a. assessment of education and skills for accreditation
  - b. setting standards of education and skills as an awarding and assessment organisation
  - c. the promotion of skills and knowledge for vocational and technical employment
  - d. advancing digital research and other educational techniques

The strategies employed to achieve the charity's aims and objectives are to:

- 1) Enhance the futures of more learners in England by supporting Technical Education reforms (Skills Plan development of T-Levels)
- 2) Extend our global learner reach through focused and specific product and commercial strategies to facilitate growth in priority countries
- 3) Enhance the futures of more UK learners outside of the Skills Plan (Further Education (FE) Market) by tailoring value-added propositions for specific customer types
- 4) Provide a best-in-class End Point Assessment Organisation service to assess apprentices' competence at the end of their apprenticeship.

## Trustees' annual report

For the year ended 31 July 2019

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- 5) Be an employer of choice and valued place to work recognised by independent certification and accreditation

The trustees review the aims, objectives and activities of the charity each year. This report looks at what the charity has achieved and the outcomes of its work in the reporting period. The trustees report the success of each key activity and the benefits the charity has brought to those groups of people that it is set up to help. The review also helps the trustees ensure the charity's aims, objectives and activities remained focused on its stated purposes.

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives that have been set.

## Strategic report

### Achievements and performance

The charity's main activities and whom it tries to help are described below. All its charitable activities focus on providing learners with the skills and qualifications necessary to attain employment or to enable learners to add to their skills and knowledge, thereby improving their career prospects or to be able to progress into higher levels of education. All its charitable activities are undertaken to further VTCT's charitable purposes of advancing education for the public benefit.

The trustees consider a variety of key performance indicators and targets when considering how the organisation has performed including the number of new learners and newly approved and active centres. This year, learner registration numbers fell slightly to 111,014 (2018: 118,118). However, this is against VTCT's share of the UK Hair & Beauty market increasing from 50.1% in 2017 to 53.9% in 2018. This demonstrates that VTCT is servicing a larger share of the market but that the size of the overall learner market has fallen. VTCT actively monitors its position in the UK markets through the review and analysis of publicly available Ofqual, Council for the Curriculum, Examinations and Assessment and Qualification Wales vocational datasets.

Work continued in Scotland with active delivery to 18 approved and recognised centres across 26 sites in Scotland. During the 2018/19 financial year, Vocational Training Charitable Trust registered 1972 Scotland based learners on 59 unique qualifications and made available 199 different Ofqual and SQA regulated qualifications in Scotland.

During the year we have also developed and launched a range of new qualifications in non-medical aesthetics which deal with many new treatments that are available to the public. We are also developing new Level 7 (post-graduate degree level equivalent) qualifications in Injectable Fillers with engagement with the regulators, professional and membership bodies in the sector

VTCT has introduced a number of new staff to the organisation to support both its UK operations and activities overseas. VTCT now has staff and agents in Australia, Africa and South-East Asia and Hong Kong and continues to support its centres in South Africa through its office and staff in Johannesburg. Following on from the success of the VTCT Ireland Conference in 2018, we opened an office in Ireland in Autumn 2019.

Over the last year VTCT has been working on enhancing the quality of data, with a view to using that data to make decisions on how best to generate marketing campaigns. The effect of these marketing campaigns has been carefully monitored, with a 45% increase in targeted campaigns, an increase of the read rate of our email campaigns by 20% to an average of 41% and a 81.5% decrease in unsubscribes. In addition, we've seen a net 66% increase in social media followers, which demonstrates that the content being delivered to audiences is increasingly relevant. This ongoing work remains focused on delivering highly relevant and timely content to our audiences.

WorldSkills International organises the world championships of vocational skills and is held every two years in different parts of the world. We are delighted that Rebecca West, from East Sussex College, won the gold medal in Beauty Therapy. This is the second consecutive World Skills competition that a beauty therapist from East Sussex College (a VTCT centre delivering VTCT Beauty qualifications) has won this prestigious accolade. Congratulations to her and all the staff at the college who have attained this world-class achievement.

International registration volumes fell in line with expectations, with significant impact coming from both fears over Brexit driving a perception that English qualifications could lose their validity, and the conclusion of some international government supported programmes.

The trustees review the ongoing Ofqual and other qualification regulator recognition status of the awarding activity; VTCT is audited by Ofqual and self-assesses against the Ofqual "General Conditions of Recognition" and other regulatory compliance schemes of other regulators. The trustees consider the audit findings are positive and demonstrate the ongoing success of VTCT.

Throughout the year, VTCT has continued to streamline its portfolio of qualifications through consultation with a range of industry stakeholders to ensure learners qualify with the knowledge, understanding, behaviours and skills that are valued by today's employers. Furthermore, VTCT continues to support Performance Table Qualifications which as the precursors to T Levels, will prepare colleges to deliver more robust and challenging qualifications to learners of varying abilities.

The 2019 financial year saw the first End Point Assessment (EPA) learners complete their apprenticeship on the Hair & Barbering professional standards. Given the success of VTCT as an End Point Assessment Organisation (EPAO), VTCT has broadened its footprint in to a range of other EPA sectors including the newly developed Beauty standards. VTCT continues to be extremely proud to be offering EPAO services and supporting learners in workplace settings to develop a repertoire of skills to enable them to gain valuable employment.

### Trustees' annual report

#### For the year ended 31 July 2019

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Technical education reforms continue in England, and in particular the awarding of unique licences to deliver T Level qualifications in Further Education. VTCT continues to monitor policy in this area and grow market share of Technical Level and Technical Certificate qualifications.

In September 2018, to complement VTCT's qualification and assessment offer, a range of innovative and comprehensive online teaching and learning resources were introduced for core parts of VTCT's Hair & Beauty provision. This enabled VTCT to ensure its learners were fully supported with market leading and pedagogical resources to support their learning journey. Over the past year, VTCT has further invested and developed resources to cover the totality of the level 2 Hair & Beauty curriculum. VTCT believes access to best-in-class digital resources will support learner entry into, and progression within, chosen careers.

