

NCFE

Trustees' Report and Financial Statements

31 July 2019

Reference and administrative information

Charity Registration No. 1034808
Company Registration No. 02896700

Registered office and operational address

Q6
Quorum Business Park
Benton Lane
Newcastle upon Tyne
Tyne and Wear
NE12 8BT

Auditor

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Barclays Bank
Percy Street
Newcastle upon Tyne
NE1 4QL

Rathbones
Earl Grey House
75-85 Grey Street
Newcastle upon Tyne
NE1 6EF

Lloyds Bank PLC
King Street
Manchester
M2 4LQ

Solicitors

Womble Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Bates Wells Braithwaite
10 Queen Street Place
London
EC4R 1BE

Reference and administrative information

Charity Registration No. 1034808

Company Registration No. 02896700

Trustees

Mr N Hudson (resigned on 14 October 2019)

Mr M Austin (resigned on 5 December 2018)

Ms B Ashton

Ms R Cuschieri

Ms D Jenkins

Mr C Peel

Mr D Wilson

Company Secretary

L Forrest

Chief Executive Officer

D Gallagher

Chief Financial Officer

L Forrest

Chief Operating Officer

S Foster

Chief Customer Officer

V Orr

Executive Director of People Services

L Shillinglaw

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2019

The Trustees present their annual report together with the audited financial statements of NCFE for the year ended 31 July 2019.

Purpose and objectives

The primary purpose of the group is to promote and advance learning for the benefit of learners, society and the economy.

We will promote learning through:

- Advocating for, raising the profile of and investment in, learning (education and training)
- Influencing the design, development and delivery of progressive and impactful learning
- Endorsing the creation and distribution of high quality learning opportunities
- Engaging more people into learning, particularly those who need it the most, to support social mobility and prosperity

We will advance learning through:

- Creating high quality learning opportunities that will support the progression of learners/beneficiaries, improving their life and career opportunities
- Pioneering and investing in the creation and adoption of innovations that will improve learning outcomes and enhance the value of learning
- Facilitating the generation and fruition of new ideas and approaches that will improve learning, particularly technical and vocational education

Where 'Learning' means education and training in 'applied learning' and is not constrained to formal education.

Our strategic objectives are:

1. To create a truly world class customer experience that will promote customer loyalty and advocacy and through this, extend our reach and secure our future.
2. To enhance the value and impact of learning through exploring and embracing pioneering approaches, including strategic partnerships and technological developments.
3. To cultivate a purpose-led, collaborative, vibrant, high performance culture where our people understand and are recognised for the contribution that they make to our collective success.
4. To develop a robust, reliable and responsive infrastructure that will equip us to achieve our strategy and plans for greater reach and impact, whilst underpinning a safe and secure future.
5. To leverage rich data sources and Business Intelligence technologies to produce validated insights into our market, our customers and our business, which will enable us to make good, evidence based decisions.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2019

Main activities undertaken to further the charity's purposes for the public benefit

The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2006, to have due regard to the Charity Commission's general guidance on public benefit, "Charities and Public Benefit".

NCFE's charitable purpose as enshrined in its objects is to promote and advance the education and training of young persons and adults. We aim to positively impact lives through our core activities:

1. Providing examinations and assessments in a range of subjects and sectors and at a variety of levels, making those examinations and assessments available through a very wide range of educational and training establishments to those persons for whom they are considered appropriate.
2. Awarding qualification certificates to those learners successful in meeting the examination or assessment requirements and awarding prizes to learners demonstrating outstanding achievement.
3. Making charitable donations to other organisations with a charitable purpose aligned to our own, including the Helena Kennedy Foundation.
4. Lobbying for further improvements in the technical education sector.
5. Improving technical education through delivery of innovations including T-level qualifications.

Our areas of focus will include:

- Socially disadvantaged, diverse and underrepresented people and groups
- Young people in the early stages of their career
- Job displacement, re-training and industry 4.0
- Second chances e.g. ex - offenders

Achievements and performance

2018/19 has been a successful year for NCFE. As an Awarding Organisation we registered approximately 616,000 candidates, spread across over 3,000 active centres. Gaining an NCFE qualification can be a route to advanced technical education, higher education, employment or career progression.

We issued more than 480,000 certificates to learners of which almost 30,000 of these were V Certs and almost 10,000 were learners in prison – giving individuals a chance to succeed in society and choose a different path in life.

NCFE provided more than 8,000 learners with opportunities to progress to Higher Education, representing an 18% increase over 2018, and grew the number of higher education institutions we engaged with by 53%.

As part of our mission to advance learning we won the Education and Childcare T Level during the year, being one of only two awarding organisations to be awarded a contract in the first wave. T Levels will become one of the main choices for students after GCSE, alongside apprenticeships and A levels. This is a key Government policy to review post-GCSE qualifications to create a simpler, high-quality system that students, parents and employers will all understand. It is key to NCFE's objective to promote and advance learning that we are significantly involved in influencing the development of T levels. In October 2019, NCFE was awarded five of the seven contracts in the second wave, strengthening our ability to influence for the benefit of learners. Our end point assessment business, EPAplus, had its first year of trading, registering 7,500 apprentices and completing assessments for over 1,100 apprentices as well achieving commendations by key regulators and quality assurance organisations.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2019

Achievements and performance (continued)

Our subsidiary Skills Forward delivered more than 2.9m eLearning assessments for functional skills to the post 16+ learning and skills sector.

