

# **NCFE**

## **Trustees' Report and Financial Statements**

31 July 2020

## Reference and administrative information

**Charity Registration No. 1034808**  
**Company Registration No. 02896700**

**Registered office and operational address**

NCFE Quorum 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

Lloyds Bank PLC  
King Street  
Manchester  
M2 4LQ

**Investment managers**

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

**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)

Ms B Ashton

Ms R Cuschieri

Ms D Jenkins

Mr C Peel

Mr D Wilson

Mrs J Whitfield (appointed 8 July 2020)

**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 2020

The Trustees present their annual report together with the audited financial statements of NCFE for the year ended 31 July 2020.

## Purpose and objectives

The primary purpose of the group is to promote and advance learning, helping to create a fairer, more inclusive society.

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. Developing deep and credible insight into need: We will use our deep understanding of the needs of learners, communities, and the economy to focus resources on making the biggest difference.
2. Creating brilliant qualifications and content: We will develop and deliver brilliant learning content that equips educators with the skillsets and resources to deliver the highest quality, transformational learning experiences.
3. Assessing learner need, progress, and attainment: We will be market leaders in the forms of assessment we specialise in, using advanced analytics to create richer, more personalised, lifelong learner journeys.
4. Cultivating a purposeful and high performance culture: We will cultivate a purpose-led, collaborative, vibrant and high-performance culture where our people are connected with and aligned to achieving our ambitious goals.
5. Leading digital disruption in education: We will be a lean, digitally enabled organisation that delivers innovative products and personalised experiences to every type of customer.

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

for the year ended 31 July 2020

## **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 2011, 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.
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**

NCFE Trustees have complied with their legal duties to promote the success of the Company for the fair benefit of its members. The Trustees have ensured that they have determined the likely consequences of decisions being made, the interests of the company employees, relationships with customers and external organisations and the impact of the Company's operations on the community and the environment, whilst also maintaining a reputation of high standards in its business conduct. Further details of how compliance in these areas has been achieved are set out in the remainder of the report.

2019/20 has been a successful year for NCFE. As an Awarding Organisation we registered approximately 555,000 candidates, and issued more than 350,000 certificates. Gaining an NCFE qualification can be a route to advanced technical education, higher education, employment or career progression.

Our end point assessment business, EPPlus registered 9,400 apprentices with a 98% pass rate and Skills Forward delivered in excess of 2.9 million assessments to the post-16 learning and skills sector.

As part of our mission to advance learning we won a further five T-level contracts following the Education and Childcare T-Level during the previous year strengthening our ability to influence for the benefit of learners. 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.

NCFE partnered World Skills and funded the World Skills UK Centre of Excellence which aims to mainstream world-class level skills as mastered by the 'best of the best' from around the world by developing a cadre of world-class technical educators. The three year pilot project will impact more than 120 educational institutions and nearly 1,000 educators. It is hoped that in time this will be the foundation of a roll-out to hundreds of colleges and other places of learning across the UK. As part of our remit as the programme's lead partner, NCFE will provide strategic advice, resources and funding to the project throughout its pilot phase.

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

for the year ended 31 July 2020

## Achievements and performance (continued)

NCFE acquired Campaign for Learning to strengthen our position as purpose-led and influential authority in the education sector. Campaign for Learning has been delivering highly impactful campaigns, training programmes, research and delivery projects and policy work to the education sector since 1997. The charity notably coordinates Learning at Work Week which promotes a culture of learning at work and is marked by employers across the country. It is also instrumental in the organisation of the annual Family Learning Festival which sees organisations of all shapes and sizes, from schools to museums and libraries, hosting events which celebrate and inspire the role of learning in family life. Throughout its initiatives, Campaign for Learning is dedicated to championing the case for lifelong learning, engaging in partnerships and activities which promote active participation in education for learners of all ages, an endeavour which has immeasurable benefits for families and communities, society and the economy.

Joining the NCFE family helped to safeguard Campaign for Learning's future and their ability to understand and represent the needs of learners across all parts of society, with a particular focus on family, adult, community and workplace learning.

We continue to support the Helena Kennedy Foundation through funding for bursaries.

## 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 – our income is monitored in real time
- Earnings before interest, taxation, depreciation and amortization ("EBITDA")
- Surplus before and after investment gains and losses
- Aged debtors – debtors has the greatest impact with EBITDA on our cash flows
- Cash flow

## 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 £36.1m (2019: £35.5m), and net income before investment gains was £3.8m (2019: £6.4m) which was below our business plan predominately as a result of COVID-19. During this financial year we began to capitalise our costs of product development relating to qualifications.

At 31 July 2020 NCFE was in a financially strong position, with cash and investments totalling £36.6m (2019: £33.0m) and net assets of £43.4m (2019: £40.2m).

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

for the year ended 31 July 2020

## Financial review (continued)

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.