VTCT continued its focus on the continual improvement of the quality of its provision and is pleased to report it achieved ISO9001, the international Quality Management standard. VTCT also extended its cyber security credentials through the achievement of Cyber Security Essentials Plus, an independently certified and government recognised standard. Over the next year, VTCT will seek ISO27001 Information Security accreditation. These accreditations will help VTCT ensure the continued quality of its provision whilst helping safeguard the charity's information assets.

VTCT continued its focus on internal improvement through an independent internal audit function. During the year, six internal audits took place across key organisational functions enabling the management and leadership to gain assurance and target improvement where appropriate. This activity is part of a three-year audit programme across all areas of the charity.

### Beneficiaries of our services

We consider the beneficiaries of our services to be the learners undertaking study with our approved training providers, which includes Further Education Colleges and Private Training Providers (PTPs). We measure the benefit provided through both the number of learners on active programmes and the number achieving a regulated qualification. During the year, 69,668 (2018: 55,661) learners were awarded with a regulated VTCT qualification and 22,821 (2018: 25,708) learners were awarded a regulated iTEC qualification.



## Financial review

The trustees are pleased with the outturn for the financial year. Whilst a deficit of £678k is reported, this is after accounting for the amortisation of historic acquisitions and is not reflective of the operational position of the Charity. The total reserves of the Charity is £17.4m, with free reserves within the range specified within the Charity's reserves policy.

Total income remained flat during the year, with Qualification and Assessment income increasing by 1% to £9.35m reflecting the new educational revenue streams including End Point Assessment income. This is a strong result given the recently published vocational and other qualification trends and datasets. Whilst the 'Annual qualifications market report: academic year 2018 to 2019' will not be published until Spring 2020, the National Statistics publication 'Vocational and other qualifications quarterly: April to June 2019' highlighted a 16% fall in the number of certificates awarded in the second quarter of 2019 compared to the same period in 2018. VTCT is thus maintaining its position in a declining market and conversely growing market share.

Trading income saw a planned reduction as the activities of the trading subsidiary, Digital Assess, were incorporated in to the charitable activities of VTCT with their products being used to enhance the quality of education the group's learners receive.

Income from investments increased by 8.7% to £237k and was in line with budget. Investment funds are held under discretionary management with a total return mandate, as detailed below.

In line with the total income position, total expenditure was similar to the prior year. Trading costs ceased as the activities of Digital Assess were incorporated in to the groups Charitable activities. This contributed to the 5.2% increase in Qualification and Assessment costs as staff previously support trading activities were refocused to support charitable activity. Additional expenditure was incurred to service the End Point Assessment provision discussed above.

The investment portfolio performed strongly with net gains in the year of £327k. The trustees highlight that the expenditure figure includes amortisation for the historic acquisition of iTEC, which during the year was a non-cash transaction. Net cash used in operating activities was £17k and net cash expended after investing activities in the year was £103k with closing cash balances of £1.4m.

This is a strong position with the continued investment in the charity to improve the quality of education provision and public benefit to learners.

## Investment Policy and Objectives

VTCT operates a total return approach to its investment portfolios. Under the Articles of Association the Charity has the power to invest monies not immediately required for the furtherance of its objects in or upon such investments as may be thought fit. The trustees delegate the investment management to external Investment Managers (Smith & Williamson Investment

Management), whose performance is monitored by the Board of Trustees and the Investment Committee of the Board.

The performance of the portfolios is measured against the performance of the WMA Balanced (TR) Index (formally APCIMS) and the FTSE 100. The target return set for the investment portfolio was a total return of CPI + 3%. Year on year CPI at July was 2.1% leading to a total return target of 5.1% for the year. The Smith & Williamson portfolio exceeded this target, achieving 5.5% total return during the year.

The funds held in the COIF Property Fund achieved a total return of 4.9%, with property performing strongly as an asset class but impacted by Brexit uncertainty. Whilst below target, the fund is in a specific asset class and has exceeded target substantially in prior years

The resulting performance led to significant investment gains of £327k during the year, which when combined with investment income, resulted in a total return across all investment funds of 5.4%.

Following a review of the investment portfolio and the Charity's approach to asset risk, the trustees decided to amend the mandate for the Smith & Williamson investment portfolio from a Balanced approach to a Conservative approach. The trustees anticipate that this will reduce the level of volatility exposure within the portfolio through fewer investments in equities. The total return target will also reduce to CPI + 1.5%.

## Principal risks and uncertainties

VTCT must react and respond to changes in Government policy where required. These can require a refocus of direction or strategy in order to achieve the policy objectives.

### Technical Education Reform

Following the 2016 publication of the Lord Sainsbury Report, the Department for Education continues at pace with its reform of the technical education and skills system in England, alongside reforms in other nations and jurisdictions. Awarding organisations will be required to competitively tender for licences to deliver sectoral/occupational provision in the form of T Level qualifications, which are being promoted as the technical equivalent of A Levels. VTCT is undertaking the necessary work to ensure it is in a strong position when tendering for all of the available hair and beauty qualification provision.

The first wave of the tendering process was commenced in other sectors (Childcare and Education, Construction and Digital) with contracts awarded in the spring of 2019 with first teaching due to commence from September 2020. The second wave of tenders is currently out for tender and includes Digital, Construction and Health and Science. Hair & Beauty provision has been placed in the fourth tranche, and we anticipate tendering in the spring of 2021 for September 2022 delivery.

VTCT is actively mitigating the risk of being unsuccessful in the tender by external communications and brand recognition, the implementation of ISO standards and internal audit function, and by providing a first class service to providers and students. The details of preparation are commercially sensitive but the trustees are confident that the Corporate Leadership Team are in the best possible position to secure the tender for Hair & Beauty.

The Department for Education recently published its 2019 consultation entitled, Review of post-16 qualifications at level 3 and below in England. The review aims to streamline the number of qualifications available and to ensure, as T Levels develop, that the government only funds high quality qualifications that serve a clear and distinct purpose. As a result of the review, there will likely be far fewer qualifications at these levels approved for funding post-16 than is the case at present. This has the potential to negatively impact VTCT's FE revenue.