During the year NCFE acquired Peer Tutor, which aims to make tutoring affordable and available to all. NCFE is proud to have achieved a world class NPS score of +78 and being placed at number 41 in the Times Top 100 Not for Profit Organisations.

Key financial performance indicators

In order to sustain the charity and reach more learners, we continued to measure our performance using the following key metrics:

- Income and Surplus – our income and surplus is monitored in real time.
- Customer engagement – we undertake a random sample of customer engagement surveys after interactions with customers to assess customer service and experience. These surveys are undertaken shortly after the customer has been in contact with one of our colleagues to get real time and current feedback. Working with more customers, being easy to work with and solving their problems means they can focus their time on the learner.

Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In particular, the Trustees have considered the potential financial and operational impact the company is facing as a result of COVID-19 which is impacting liquidity/supply chains/customer demand/personnel available for work and or being able to access offices, however detailed plans are in place to mitigate these potential impacts, if required. For this reason the directors continue to adopt the going concern basis of preparation for these financial statements.

Beneficiaries of our services

We consider the beneficiaries of our services to be the learners undertaking study for our qualifications, benefiting from any of our learning resources or more broadly benefiting from further education which we seek to advance and promote.

Financial review

Income for the year was £35.5m (2018: £33.2m), and net income before investment gains was £6.4m (2018: £5.4m) which exceeded our business plan.

At 31 July 2019 NCFE was in a financially strong position with cash and investments totalling £33.0m (2018: £25.9m) and net assets of £40.2m (2018: £33.7m).

All of NCFE's income is earned. As such, NCFE's continued success is reliant upon continuing to meet the needs of customers by aligning its products and services to skills and Government priorities and seeking new opportunities within the education sector.

As further changes are expected it will be necessary for NCFE to continue investment in its qualification portfolio and infrastructure to allow ongoing provision of solutions to customers with exceptional service. NCFE will fund necessary investment from existing reserves and seek to raise borrowing as deemed appropriate.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2019

Investment powers and policy

Under its Memorandum and Articles of Association, the Trustees have the power to invest as they see fit to meet the charitable purpose.

The investment policy agreed by the Trustees has continued to follow a 'managed funds' approach, based on a 'progressive' risk profile. All investment decisions are delegated to the judgement of the organisation's investment advisors. The policy allows for tactical asset allocation across a range of investment types:

<u>Asset Class</u>	<u>Range permitted for investment of charity funds allocated</u>
Fixed Interest	10% to 25%
Equities	50% to 80%
Alternatives	10% to 20%
Cash	Up to 5%

The Trustees' objective is capital growth and it is acknowledged that this is likely to require commitment to a 'medium term' investment period of up to 5 years.

The year to 31 July 2019 showed an unrealised gain of £115,000 (2018: £19,000). The Trustees are satisfied that the portfolio has performed in line with expectations and has exceeded the level of return which would have been achieved had the monies been held as cash.

Principal risks and uncertainties

The primary risks to NCFE arise from changes in government policy and funding cuts, including uncertainty over European funding due to Brexit. Despite our security in T-levels (outlined below), funding streams remain a key risk for NCFE. The Government is fundamentally reviewing public funding for qualifications, particularly at levels 2 and 3. Furthermore, policy direction resulting in some discrete areas of devolution towards localised funding means that a centralised, generic approach to qualification offering is no longer viable. NCFE's strength in having a broad and diverse product portfolio helps in mitigating this risk.

Following on from last year's report, NCFE successfully reviewed and re-aligned its portfolio and subsequently was awarded six of the Government's flagship T-level programmes. This success brings certainty of direction and stability to our portfolio. It does however exacerbate the previously highlighted risk of loss of key staff. This risk, whilst featuring in last year's report, has changed slightly in nature due to the criticality of retaining and developing key posts which will be pivotal in supporting the delivery of T-levels. To address this we conduct regular salary benchmarking to ensure our colleagues' remuneration is marked to market. We also offer a range of other colleague-facing benefits, many being significantly over the market norm.

As an Awarding Body regulated by a number of agencies, including Ofqual, Qualifications Wales, CCEA Regulation and ESFA, NCFE is bound by a series of regulatory obligations, which are constantly evolving to meet the needs of the changing policy landscape and market need. As a large, Awarding body working across multiple sectors, we remain mindful of the resourcing and capacity needs introduced by current and forthcoming changes in regulation. We also recognise new and emergent risks introduced by changes in technology and a growing focus on data, such as the risks introduced by cyber-crime. NCFE is one of the few Awarding Bodies to have been awarded Cyber Essentials Plus and operates an externally-validated systematic approach to data and cyber protection.

Finally, the business is undergoing a period of deep consolidation and review and is proactively re-aligning the strategic risk focus to ensure such business-critical matters remain at the core of our decision-making processes.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2019

Strategic Report – COVID 19 risk

The global economy in 2020 is expected to be significantly impacted by the pandemic outbreak of the Corona virus (COVID-19). The economic impact of COVID-19 is therefore expected to be severe and is likely to turn the global economy in 2020 into a recession depending on how long it will take governments to contain the spread of COVID-19 and their ability to support the local economy to recover from it. The Group has created working groups to manage the risks associated with the COVID -19 virus. The Incident Management team met on a daily basis as the crisis developed and interacted with the wider NCFE Group as necessary to ensure business continuity. A group to manage the risks of returning to the workplace now meets regularly and consults with the wider business with the primary aim of maintaining safe operations and protection for employees as advised by local health authorities. In the first instance the Company is following the advice of the World Health Organisation (WHO) and local health authorities. A further Group has been established to consider specific responses to Covid-19 in the Education Sector and our learner community. The Group has reserves and liquidity considered well in excess of the level considered to meet financial shocks over a 12 month period. The long-term impact of this crisis is uncertain and therefore no explicit statement can be made at this stage.