Whilst the Further Education sector is a significant contributor to VTCT's income, the UK private sector remains an important market whereby further targeted product development and marketing efforts will continue.

## Reserves policy and going concern

On 31 July 2019 the Charity and the Group had reserves totalling £18.1m (2018: £18.7m) and £17.4m (2018: £18.1m) respectively. Free reserves for the Charity and the Group totalled £11.4m (2018: £10.8m) and £11.7m (2018: £11.3m) respectively. All reserves were held in unrestricted funds. The trustees consider the level of reserves to be appropriate to support the ongoing activities of the Charity.

During the year, the Board of Trustees approved the VTCT Reserves Policy which targets a free reserves range of £9.1m to £16.6m. The reserves range is calculated to enable the charity to mitigate against the financial impact of a significant disruption to charitable activities and to allow the trustees to ensure funds are available for current commitments and long-term plans. The trustees are pleased to report that the reserves level continues to sit within the ranges set out in the policy.

Furthermore, the trustees are aware that VTCT has an indirect reliance on public funding as Further Education colleges are funded through government and associated bodies. VTCT's income is thus partially reliant on this funding which exposures the charity to central government policy changes and any government spending changes. Ensuring reserves are maintained in line with the reserves policy enables VTCT to continue to diversify its income sources through increasing private training provision and international centres, both through organic growth as well as through partnership / joint venturing and acquisition.

Income generated from investments enables the charity to continue to invest in qualification development and customer excellence and to pursue the strategic objectives approved by the Board of Trustees.

## Plans for the future

Radical reform to the education and skills sector, means this is an exciting time for VTCT and iTEC. VTCT, with its sister organisation iTEC is a leading provider in hair and beauty education and training. As such, the trustees are committed to continue to serve the public through the advancement of education, whilst embracing reform to further grow the business and extend our reach, providing more learners with a direct line of sight to a job or giving learners new skills to progress their careers

The next four years will see us implement and exemplify our support of hair and beauty education through a highly sought, value-added proposition, as we generate momentum towards becoming the global leader for the sector.

In particular, we will work to achieve the following objectives:

### *Enhance the futures of more learners in England*

The Government continues with its intent to monopolise the delivery of awarding services in the further education sector. As England's leading provider of hair and beauty education and skills we will continue to position the organisation strategically and operationally to successfully be awarded the T Level hair and beauty license in its entirety. The forthcoming months will see further preparatory work to align VTCT for success on the T level tender.

### *Extend our global learner reach*

Our newly recruited business development, marketing and sales teams have increased our access locally in market, helping us develop our global centre network. Over the course of the next year VTCT will target specific countries to deliver growth by exporting its rejuvenated iTEC-branded regulated qualification offer, supported by a value-added proposition including a leading e-Portfolio solution.

### *Enhance the futures of more UK learners outside of the Skills Plan*

Significant market intelligence and research has been undertaken to identify related vertical markets for a more focused and concerted sales effort. Specific marketing channels have been identified which will be targeted with existing products and services since these are best placed to reach large numbers of learners who learn and develop through private training providers.

### *Provide a best-in-class EPA service for learners*

England's new apprenticeship system continues to be implemented with End-Point Assessment (EPA) a common feature of apprenticeships. Alongside delivering hair and barbering apprenticeships and EPAs, VTCT will progressively diversify its apprenticeship and EPA service offer to include sectors where it has providers keen to transfer their business to VTCT. VTCT will

also begin to support higher levels of apprenticeships through providing EPA services across a range of sectors.

#### *Enhance our reputation as a great place to work*

Our people continue to excel, ensuring we achieve our corporate goals. Following a number of enhancements to how we retain and reward our staff, our focus now changes to reviewing and improving the way we attract, recruit and induct new employees into the business. We will develop VTCT's employer value proposition and make VTCT a place where people want to come and work because we continue to recruit and grow great people. This will be delivered in parallel to improvements that we will make to developing management and leadership capabilities throughout the business. The focus of the Corporate Leadership Team will be in delivering the strategic objectives and reporting on their progress to the Board of Trustees. We also intend to publish an impact and activity report for the 2018/19 year to detail more clearly the impact of our work and the achievement of our charitable objectives.

VTCT is keen to promote the Hair and Beauty profession generally and will examine how best to attract more young people and adult learners to consider the profession, as well as work hard at providing opportunities for learners who have achieved VTCT qualifications to remain connected to VTCT and iTEC and to collect destination data on our learners world-wide.

## Structure, governance and management

The charity is committed to a continuous program of governance review and improvement. The trustee board has reviewed the Charity Governance Code and how it applies to the charity. The trustee board has agreed to follow the Code and, for each of the seven principles, either apply the Code or, in the few instances where this is not being done, take action to improve.

VTCT is a company limited by guarantee, incorporated in 1986 under the Companies Act 1985, and registered under the Charities Act 2011 on 30 September 1986.

VTCT registered with the Office of the Scottish Charity Regulator, on 25 July 2019.

The company's Articles of Association were updated on 11 December 2014.

All trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 5 to the accounts.

## Appointment of trustees

The number of trustees is not limited by the Charity's articles of association, but the trustees historically considered an optimum number to be nine. However, the level of reform taking place in the educational sector together with the growing complexity of VTCT as an organisation means

the trustees now consider the optimum number to be up to fifteen, to reflect the skill set the trustees bring to the charity based on an annual skills assessment of the Board.

In line with good practice the charity will continue to seek and appoint trustees with appropriate skills for strong governance. New trustees are sought by advertising and by more informed methods of search; promising candidates are interviewed by trustees and briefed by senior staff.

## Trustee induction and training

New trustees undergo an orientation day to brief them on their obligations under Charity and Company law, the content of the articles of association, the Committee structure and decision making process, the operational strategy, current issues and recent financial performance of the Charity. During the induction day they meet key employees and other trustees. Trustees are encouraged to attend Board Workshops and appropriate external training events where these will facilitate the undertaking of their role.

## Related parties and relationships with other organisations

Vocational Training Charitable Trust has five subsidiaries being:

- 1) Action for Lifelong Learning Ltd (Dormant)
- 2) Vocational Awards International Ltd (Dormant)
- 3) Digital Assess Software Ltd, trading as Digital Assess (Dormant)
- 4) Education & Media Services Ltd (Active), trading as iTEC
- 5) Guild Of Hair, Beauty And Wellbeing Professionals Ltd (Dormant)

The share capital of Education & Media Services Ltd was acquired on 8 November 2016. Any transactions and management charges between Vocational Training Charitable Trust and Education & Media Services Ltd are supported by a Shared Services Agreement and are on an arm's length basis.

## Remuneration policy for key management personnel

Key management personnel are remunerated based on an assessment of market rates applicable for the role. Salary benchmarking is undertaken using the Korn Ferry Hay salary data sets and all key staff have had their roles independently reviewed by Korn Ferry Hay and are remunerated within the banded scales.

## Fundraising compliance

VTCT does not engage in public fundraising and does not use professional fundraisers or commercial participators.

## Statement of responsibilities of the trustees

### Trustees' annual report

For the year ended 31 July 2019

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The trustees (who are also directors of Vocational Training Charitable Trust for the purposes of company law) are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company or group for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and statements of recommended practice 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 operation

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

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

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 July 2018 was 12 (2017: 15). The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the charity.

## Vocational Training Charitable Trust

### Trustees' annual report

For the year ended 31 July 2019

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## Auditor

Sayer Vincent LLP was re-appointed as the charitable company's auditor during the year and has expressed its willingness to continue in that capacity.

The trustees' annual report has been approved by the trustees on DATE and signed on their behalf by

Dr Chris Laws  
Chair



## Independent auditor's report

To the members of

Vocational Training Charitable Trust

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### Opinion

We have audited the financial statements of Vocational Training Charitable Trust (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows 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 group's and of the parent charitable company's affairs as at 31 July 2019 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulation 2006 (as amended)

### 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 group in accordance with the ethical requirements that are 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 relating 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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 trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. 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.

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 trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The trustees' annual 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 group and the parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

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

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or

## Independent auditor's report

### To the members of

#### Vocational Training Charitable Trust

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- The trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

## Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the parent charitable company for the purposes of company 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 trustees determine 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 trustees are responsible for assessing the group's and the parent 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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

## 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 regulations made under those Acts.

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

## Independent auditor's report

To the members of

### Vocational Training Charitable Trust

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## 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 section 44(1)(c) of 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 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 and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Elliott (Senior statutory auditor)

10 December 2019

for and on behalf of Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

# Vocational Training Charitable Trust

## Consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 July 2019

	Note	2019 Total £	2018 Total £
<b>Income from:</b>			
Charitable activities			
Qualification and assessment income & other educational income		9,348,835	9,268,271
Investments	2	237,085	218,055
Trading income		36,776	142,738
<b>Total income</b>		<b>9,622,696</b>	<b>9,629,064</b>
<b>Expenditure on:</b>			
Charitable activities			
Qualification and assessment costs	3	10,577,055	10,053,061
Trading costs	3	–	517,392
Investment managers' fees		50,715	50,072
<b>Total expenditure</b>		<b>10,627,770</b>	<b>10,620,525</b>
<b>Net expenditure before net gains on investments</b>	4	<b>(1,005,074)</b>	<b>(991,461)</b>
Net gains on investments		326,693	565,406
<b>Net income for the year and net movement in funds</b>	18	<b>(678,381)</b>	<b>(426,055)</b>
<b>Reconciliation of funds:</b>			
Total funds brought forward		18,107,577	18,533,632
<b>Total funds carried forward</b>		<b>17,429,196</b>	<b>18,107,577</b>

All of the above results are derived from continuing activities.

Income from charitable activities includes restricted income of £0 (2018: £68,123). Expenditure from charitable activities includes restricted expenditure of £0 (2018: £68,123).

There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 18 to the financial statements.

# Vocational Training Charitable Trust

## Balance sheets

Company no. 2050044

As at 31 July 2019

	Note	The group 2019 £	2018 £	The charity 2019 £	2018 £
<b>Fixed assets:</b>					
Tangible assets	9	2,798,918	2,217,775	2,791,184	2,210,360
Intangible assets including goodwill	10	2,916,468	4,081,871	835,774	1,085,069
Investment property	11	–	535,000	–	535,000
Investments	12	9,813,144	9,490,396	9,813,144	9,490,396
Investment in subsidiaries	13	–	–	3,100,203	4,016,311
		<b>15,528,530</b>	<b>16,325,042</b>	<b>16,540,305</b>	<b>17,337,136</b>
<b>Current assets:</b>					
Debtors	15	1,459,233	1,114,253	1,371,045	1,580,087
Cash at bank and in hand		1,369,546	1,472,974	826,968	459,658
		<b>2,828,779</b>	<b>2,587,227</b>	<b>2,198,013</b>	<b>2,039,745</b>
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	16	(928,113)	(804,692)	(741,530)	(713,849)
<b>Net current assets</b>		<b>1,900,666</b>	<b>1,782,535</b>	<b>1,456,483</b>	<b>1,325,896</b>
<b>Total net assets</b>		<b>17,429,196</b>	<b>18,107,577</b>	<b>17,996,788</b>	<b>18,663,032</b>
<b>Funds:</b>	18				
Restricted income funds		–	–	–	–
Unrestricted income funds:					
General funds		17,429,196	18,107,577	17,996,788	18,663,032
<b>Total unrestricted funds</b>		<b>17,429,196</b>	<b>18,107,577</b>	<b>17,996,788</b>	<b>18,663,032</b>
<b>Total funds</b>		<b>17,429,196</b>	<b>18,107,577</b>	<b>17,996,788</b>	<b>18,663,032</b>