Reserves policy

The Trustees have reviewed the charity's needs for reserves in line with guidance issued by the Charity Commission. At 31 July 2019, the Group had reserves of £40.2m. All reserves are unrestricted funds.

The Trustees consider the level of reserves and cash to be sufficient to meet the ongoing activities and obligations of the Charity for the next 12 months at least. The Reserves policy sets out a minimum level of reserves to protect the Group from any significant financial shocks of £15m. The remaining reserves will be available for the delivery of the 5 year strategic plan aimed at maximising our social impact and ensuring a sustainable future for the Group.

Plans for future periods

Our strategic objectives are:

1. To create a truly world class customer experience that will promote customer loyalty and advocacy and through this, extend our reach and secure our future.
2. To enhance the value and impact of learning through exploring and embracing pioneering approaches, including strategic partnerships and technological developments.
3. To cultivate a purpose-led, collaborative, vibrant, high performance culture where our people understand and are recognised for the contribution that they make to our collective success.
4. To develop a robust, reliable and responsive infrastructure that will equip us to achieve our strategy and plans for greater reach and impact, whilst underpinning a safe and secure future.
5. To leverage rich data sources and Business Intelligence technologies to produce validated insights into our market, our customers and our business, which will enable us to make good, evidence based decisions.

Structure, governance and management

Governing document

NCFE is a company listed by guarantee governed by its Memorandum and Articles of Association dated 10 February 1994 and last amended on 12 July 2016. It is registered as a charity with the Charity Commission. Anyone over the age of 18 can become a member of the company and there are currently 5 members (2018: 7), each of whom agrees to contribute £1 in the event of the charity winding up.

The members of the Board of Trustees, who are also the directors for the purpose of company law, are listed on page 2.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2019

Method of appointment or election of Trustees

The management of the company and the group is the responsibility of the Trustees who are elected and co-opted under the terms of the Articles of Association.

As set out in the Articles of Association, the Chair of the Trustees is nominated from within the current membership by the Trustees. During the current accounting period, the Trustees have also appointed a Deputy Chair.

Individual Trustees are sought when a vacancy arises on the Board. The Board seeks to maintain a reasonable balance of gender, ethnicity, skills and work backgrounds. They will target individuals who have the requisite mix for any specific vacancy. The Board makes a positive effort to remove, reduce or prevent obstacles to people being trustees, allocating budgets, where necessary, to achieve this within the charity's available resources.

Trustees serve a 3 year term, at the end of which they may seek re-election for a further 3 years. There is no outside party who can appoint trustees.

Trustee induction and training

All new Trustees undergo a detailed induction at which members of the Executive brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and the recent financial performance of the charity. During the induction they are also introduced to numerous key members of staff.

Trustees are encouraged to attend appropriate training events and conferences where these will facilitate the undertaking of their role.

The Trustees undertake an annual self-assessment of skills and performance.

Pay policy for senior staff

The company undertakes annual, independent benchmarking of remuneration for executives and the senior leadership team. Salaries for executives are agreed by Trustees, with salaries for the senior leadership team being set by the executive team within parameters defined by the budgets approved by Trustees.

Trustees publish the process for setting the remuneration of senior staff, and their remuneration levels, on the charity's websites.

Organisational structure and decision making

The Board of Trustees, which can have up to 12 members, administers the charity.

The Board meets 4 times a year, at least one meeting of which is extended to enable members to give greater consideration to the future strategic direction of the organisation, as well as ensuring that the organisation's charitable purposes, and its external environment in which it works, continue to be relevant and valid.

The Board applies the Charity Governance Code as an internal framework to review and monitor its own performance and compliance via the Audit, Risk and Investment Committee, reporting back to the Board through the NCFC Group Assurance document.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2019

Organisational structure and decision making (continued)

The Board look to comply with the code in most parts except for the follow two principles which are not applicable to the business:

2.6.2 Where individual board members are also involved in operational activities, for example as volunteers, they are clear about the capacity in which they are acting at any given time and understand what they are and are not authorised to do and to whom they report. – No Board member is active operationally or volunteers for the business (as the business has no volunteers).

7.7 Member engagement (where trustees are appointed by an organisational membership wider than the trustees) - Not currently applicable as membership to the charity is linked to the appointment as a trustee and Board Membership is self-contained.

Members also meet with the Executive at least twice a year to exchange views and receive updates on the organisation's progress. As stated above, none of the Trustees are directly involved in the operational activity of the Group. In line with the Charity Governance Code 2.6.2 Chris Peel (Trustee) undertook a specific fixed period operational engagement in which this capacity was clearly defined in the letter of engagement.

A Chief Executive is appointed by the Trustees to manage the day to day operations of the charity. To facilitate effective operations, the Chief Executive has delegated authority, within terms of delegation approved by the Trustees, for operational matters including finance, employment and education-related activity.

The Chief Executive manages the Executive who have Directorate level responsibility. Within each Directorate there are a number of teams each of which has a manager who sits as part of the Management team group with responsibility for operational activity.

Related parties

The links between Board members and the organisations in which they hold senior positions are disclosed in note 19. NCFE has a trading subsidiary, NCFE Trading Limited, which was a 50% member of The Reed NCFE Partnership LLP, a limited liability partnership, prior to its dissolution in the year.

Risk management

The Trustees have a risk management strategy which comprises:

- continuous review of the strategic risks the charity may face,
- the establishment of systems and procedures to mitigate those risks identified in the plan.

Employee involvement and employment of the disabled

Employees are periodically consulted with on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The company and the group carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and the Trustees.

The company and the group has implemented a number of detailed policies in relation to all aspects of personnel matters. In accordance with the company and the group's equal opportunities policy, the company and the group has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the company and the Group's offices.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2019

Post balance sheet events

In April 2020, the Group announced that Campaign For Learning would join the NCFE Group. Campaign For Learning is a charity that delivers highly impactful campaigns, training programmes, research and delivery projects and policy work to the education sector.

Disclosure of information to auditor

Each of the persons who are Trustees at the time when the Report of the Board of Trustees is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditor is unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable group's auditor is aware of that information.

This report was approved by the Trustees on 8 July 2020 and signed on their behalf by:

A handwritten signature in dark ink, appearing to read 'D Jenkins', with a long horizontal flourish underneath.

Ms D Jenkins MBE DL
Chair

Statement of Trustees' responsibilities

The Trustees (who are also directors of NCFE for the purpose of company law) are responsible for preparing the Report of the Board of Trustees 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. Under company law the Trustees 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 charitable company and the group and of the net income and application of resources, including the income and expenditure, of the charitable 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 of the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of NCFE

Opinion

We have audited the financial statements of NCFE ("the Company") and its subsidiaries ("the Group") for the year ended 31 July 2019 which comprise the Group Statement of Financial Activities, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Cash Flows and the related notes 1 to 23, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Group's and of the Company's affairs as at 31 July 2019 and of the Group's net income 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; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 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 below. We are independent of the Group and Company 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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 23 of the financial statements, which describes the potential financial and operational impact the company is facing as a result of COVID-19 which is impacting liquidity and investments/supply chains/customer demand/personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

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 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.

Independent auditor's report

to the members of NCFE

Other information

The other information comprises the information included in the annual report set out on pages 3 to 10, other than the financial statements and our auditor's report thereon. The Trustees 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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter 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 Report of the Board of Trustees, which includes the directors' report and the strategic report prepared for the purpose of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ The strategic report and the directors' report included within the Report of the Board of Trustees have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or the directors' report included within the Report of the Board of Trustees.

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

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

Independent auditor's report

to the members of NCFE

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on page 11, the trustees (who are also the directors of the Group for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that 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 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 management either intends to liquidate the Group or Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A handwritten signature in dark ink, appearing to read 'Ernst + Young W', is positioned above the printed name of the auditor.

Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

14 July 2020

Group statement of financial activities (incorporating and income and expenditure account)

for the year ended 31 July 2019

		2019	2018
	Notes	£000	£000
Income from:			
Investment income	2	527	496
Other trading activities		1,122	1,014
Share of joint venture (loss)/profit		(168)	100
Charitable activities:			
Examination and assessment		33,970	31,566
Total income		<u>35,451</u>	<u>33,176</u>
Expenditure			
Raising funds:			
Trading		1,079	827
Investment management costs	3	54	54
Charitable activities:			
Examination and assessment	4	27,891	26,913
Total expenditure		<u>29,024</u>	<u>27,794</u>
Net income before other recognised gains and losses		6,427	5,382
Gains on revaluations of investment assets	11	115	19
Net movement in funds for the year		<u>6,542</u>	<u>5,401</u>
Reconciliation of funds:			
Total funds brought forward		33,659	28,258
Total funds carried forward		<u>40,201</u>	<u>33,659</u>

All funds are unrestricted.

Group balance sheet

at 31 July 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	9	2,719	3,618
Tangible assets	10	3,254	3,252
Investments	11	11,269	11,095
		<u>17,242</u>	<u>17,965</u>
Investments in joint ventures			
Share of gross assets		-	269
Share of gross liabilities		-	(101)
Share of net assets	11	-	168
		<u>17,242</u>	<u>18,133</u>
Current assets			
Stocks		17	5
Debtors	12	4,816	5,109
Cash at bank and in hand		21,726	14,839
		<u>26,559</u>	<u>19,953</u>
Creditors: amounts falling due within one year	13	(3,600)	(4,427)
Net current assets		<u>22,959</u>	<u>15,526</u>
Total assets less current liabilities		<u>40,201</u>	<u>33,659</u>
Net assets		<u>40,201</u>	<u>33,659</u>
Charity funds			
Unrestricted funds:			
Unrestricted funds	14	40,201	33,659
Total funds		<u>40,201</u>	<u>33,659</u>

The financial statements were approved by the Trustees on 8 July 2020 and signed on their behalf by:



Ms D Jenkins

Company balance sheet

at 31 July 2019

	<i>Notes</i>	<i>2019</i> <i>£000</i>	<i>2018</i> <i>£000</i>
Fixed assets			
Intangible assets	9	1,410	2,030
Tangible assets	10	3,179	3,240
Investments	11	12,197	12,683
		<u>16,786</u>	<u>17,953</u>
Current assets			
Debtors	12	4,795	5,142
Cash at bank and in hand		<u>21,495</u>	<u>14,679</u>
		26,290	19,821
Creditors: amounts falling due within one year	13	<u>(3,498)</u>	<u>(4,403)</u>
Net current assets		<u>22,792</u>	<u>15,418</u>
Total assets less total liabilities		<u>39,578</u>	<u>33,371</u>
Net assets		<u><u>39,578</u></u>	<u><u>33,371</u></u>
Charity funds			
Unrestricted funds:			
Unrestricted income funds		<u>39,578</u>	<u>33,371</u>
Total funds		<u><u>39,578</u></u>	<u><u>33,371</u></u>