Approved by the trustees on 5 December 2019 and signed on their behalf by

Dr Chris Laws  
Chairman

Vocational Training Charitable Trust

Consolidated statement of cash flows

For the year ended 31 July 2019

	Note	2019 £	£	2018 £	£
Cash flows from operating activities	19				
Net cash used by operating activities			(16,990)		(411,691)
<b>Cash flows from investing activities:</b>					
Dividends and interest from investments		237,085		218,055	
Proceeds from the sale of fixed assets		2,716		1,048	
Purchase of fixed assets		(219,383)		(61,448)	
Purchase of intangible assets		(110,801)		(583,705)	
Proceeds from sale of investments		805,820		2,228,688	
Purchase of investments		(923,941)		(1,797,211)	
Change in cash in investment portfolio		122,066		(425,396)	
Net cash used in investing activities			(86,438)		(419,969)
Change in cash and cash equivalents in the year			(103,428)		(831,660)
Cash and cash equivalents at the beginning of the year			1,472,974		2,304,634
Cash and cash equivalents at the end of the year			1,369,546		1,472,974

**1 Accounting policies**

**a) Statutory information**

Vocational Training Charitable Trust is a charitable company limited by guarantee and is incorporated in the United Kingdom. The registered office and operational address is Aspire House, Annealing Close, Eastleigh, Hampshire, SO50 9PX.

**b) Basis of preparation**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiary, Education & Media Services Ltd, on a line by line basis. Transactions and balances between the charitable company and its subsidiary have been eliminated from the consolidated financial statements. Balances between the companies are disclosed in the notes of the charitable company's balance sheet. A separate statement of financial activities, or income and expenditure account, for the charitable company itself is not presented because the charitable company has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

**c) Public benefit entity**

The charitable company meets the definition of a public benefit entity under FRS 102.

**d) Going concern**

The trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

**e) Income**

Income is recognised when the group has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

**f) Investment income**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Dividend income receivable from the charity's investment portfolio is recognised when declared.

**g) Fund accounting**

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.



1 Accounting policies (continued)

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Expenditure on charitable activities includes the costs of qualifications and assessments undertaken to further the purposes of the charity and their associated support costs
- Trading costs include the costs incurred in the course of carrying out activities within the non-charitable subsidiary entity.
- Investment managers' fees represent amounts charged to manage the charity's investment portfolio

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity. Support costs are re-allocated to each of the activities on the following basis:

- |                                      |      |
|--------------------------------------|------|
| • Qualification and assessment costs | 100% |
| • Trading costs                      | 0%   |

Governance costs are re-allocated to each of the activities on the following basis which is the ratio of expenditure between activities:

- |                                      |      |
|--------------------------------------|------|
| • Qualification and assessment costs | 100% |
|--------------------------------------|------|

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

j) Intangible assets

Intangible assets include trademarks acquired, goodwill arising from the acquisition of business and trade assets, and cost incurred in developing software to be used by the company.

Software development is amortised over four years on a straight-line basis.

Trademarks acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the statement of financial activities using the straight line method over 10 years. This is the shorter of their estimated useful lives and periods of contractual rights.

Goodwill represents the difference between the cost of acquisition of business trade and the fair value of the net assets. Goodwill is recognised separately as intangible assets and carried at cost less accumulated amortisation. Goodwill is amortised over five years on a straight-line basis.

1 Accounting policies (continued)

k) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be shown as a revaluation reserve in the balance sheet.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

● Freehold Land	Not depreciated
● Buildings	2% straight line
● Property Improvements	5% straight line
● Fixtures	20% straight line
● Computer equipment and software	25% straight line

l) Investment properties

Investment properties are measured initially at cost and subsequently included in the balance sheet at fair value. Investment properties are not depreciated. Any change in fair value is recognised in the statement of financial activities. The valuation method used to determine fair value will be stated in the notes to the accounts.

m) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be included within general funds in the balance sheet. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading “Net gains/(losses) on investments” in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

n) Investments in subsidiaries

Investments in subsidiaries are at cost.

o) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

p) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

q) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

1 Accounting policies (continued)

r) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

s) Pensions

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the charity to the fund. The charity has no liability under the scheme other than for the payment of those contributions.

2 Income from investments

	2019 Total £	2018 Total £
Smith & Williamson Investment Management	190,717	172,602
CCLA – COIF Property Fund	46,368	43,991
Other	–	1,462
	<hr/>	<hr/>
	237,085	218,055
	<hr/>	<hr/>

Vocational Training Charitable Trust

Notes to the financial statements

For the year ended 31 July 2019

3 Analysis of expenditure (Current year)

	Charitable activities					
	Qualification and assessment costs £	Trading Costs	Support Costs	Governance Costs £	2019 Total £	2018 Total £
Staff costs (Note 5)	2,770,641	–	1,831,441	93,920	4,696,002	4,292,726
Verifier, examination fees & expenses	1,423,974	–	–	–	1,423,974	1,549,113
Premises costs	135,479	–	89,554	4,593	229,626	271,311
Telephone & fax	26,805	–	17,719	909	45,433	61,230
Postage, stationery & assessment materials	402,875	–	266,307	13,656	682,838	625,912
Other office costs	79,857	–	52,787	2,706	135,350	164,762
Travelling, meeting & committee expenses	277,388	–	183,358	9,403	470,149	432,723
Marketing & publicity	269,606	–	178,214	9,139	456,959	619,825
Legal & professional	35,171	–	23,248	1,192	59,611	146,112
Audit & accountancy	–	–	–	32,591	32,591	36,034
Depreciation	100,464	–	66,408	3,405	170,277	178,011
Amortisation	752,960	–	497,720	25,524	1,276,204	1,209,752
Profit on disposal of fixed assets	146	–	97	4	247	892
Bank charges & foreign exchange	7,011	–	4,635	238	11,884	52,513
Sundry expenses	4,620	–	3,054	157	7,831	51,075
ICT Hosting & support	413,311	–	273,206	14,011	700,528	727,037
Consultancy support	115,408	–	60,367	1,776	177,551	151,425
	6,815,716	–	3,548,115	213,224	10,577,055	10,570,453
Support costs	3,548,115	–	(3,548,115)	–	–	–
Governance costs	213,224	–	–	(213,224)	–	–
<b>Total expenditure 2019</b>	<b>10,577,055</b>	–	–	–	<b>10,577,055</b>	–
Total expenditure 2018	10,053,061	517,392	–	–		10,570,453