The financial statements were approved by the Trustees on 8 July 2020 and signed on their behalf by:



Ms D Jenkins

Group statement of cash flows

for the year ended 31 July 2019

	<i>Notes</i>	<i>2019</i> <i>£000</i>	<i>2018</i> <i>£000</i>
Cash flows from operating activities			
Net cash provided by operating activities	15	<u>7,623</u>	<u>7,788</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		527	223
Purchase of tangible fixed assets		(573)	(264)
Purchase of intangibles		(631)	-
Proceeds from sale of investments		1,712	1,543
Purchase of listed investments		<u>(1,771)</u>	<u>(1,840)</u>
Net cash used in investing activities		<u>(736)</u>	<u>(338)</u>
Change in cash and cash equivalents in the year		6,887	7,450
Cash and cash equivalents brought forward		<u>14,839</u>	<u>7,389</u>
Cash and cash equivalents carried forward	16	<u>21,726</u>	<u>14,839</u>

Notes to the financial statements

at 31 July 2019

1. Accounting policies

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

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) and the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the charity and rounded to the nearest £1,000.

NCFE meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised as historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the company and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis.

No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006.

Basis of consolidation

The financial statements consolidate the accounts of NCFE and its subsidiary undertakings, NCFE Trading Limited, Skills Forward Limited and Peer Tutor Limited up to 31 July 2019. The results of its joint venture, The Reed NCFE Partnership LLP, up to 31 July 2019 are accounted for using the gross equity method. The results of the subsidiaries are consolidated on a line by line basis.

The results of subsidiaries acquired during the year are included from the effective date of acquisition.

No separate SOFA has been presented for the parent company alone as permitted by section 408 of the Companies Act 2006 and paragraph 397 of the SORP. The net income and expenditure for the year dealt within the accounts of the company was £6,207,000 (2018: £4,303,000).

Company status

The charity is a company limited by guarantee. The members of the charity are the Trustees named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In particular, the Trustees have considered the potential financial and operational impact the company is facing as a result of COVID-19 which is impacting liquidity/supply chains/customer demand/personnel available for work and or being able to access offices, however detailed plans are in place to mitigate these potential impacts, if required. For this reason the directors continue to adopt the going concern basis of preparation for these financial statements.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes. Designated funds compromise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

Notes to the financial statements

at 31 July 2019

1. Accounting policies (continued)

Income

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income from charitable activities represents the values of fees for the provision of examinations and assessments and related services.

Registration income is included within income resources in the period in which the relevant registration is made as all performance obligations have been met.

Certification income is recognised in the period in which the certificate is issued.

Interest receivable is included when receivable by the company.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses, including support costs are allocated to the applicable expenditure heading on a basis consistent with the use of resources.

Charitable activity costs include expenditure relating to the provision of examination and assessment services and include both the direct costs and support costs relating to these activities.

Support costs are those costs incurred directly in support of expenditure on the objects of the group and include project management carried out at the head office.

Intangible fixed assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Brands acquired are valued as the difference between the identifiable net assets of the purchase, and the consideration paid.

Amortisation is provided on all intangible assets so as to write off the cost of an asset over its estimated useful life as follows:

Brands	-	5 years straight line
Platform Development	-	5 years straight line
Software	-	3 years straight line

Intangible assets are reviewed for impairment where market conditions or other factors indicate a reduction in future economic benefits. Impairments losses are expenses to the statement of financial activities.

Notes to the financial statements

at 31 July 2019

1. Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Costs include the original purchase price plus any further costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Long-term leasehold property	Over the term of the lease
Fixtures and fittings	5 – 15 years straight line
Office and computer equipment	3 – 5 years straight line

Assets residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

Assets under construction are not depreciated until the related assets are complete.

Fixed asset investments

Listed investments, which have been classified as fixed asset investments, are measure initially and subsequently at fair value. The statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

Joint venture undertakings

Investments in joint ventures are stated at the company's share of net assets. The company's share of the profits or losses of the joint ventures is included in the consolidated statement of financial activities using the equity accounting basis.

Leases

All of the group's leasing arrangements are operating leases. Rental payments under operating leases are charged to the statement of financial activities on a straight-line basis over the lease term, even if payments are not made on such a basis.

Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes

Debtors

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

Cash at bank and in hand

Cash at bank and 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.

Notes to the financial statements

at 31 July 2019

1. Accounting policies (continued)

Liabilities and provisions

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probably that a transfer of economic benefit will be required in settlement, and the amount of settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Financial instruments

The group only enters into financial instruments transactions that result in the recognition of basic debt financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances and loans to or from related parties. All such instruments are due within one year, and are measured, initially and subsequently at the transaction price.

Employee benefits

Short term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the employee's entitlement to the benefit accrues.

Defined contribution pension plan

The group operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet.

NCFE makes an employer's contribution of 9% of pensionable pay, provided that the employee makes a minimum contribution of 3% and 6% provided that the employee contributes 2%. These amounts are paid over to the fund on a monthly basis.

Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Estimates included within these financial statements include depreciation and amortisation charges based upon the useful economic lives of both tangible and intangible assets, and provisions against debtors. None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical areas of judgement

A critical area of judgement is considered to be the amount of income deferred in relation to annual fees received at the start of the academic year, which relies upon judgement over the rate of drop out of students, and hence the amount of income that will not be collected. No material uncertainty is considered to exist in relation to this key area of judgement.

Judgement is also required in the assessment of the carrying values of fixed assets and investments, in the performing impairment tests. The impairment test calculations make assumptions around future trading performance, customer retention, cost rationalisation and external factors such as government funding. No material uncertainty is considered to exist in relation to this key area of judgement.

Notes to the financial statements

at 31 July 2019

2. Investment income

	2019	2018
	£000	£000
Rent receivable	201	272
Dividends – UK equities	233	209
Interest receivable	93	15
	<u>527</u>	<u>496</u>

3. Investment management costs

	2019	2018
	£000	£000
Investment management fees	<u>54</u>	<u>54</u>

4. Analysis of expenditure by activities

	<i>Activities undertaken directly</i>	<i>Support costs</i>	<i>Total</i>	<i>Total</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Examination and assessment activities	<u>23,289</u>	<u>4,602</u>	<u>27,891</u>	<u>26,913</u>

5. Direct costs

	2019	2018
	£000	£000
Examination and assessment costs	10,948	14,096
Wages and salaries	10,621	7,319
National insurance	999	716
Pension cost	721	527
	<u>23,289</u>	<u>22,658</u>

Notes to the financial statements

at 31 July 2019

6. Support costs

	2019 £000	2018 £000
Auditor's remuneration	42	36
Wages and salaries	3,790	3,605
National insurance	397	354
Pension cost	373	260
	<u>4,602</u>	<u>4,255</u>

Support costs all relate to the provision of examination and assessment support, in undertaking the objectives of the charitable company.

7. Net income

This is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets:		
- owned by the charity	445	511
Operating lease rentals:		
- IT equipment	138	12
- other operating leases	63	84
Amortisation of intangible assets	1,632	1,633
Auditor's remuneration	42	36
Auditor's remuneration – non-audit services	<u>28</u>	<u>25</u>

8. Staff costs

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	15,096	11,445
Social security costs	1,458	1,120
Other pensions costs	1,114	801
	<u>17,668</u>	<u>13,366</u>

The average monthly number of employees, expressed as headcount figures (including casual and part time staff), was 539 (2018: 370).

Notes to the financial statements

at 31 July 2019

8. Staff costs (continued)

The number of higher paid employees was:

	2019	2018
	No.	No.
In the band £60,001 - £70,000	17	8
In the band £70,001 - £80,000	7	4
In the band £80,001 - £90,000	2	3
In the band £90,001 - £100,000	3	1
In the band £100,001 - £110,000	3	2
In the band £110,001 - £120,000	1	1
In the band £120,001 - £130,000	1	-
In the band £130,001 - £140,000	2	-
In the band £140,001 - £150,000	2	1
In the band £160,001 - £170,000	-	1
In the band £200,001 - £210,000	1	-
In the band £210,001 - £220,000	-	1
In the band £380,001 - £390,000	1	-

During the year, redundancy payments totalling £340,000 (2018: £139,000) were paid as part of the continuing restructuring of the business. These are included within staff costs.

None of the employees whose emoluments exceed £60,000 have retirement benefits accruing under defined benefit schemes. All of the above members of staff are members of the company's defined contribution scheme.

We have reviewed our remuneration package and updated prior year comparatives to reflect this. The increase in employee numbers from prior year are a result of investment across the Group to allow delivery of the strategy and meet the increasing challenges of the market.

Remuneration and benefits received by key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the Trustees for planning, directing and controlling the activities of the charity. The aggregate remuneration of the 5 executives and 18 senior leaders who were considered by the Trustees to be the key management of the charity totalled £1,750,000 (2018: £1,352,000).

Notes to the financial statements

at 31 July 2019

9. Intangible fixed assets

	<i>Negative goodwill £000</i>	<i>Brands £000</i>	<i>Software £000</i>	<i>Total £000</i>
Group				
Cost				
At 1 August 2018	-	7,869	-	7,869
Reclassified from tangible fixed assets	-	-	102	102
Additions	(42)	-	673	631
At 31 July 2019	(42)	7,869	775	8,602
Amortisation				
At 1 August 2018	-	4,251	-	4,251
(Credit)/charge for the year	(42)	1,633	41	1,632
At 31 July 2019	(42)	5,884	41	5,883
Net book value				
At 31 July 2019	-	1,985	734	2,719
At 1 August 2018	-	3,618	-	3,618

The negative goodwill arose on the acquisition of 100% of the share capital of Peer Tutor Limited for £1, where the net assets at the date of acquisition were £42,000. This was credited in full to the income statement in the year.