Vocational Training Charitable Trust

Notes to the financial statements

For the year ended 31 July 2019

3 Analysis of expenditure (Prior year)

	Charitable activities				
	Qualification and assessment costs £	Trading Costs	Support Costs	Governance Costs £	2018 Total £
Staff costs (Note 5)	2,668,561	187,248	1,395,863	41,054	4,292,726
Verifier, examination fees & expenses	1,549,113	–	–	–	1,549,113
Premises costs	176,352	–	92,246	2,713	271,311
Telephone & fax	38,387	2,173	20,079	591	61,230
Postage, stationery & assessment materials	406,843	–	212,810	6,259	625,912
Other office costs	106,284	1,248	55,595	1,635	164,762
Travelling, meeting & committee expenses	274,403	10,564	143,534	4,222	432,723
Marketing & publicity	350,761	80,192	183,475	5,397	619,825
Legal & professional	95,415	(681)	49,910	1,468	146,112
Audit & accountancy	–	–	–	36,034	36,034
Depreciation	115,571	210	60,452	1,778	178,011
Amortisation	762,423	36,794	398,806	11,729	1,209,752
Profit on disposal of fixed assets	580	–	303	9	892
Bank charges & foreign exchange	33,507	964	17,527	515	52,513
Sundry expenses	33,201	3	17,367	504	51,075
ICT Hosting & support	436,790	55,052	228,475	6,720	727,037
Consultancy support	98,426	–	51,485	1,514	151,425
	7,146,617	373,767	2,927,927	122,142	10,570,453
Support costs	2,782,408	145,519	(2,927,927)	–	–
Governance costs	122,142	–	–	(122,142)	–
<b>Total expenditure 2018</b>	<b>10,051,167</b>	<b>519,286</b>	<b>–</b>	<b>–</b>	<b>10,570,453</b>

**4 Net (expenditure)/ income for the year**

This is stated after charging / (crediting):

	2019 £	2018 £
Depreciation	170,277	178,011
Amortisation	1,276,204	1,209,752
Loss or profit on disposal of fixed assets	247	892
Operating lease rentals:		
Property	137,378	119,934
Other	75,051	43,075
Auditors' remuneration (excluding VAT):		
Audit	28,700	25,200
Other services	900	1,640
Foreign exchange (gains) or losses	(16,788)	26,114

**5 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel**

Staff costs were as follows:

	2019 £	2018 £
Salaries and wages	3,766,229	3,348,408
Redundancy and termination costs paid in the year	55,908	75,131
Social security costs	372,097	331,512
Employer's contribution to defined contribution pension schemes	276,654	322,304
Other forms of employee benefits	225,114	215,371
	<b>4,696,002</b>	<b>4,292,726</b>

The following number of employees received employee benefits (excluding employer pension costs and national insurance) during the year between:

	2019 No.	2018 No.
£60,000 – £69,999	2	2
£70,000 – £79,999	2	2
£80,000 – £89,999	–	1
£90,000 – £99,999	–	1
£100,000 – £109,999	3	2
£110,000 – £119,999	1	1
£130,000 – £139,999	1	–
£170,000 – £179,999	1	1

The total employee benefits including pension contributions and employer's national insurance of the key management personnel were £905,773 (2018: £718,172) following the expansion of the Corporate Leadership Team during the year.

The charity trustees were not paid or received any other benefits from employment with the charity in the year (2018: £nil). No charity trustee received payment for professional or other services supplied to the charity (2018: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £15,195 (2018: £8,246) incurred by 11 (2018: 8) members relating to attendance at meetings of the trustees.

Trustee indemnity insurance is now included within the charitable company's indemnity insurance.

## Notes to the financial statements

For the year ended 31 July 2019

**6 Staff numbers**

The average number of employees (head count based on number of staff employed) during the year was as follows:

	2019 No.	2018 No.
Qualifications and Assessment	117	111
Support	32	26
Governance	2	1
	<b>151</b>	<b>138</b>

**7 Related party transactions**

Related party transactions with the charity's subsidiary companies are disclosed within note 13. There were no other related party transactions

There are no donations from related parties.

**8 Taxation**

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity's trading subsidiaries Education & Media Services Limited will gift aid available profits to the parent charity.

**9 Tangible fixed assets****The group**

	Freehold property £	Property Improvements £	Fixtures and fittings £	Computer equipment & Software £	Total £
<b>Cost</b>					
At the start of the year	1,017,164	1,477,263	125,116	1,166,590	3,786,133
Additions in year	–	149,800	12,421	57,162	219,383
Transfers in year	272,294	262,706	–	–	535,000
Disposals in year	–	–	–	(18,109)	(18,109)
At the end of the year	<b>1,289,458</b>	<b>1,889,769</b>	<b>137,537</b>	<b>1,205,643</b>	<b>4,522,407</b>
<b>Depreciation</b>					
At the start of the year	78,998	333,556	120,654	1,035,150	1,568,358
Charge for the year	17,628	87,060	5,154	60,435	170,277
Transfers in year	–	–	–	–	–
Eliminated on disposal	–	–	–	(15,146)	(15,146)
At the end of the year	<b>96,626</b>	<b>420,616</b>	<b>125,808</b>	<b>1,080,439</b>	<b>1,723,489</b>
<b>Net book value</b>					
At the end of the year	<b>1,192,832</b>	<b>1,469,153</b>	<b>11,729</b>	<b>125,204</b>	<b>2,798,918</b>
At the start of the year	938,166	1,143,707	4,462	131,440	2,217,775

Land with a value of £407,232 (2018: £320,016) is included within freehold property and not depreciated.

All of the above assets are used for charitable purposes.