	<i>Brands £000</i>	<i>Software £000</i>	<i>Total £000</i>
Company			
Cost			
At 1 August 2018	4,926	-	4,926
Reclassified from tangible fixed assets	-	102	102
Additions	-	286	286
At 31 July 2019	4,926	388	5,314
Amortisation			
At 1 August 2018	2,896	-	2,896
Charge for the year	974	34	1,008
At 31 July 2019	3,870	34	3,904
Net book value			
At 31 July 2019	1,056	354	1,410
At 1 August 2018	2,030	-	2,030

Notes to the financial statements

at 31 July 2019

10. Tangible fixed assets

	<i>Long-term leasehold property £000</i>	<i>Fixtures and fittings £000</i>	<i>Office equipment £000</i>	<i>Assets under construction £000</i>	<i>Total £000</i>
Group					
Cost					
At 1 August 2018	1,419	2,469	2,412	102	6,402
Additions	-	29	544	-	573
Disposals	-	(154)	(1,474)	-	(1,628)
Reclassified to intangibles	-	-	-	(102)	(102)
Transfers	-	(43)	43	-	-
At 31 July 2019	1,419	2,301	1,525	-	5,245
Depreciation					
At 1 August 2018	152	839	2,159	-	3,150
Disposals	-	(131)	(1,473)	-	(1,604)
Charge for the year	28	184	233	-	445
At 31 July 2019	180	892	919	-	1,991
Net book value					
At 31 July 2019	1,239	1,409	606	-	3,254
At 1 August 2018	1,267	1,630	253	102	3,252

	<i>Long-term leasehold property £000</i>	<i>Fixtures and fittings £000</i>	<i>Office equipment £000</i>	<i>Assets under construction £000</i>	<i>Total £000</i>
Company					
Cost					
At 1 August 2018	1,419	2,469	2,394	102	6,384
Additions	-	29	474	-	503
Disposals	-	(154)	(1,474)	-	(1,628)
Reclassified to intangibles	-	-	-	(102)	(102)
Transfer between classes	-	(43)	43	-	-
At 31 July 2019	1,419	2,301	1,437	-	5,157
Depreciation					
At 1 August 2018	152	839	2,153	-	3,144
Disposals	-	(131)	(1,474)	-	(1,605)
Charge for the year	28	184	227	-	439
At 31 July 2019	180	892	906	-	1,978
Net book value					
At 31 July 2019	1,239	1,409	531	-	3,179
At 1 August 2018	1,267	1,630	241	102	3,240

Notes to the financial statements

at 31 July 2019

11. Fixed asset investments

	<i>Listed securities £000</i>	<i>Joint ventures £000</i>	<i>Total £000</i>
Group			
Market value			
At 1 August 2018	11,095	168	11,263
Additions	1,771	-	1,771
Disposals	(1,712)	-	(1,712)
Revaluations	115	-	115
Share of loss	-	(168)	(168)
At 31 July 2019	<u>11,269</u>	<u>-</u>	<u>11,269</u>
Historical cost	<u>10,233</u>	<u>-</u>	<u>10,233</u>

Valuation

Listed investments are valued at the market rate at the year-end date.

	<i>Listed securities £000</i>	<i>Subsidiary undertakings £000</i>	<i>Total £000</i>
Company			
Market value			
At 1 August 2018	11,095	1,588	12,683
Additions	1,771	-	1,771
Disposals	(1,712)	-	(1,712)
Impairment	-	(662)	(662)
Adjustment to contingent consideration	-	2	2
Revaluations	115	-	115
At 31 July 2019	<u>11,269</u>	<u>928</u>	<u>12,197</u>
Historical cost	<u>10,233</u>	<u>3,376</u>	<u>13,609</u>

Listed investments held

	<i>2019 £000</i>	<i>2018 £000</i>
UK bonds	311	441
Overseas bonds	184	-
UK equities	3,250	3,200
Overseas equities	1,824	97
Pooled funds	5,700	7,357
	<u>11,269</u>	<u>11,095</u>

All listed investments are held in funds managed by Rathbones Investment Management on behalf of the company.

Notes to the financial statements

at 31 July 2019

11. Fixed asset investments (continued)

The charity owns one £1 ordinary share, 100% of the voting capital in NCFE Trading Limited, a company incorporated and registered in England and Wales. The principal activity of the company is that of a holding company.

The charity was also a member of the Reed NCFE Partnership LLP, in which it had a 50% share. The Partnership ceased to trade on 30 November 2018 and was subsequently dissolved.

The company holds 100% of the voting capital in Skills Forward Limited (formerly For Skills Limited), a company incorporated and registered in England and Wales, and its subsidiary undertaking Guroo Limited (subsequently dissolved). The principal activity of the companies is the provision of online assessments, diagnostics and e-learning resources.

The company holds 100% of the voting capital in Peer Tutor Limited (formerly Peerz Academy Limited), a company incorporated and registered in England and Wales. The principal activity of the companies is the provision of online learner support.

12. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	4,267	4,487	4,032	4,200
Amounts owed by undertakings in which the company has a participating interest	-	77	-	77
Amounts due from subsidiary undertakings	-	-	237	326
Other debtors	18	31	9	25
Prepayments and accrued income	531	514	517	514
	<u>4,816</u>	<u>5,109</u>	<u>4,795</u>	<u>5,142</u>

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade creditors	532	499	482	580
Corporation tax	-	13	-	-
Other taxation and social security	674	372	676	343
Other creditors	159	154	133	151
Accruals and deferred income	2,235	3,389	2,207	3,329
	<u>3,600</u>	<u>4,427</u>	<u>3,498</u>	<u>4,403</u>

Notes to the financial statements

at 31 July 2019

13. Creditors: amounts falling due within one year (continued)

Deferred income

	<i>Group and Company £000</i>
Deferred income at 1 August 2018	247
Resources deferred during the year	4,310
Amounts released during the year	(4,515)
	<u>42</u>
Deferred income at 31 July 2019	

14. Statement of funds

	<i>Brought forward</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains</i>	<i>Carried forward</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Designated funds						
Capital asset fund	3,252	-	-	(3,252)	-	-
Investment fund	3,618	-	-	(3,618)	-	-
Resilience fund	-	-	-	15,000	-	15,000
	<u>6,870</u>	<u>-</u>	<u>-</u>	<u>8,130</u>	<u>-</u>	<u>15,000</u>
General funds						
General funds	26,621	35,619	(29,024)	(8,130)	115	25,201
	<u>26,621</u>	<u>35,619</u>	<u>(29,024)</u>	<u>(8,130)</u>	<u>115</u>	<u>25,201</u>
Total, unrestricted funds, before joint ventures	<u>33,491</u>	<u>35,619</u>	<u>(29,024)</u>	<u>-</u>	<u>115</u>	<u>40,201</u>
Share of net income from joint ventures	168	(168)	-	-	-	-
Total unrestricted funds	<u>33,659</u>	<u>35,451</u>	<u>(29,024)</u>	<u>-</u>	<u>115</u>	<u>40,201</u>

The income funds of the charitable company include the following designated funds which have been set aside out of unrestricted funds by the Trustees for specific purposes:

The Resilience fund is used to ensure that the Charity remains financially sound in the case of any significant changes in the market.

The Capital asset and Investment funds have been reallocated into general funds with the approval of the Board, resulting in the fund being no longer required.

Notes to the financial statements

at 31 July 2019

15. Reconciliation of net movement in funds to net cash flow from operating activities

	2019 £000	2018 £000
Net income for the year (as per Statement of Financial Activities)	6,427	5,382
Adjustment for:		
Depreciation	445	511
Dividends, interest and rents from investments	(527)	(223)
Loss on the sale of fixed assets	23	49
Decrease/(increase) in debtors	293	(158)
(Decrease)/increase in creditors	(827)	567
Contingent consideration adjustment	-	127
Share of loss/(profit) from joint venture	168	(100)
REED NCFE distribution adjustment	(11)	-
Amortisation	1,632	1,633
Net cash provided by operating activities	7,623	7,788

16. Analysis of cash and cash equivalents

	2019 £000	2018 £000
Cash in hand	21,326	14,559
Notice deposits (less than 3 months)	400	280
	21,726	14,839

17. Pension commitments

NCFE operates a defined contribution pension scheme, the Group Personal Pension Scheme. The assets of the scheme are held separately from those of the charitable company in a separately administered fund. The pension costs charge represents contributions payable by the group to the fund and amounted to £1,114,000 (2018: £801,000). Contributions totalling £118,000 (2018: £101,000) were payable to the fund at the balance sheet date and are included within creditors.

18. Operating lease commitments

Future minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 £000	2018 £000
Group and Company		
Not later than 1 year	85	46
Later than 1 year and not later than 5 years	115	81
	200	127

Notes to the financial statements

at 31 July 2019

19. Related party transactions

During the year, transactions were carried out at full market value with the following individuals or organisations in which directors of NCFE also held senior positions or held shares, as follows.

	<i>Value of transactions</i>	<i>Outstanding at the year end</i>	<i>Value of transactions</i>	<i>Outstanding at the year end</i>
	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Interserve Learning and Employment	11	-	20	-
Ms D M Jenkins	8	-	8	-

Ms D M Jenkins invoices NCFE for Chairman's remuneration. Christopher Peel, a Trustee of NCFE, is also the MD of Interserve Learning and Employment.

One Trustee (2018: one) received an Honorarium of £8,000 (2018: £8,000) for services to the charity. 3 Trustees were reimbursed a total of £479 for travelling expenses (2018: 7 were reimbursed £3,215).

Included within debtors is a balance of £nil (2018: £83,000) owing to NCFE from The Reed NCFE Partnership LLP.

20. Principal subsidiaries and joint ventures

a. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
NCFE Trading Limited	UK	100%	Holding company
Skills Forward Limited	UK	100%	Provision of online assessments, diagnostics and e-learning resources
Peer Tutor Limited	UK	100%	Online learner support

b. Principal joint ventures

Company name	Country	Percentage Shareholding	Description
The Reed NCFE Partnership LLP (subsequently dissolved)	UK	50%	Delivery of brokerage services

21. Controlling party

The charitable company is controlled by the Board of Trustees.

Notes to the financial statements

at 31 July 2019

22. Financial instruments

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Financial assets measured at fair value through income and expenditure	11,269	11,095
Financial assets measured as amortised cost	32,532	26,991
	<u>43,801</u>	<u>38,086</u>
Financial liabilities measured at amortised cost	<u>3,600</u>	<u>4,427</u>

Financial assets measured at fair value through income and expenditure comprise listed investments.

Financial assets measured at amortised cost comprise tangible fixed assets, intangible fixed assets, investments in joint ventures, debtors and cash.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, accruals and provisions.

23. Effects of COVID-19

The Group has performed an assessment of the impact of COVID-19 on the potential financial and operational risks to the business. At the date of approval of these accounts the key effects of COVID-19 on the Group are as follows:

- Employees – most critical employees are able to work remotely without significant impact on the business.
- Customer demand – the demand for most of our products is holding up as alternative assessment methods are agreed with our regulator.
- Suppliers – we are in regular contact with our key suppliers and are maintaining continuity of supply.
- Liquidity - as the majority of our income arises from ongoing trade with long-term trusted customers, we are not seeing any significant impact on liquidity from the consequences of COVID-19.
- Investments – the Group's portfolio of listed investments may decline in value due to the impacts of COVID-19.

Sensitivities have been applied to the Group's underlying forecasts to take account of the most severe impacts of the above. The directors, in light of these actual and potential impacts, remain satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.