Freehold Property and Property Improvements relate to Aspire House. An impairment review was undertaken at 31 July 2016 and the Trustees consider that the value in use exceeded the carrying value at 31 July 2016.

During the year, the investment property was transferred to freehold property and property improvements, as it was brought back for the charity's own use.

**9 Tangible fixed assets (continued)****The charity**

	Freehold property £	Property Improvements £	Fixtures and fittings £	Computer equipment & Software £	Total £
<b>Cost</b>					
At the start of the year	1,017,164	1,477,263	125,116	1,139,305	3,758,848
Additions in year	–	149,800	12,421	53,280	215,501
Transfers in year	272,294	262,706	–	–	535,000
Disposals in year	–	–	–	(2,862)	(2,862)
At the end of the year	<b>1,289,458</b>	<b>1,889,769</b>	<b>137,537</b>	<b>1,189,723</b>	<b>4,506,487</b>
<b>Depreciation</b>					
At the start of the year	78,998	333,556	120,654	1,015,280	1,548,488
Charge for the year	17,628	87,060	5,154	57,332	167,174
Eliminated on disposal	–	–	–	(360)	(360)
At the end of the year	<b>96,626</b>	<b>420,616</b>	<b>125,808</b>	<b>1,072,252</b>	<b>1,715,302</b>
<b>Net book value</b>					
At the end of the year	<b>1,192,832</b>	<b>1,469,153</b>	<b>11,729</b>	<b>117,471</b>	<b>2,791,185</b>
At the start of the year	938,166	1,143,707	4,462	124,025	2,210,360

**10 Intangible fixed assets****The Group**

	Software & Resources	Goodwill £	Trademarks £	Total 2019 £
<b>Cost</b>				
At the start of the year	1,251,021	5,378,076	4,800	6,633,897
Additions in year	110,801	–	–	110,801
At the end of the year	<b>1,361,822</b>	<b>5,378,076</b>	<b>4,800</b>	<b>6,744,698</b>
<b>Amortisation</b>				
At the start of the year	239,032	2,311,274	1,720	2,552,026
Charge for the year	324,616	951,108	480	1,276,204
At the end of the year	<b>563,648</b>	<b>3,262,382</b>	<b>2,200</b>	<b>3,828,230</b>
<b>Net book value</b>				
At the end of the year	<b>798,174</b>	<b>2,115,694</b>	<b>2,600</b>	<b>2,916,468</b>
At the start of the year	1,011,989	3,066,802	3,080	4,081,871



**10 Intangible fixed assets (continued)****The Charity**

	Software & Resources	Goodwill	Trademarks	Total 2019 £
<b>Cost</b>				
At the start of the year	1,251,021	87,500	4,800	1,343,321
Additions in year	110,801	–	–	110,801
At the end of the year	<b>1,361,822</b>	<b>87,500</b>	<b>4,800</b>	<b>1,454,122</b>
<b>Amortisation</b>				
At the start of the year	239,032	17,500	1,720	258,252
Charge for the year	324,616	35,000	480	360,096
At the end of the year	<b>563,648</b>	<b>52,500</b>	<b>2,200</b>	<b>618,348</b>
<b>Net book value</b>				
At the end of the year	<b>798,174</b>	<b>35,000</b>	<b>2,600</b>	<b>835,774</b>
At the start of the year	<b>1,011,989</b>	<b>70,000</b>	<b>3,080</b>	<b>1,085,069</b>

**11 Investment properties**

	The group and charity	
	2019 £	2018 £
Fair value at the start of the year	535,000	535,000
Transfer	(535,000)	–
Fair value at the end of the year	–	535,000

During the year, the investment property was brought back for the charity's own use, and has therefore been transferred to tangible fixed assets.

**12 Listed investments**

	The group		The charity	
	2019 £	2018 £	2019 £	2018 £
Fair value at the start of the year	9,490,396	8,931,071	9,490,396	8,931,071
Additions at cost	923,941	1,797,211	923,941	1,797,211
Disposal proceeds	(805,820)	(2,228,688)	(805,820)	(2,228,688)
Change in cash in the portfolio	(122,066)	425,396	(122,066)	425,396
Net gain in fair value	326,693	565,406	326,693	565,406
Fair value at the end of the year	<b>9,813,144</b>	<b>9,490,396</b>	<b>9,813,144</b>	<b>9,490,396.00</b>
Historic cost at the end of the year	<b>7,203,732</b>	<b>6,957,084</b>	<b>7,203,732</b>	<b>6,957,084</b>

12 Listed investments (continued)

Listed investments comprise:

	The group		The charity	
	2019	2018	2019	2018
	£	£	£	£
Property Funds	883,130	841,878	883,130	841,878
UK Common investment funds	1,403,215	1,311,616	1,403,215	1,311,616
Shares listed on the London Stock Exchange	2,354,068	2,634,309	2,354,068	2,634,309
Cash and short term deposits	384,386	506,452	384,386	506,452
Other Investments	4,788,345	4,196,141	4,788,345	4,196,141
Fair value at the end of the year	9,813,144	9,490,396	9,813,144	9,490,396

13 Subsidiary undertakings

	The charity	
	2019	2018
	£	£
<b>Investments held in subsidiary undertakings</b>		
At the start of the year	4,016,311	4,932,419
Amortisation recognised	(916,108)	(916,108)
At the end of the year	3,100,203	4,016,311

Digital Assess Software Limited

	2019	2018
	£	£
Turnover	–	129,523
Cost of sales	–	(132,162)
Gross profit	–	(2,639)
Administrative expenses	–	(431,631)
Other operating income	–	–
Operating profit	–	(434,270)
Exceptional item	–	1,468,566
Profit / (loss) on ordinary activities	–	1,034,296
Deed of covenant to parent undertaking	–	–
Profit/(loss) for the period	–	1,034,296
The aggregate of the assets, liabilities and reserves was:		
Assets	–	1
Liabilities	–	–
Reserves	–	1

13 Subsidiary undertakings (continued)

**Education & Media Services Ltd**

VTCT acquired the share capital of Education & Media Services Ltd (EMS) on 8 November 2016. The cost of acquisition along with associated professional support and advice totalled £5,600,049. The cost of the share capital was settled through a cash payment, with a retention amount paid in March 2017 based on EMS's performance. The trustees consider the useful economic life of EMS to be 5 years and the goodwill has been impaired on this basis.

A summary of the results of the subsidiary shown below.

	2019 £	2018 £
Turnover	2,346,971	2,684,767
Cost of sales	(527,331)	(506,429)
Gross profit	1,819,640	2,178,338
Administrative expenses	(1,212,836)	(1,364,760)
Operating profit / (loss)	606,804	813,578
Interest payable	134	214
Profit on ordinary activities	606,938	813,792
Gift aid to parent undertaking	(619,074)	(809,811)
Profit/(Loss) for the period	(12,136)	3,981

The aggregate of the assets, liabilities and reserves was:

	2019 £	2018 £
Assets	720,981	1,269,743
Liabilities	(269,062)	(805,688)
Reserves	451,919	464,055

During the year, intercompany charges were made from VTCT to EMS totalling £542,656 (2018: £498,377) for management time and support.

**14 Parent charity**

The parent charity's gross income and the results for the year are disclosed as follows:

	2019 £	2018 £
Gross income	7,737,451	8,122,962
Net result for the year	(666,244)	(121,643)

**15 Debtors**

	The group 2019 £	2018 £	The charity 2019 £	2018 £
Trade debtors	799,204	720,869	682,297	530,899
Amounts due from other group entities	–	–	59,245	661,200
Other debtors and prepayments	660,029	393,384	629,503	387,988
	<b>1,459,233</b>	<b>1,114,253</b>	<b>1,371,045</b>	<b>1,580,087</b>

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

	The group 2019 £	2018 £	The charity 2019 £	2018 £
Trade creditors	269,415	148,316	264,878	175,430
Taxation and social security	213,843	187,798	206,176	241,444
Other creditors	289,925	328,734	216,440	237,975
Retention relating to purchase of intangible assets	–	48,000	–	48,000
Deferred income	154,930	91,844	54,036	11,000
	<b>928,113</b>	<b>804,692</b>	<b>741,530</b>	<b>713,849</b>

**17 Deferred income**

Deferred income comprises of payments received for qualification services supplied after the year end date.

	The group 2019 £	2018 £	The charity 2019 £	2018 £
Balance at the beginning of the year	91,844	149,349	11,000	47,510
Amount released to income in the year	(91,844)	(149,349)	(11,000)	(47,510)
Amount deferred in the year	154,930	91,844	54,036	11,000
	<b>154,930</b>	<b>91,844</b>	<b>54,036</b>	<b>11,000</b>

**18a Movements in funds (current year)**

	At the start of the year £	Income & net gains £	Expenditure & losses £	Transfers £	At the end of the year £
<b>Unrestricted funds:</b>					
Fair value reserve	–	–	–	–	–
General funds	18,107,577	9,949,389	(10,627,770)	–	17,429,196
<b>Total unrestricted funds</b>	<b>18,107,577</b>	<b>9,949,389</b>	<b>(10,627,770)</b>	<b>–</b>	<b>17,429,196</b>
<b>Total funds</b>	<b>18,107,577</b>	<b>9,949,389</b>	<b>(10,627,770)</b>	<b>–</b>	<b>17,429,196</b>

**18b Movements in funds (prior year)**

	At the start of the year £	Incoming resources & net gains £	Outgoing resources £	Transfers £	At the end of the year £
<b>Restricted funds</b>					
Qualifications Wales	–	50,000	(50,000)	–	–
Find a Future	–	18,123	(18,123)	–	–
	–	68,123	(68,123)	–	–
<b>Unrestricted funds:</b>					
Fair value reserve	2,606,090	565,406	–	(3,171,496)	–
General funds	15,927,542	9,560,941	(10,552,402)	3,171,496	18,107,577
<b>Total unrestricted funds</b>	<b>18,533,632</b>	<b>10,126,347</b>	<b>(10,552,402)</b>	<b>–</b>	<b>18,107,577</b>
<b>Total funds</b>	<b>18,533,632</b>	<b>10,194,470</b>	<b>(10,620,525)</b>	<b>–</b>	<b>18,107,577</b>

Find a Future represented funds received from Find a Future which can only be used for costs incurred by VTCT relating to a skills competition. Qualifications Wales income represented funds received for the translation of Welsh qualifications.

The fair value reserve represented the difference between the market value and historic cost on investments. These were transferred to general funds following the guidance of the latest technical update for Charities SORP (FRS 102).

**19 Reconciliation of net expenditure to net cash flow from operating activities**

	2019 £	2018 £
<b>Net expenditure for the reporting period (as per the statement of financial activities)</b>	<b>(678,381)</b>	<b>(426,055)</b>
Depreciation charges	170,277	178,011
Amortisation charges	1,276,204	1,209,752
Gains on investments	(326,693)	(565,406)
Dividends and interest from investments	(237,085)	(218,055)
Loss on the disposal of fixed assets	247	892
(Increase) / Decrease in debtors	(344,980)	71,073
Increase / (Decrease) in creditors	123,421	(601,903)
Decrease in long term creditors	–	(60,000)
<b>Net cash provided by operating activities</b>	<b>(16,990)</b>	<b>(411,691)</b>

21 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £10.

22 Operating lease commitments

The group's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	Property		Equipment/Other	
	2019	2018	2019	2018
	£	£	£	£
Less than one year	13,292	119,934	58,567	43,075
One to five years	10,131	–	86,440	24,836
	<u>23,423</u>	<u>119,934</u>	<u>145,007</u>	<u>67,911</u>

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	Property		Equipment/Other	
	2019	2018	2019	2018
	£	£	£	£
Less than one year	8,513	–	46,999	36,060
One to five years	8,513	–	60,199	22,497
	<u>17,026</u>	<u>–</u>	<u>107,198</u>	<u>58,557</u>