## 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 (at 31 July 2020)</u>
Fixed Interest	10% to 25%
Equities	50% to 80%
Diversifiers	10% to 20%
Cash	Up to 10%

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 2020 showed an unrealised loss of £602,000 (2019: gain of £115,000) following the impact of COVID-19 on the markets. There has been some recovery since the end of the year. The Trustees are satisfied that the portfolio has performed in line with expectations overall and, over time, 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 uncertainty and possible changes in government policy and funding, including but not limited to, a lack of clarity over what funding will replace European funding post-Brexit. Despite our security in T-levels (outlined below), a lack of long-term visibility of funding streams remains a key risk for NCFE. The Government is fundamentally reviewing priorities for public funding for qualifications, particularly at levels 2 and 3. Current government thinking and policies are likely to lead to a consolidation with the awarding body sector, which will likely see merger and acquisition activity become more prevalent. This presents both risks and opportunities for NCFE.

NCFE's strength in having a broad and diverse product portfolio, plus our strong engagement and influential position with key government stakeholders helps to mitigate risk associated with changes to government priorities for funding within the education and skills market.

Although our B2B customers (Schools, Colleges and Training Providers) have experienced significant challenges arising from COVID-19, resulting in less stability in the market as yet, we have not felt a significant impact in terms of revenue related measures. Although this is the case, we do expect some volatility, e.g. closures, during 2020/21. This is most likely to arise with the Independent Training Provider section of the market, as they typically benefit less from government support. To mitigate this risk we have strengthened credit monitoring and hold weekly credit control meetings.

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

for the year ended 31 July 2020

## Principal risks and uncertainties (continued)

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 significant investment and development to strengthen core capabilities, including people, systems and processes and is proactively re-aligning the strategic risk focus to ensure such business-critical matters remain at the core of our decision-making processes.

## COVID-19 risk

The global economy in 2020 has been, and is expected to continue to be, significantly impacted by the pandemic outbreak of the Corona virus (COVID-19). The economic impact of COVID-19 will be severe and the duration of which will depend on how long it will take Government 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 Group 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. NCFE 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 2020, the Group had reserves of £43.4m. 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.



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

for the year ended 31 July 2020

## Plans for future periods

Our strategic objectives are:

1. Developing deep and credible insight into need: We will use our deep understanding of the needs of learners, communities, and the economy to focus resources on making the biggest difference.
2. Creating brilliant qualifications and content: We will develop and deliver brilliant learning content that equips educators with the skillsets and resources to deliver the highest quality, transformational learning experiences.
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5. Leading digital disruption in education: We will be a lean, digitally enabled organisation that delivers innovative products and personalised experiences to every type of customer.

## Structure, governance and management

### Governing document

NCFE is a company limited by guarantee governed by its Memorandum and Articles of Association dated 10 February 1994 and last amended on 19 August 2020. 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 6 members (2019: 5), 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.

### 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.

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

for the year ended 31 July 2020

## Trustee induction and training (continued)

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 at least 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 NCFE Group Assurance document.

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 between quarterly formal meetings 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.

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

**for the year ended 31 July 2020**

### **Related parties**

The links between Board members and the organisations in which they hold senior positions are disclosed in note 21.

### **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 disabled people**

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.

### **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 1 December 2020 and signed on their behalf by:

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

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 2020 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 25, 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 2020 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 25 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, 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'.

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

7 December 2020

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

for the year ended 31 July 2020

		2020	2019
	Notes	£000	£000
<b>Income from:</b>			
Investment income	2	465	527
Other trading activities		1,191	1,122
Share of joint venture loss		-	(168)
<b>Charitable activities:</b>			
Examination and assessment		33,297	33,970
Other income	3	1,172	-
<b>Total income</b>		<u>36,125</u>	<u>35,451</u>
<b>Expenditure</b>			
<b>Raising funds:</b>			
Trading		1,700	1,079
Investment management costs	4	54	54
<b>Charitable activities:</b>			
Examination and assessment	5	30,564	27,891
<b>Total expenditure</b>		<u>32,318</u>	<u>29,024</u>
<b>Net income before other recognised gains and losses</b>		3,807	6,427
(Losses)/gains on revaluations of investment assets	12	(602)	115
<b>Net movement in funds for the year</b>		<u>3,205</u>	<u>6,542</u>
<b>Reconciliation of funds:</b>			
Total funds brought forward		40,201	33,659
<b>Total funds carried forward</b>		<u>43,406</u>	<u>40,201</u>

All funds are unrestricted.



## Group balance sheet

at 31 July 2020

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Intangible assets	10	2,910	2,719
Tangible assets	11	3,061	3,254
Investments	12	10,655	11,269
		<u>16,626</u>	<u>17,242</u>
<b>Current assets</b>			
Stocks	13	18	17
Debtors	14	4,923	4,816
Cash at bank and in hand		<u>25,963</u>	<u>21,726</u>
		30,904	26,559
<b>Creditors:</b> amounts falling due within one year	15	<u>(4,124)</u>	<u>(3,600)</u>
<b>Net current assets</b>		<u>26,780</u>	<u>22,959</u>
<b>Total assets less current liabilities</b>		<u>43,406</u>	<u>40,201</u>
<b>Net assets</b>		<u><u>43,406</u></u>	<u><u>40,201</u></u>
<b>Charity funds</b>			
<b>Unrestricted funds:</b>			
Unrestricted funds	16	<u>43,406</u>	<u>40,201</u>
<b>Total funds</b>		<u><u>43,406</u></u>	<u><u>40,201</u></u>

The financial statements were approved by the Trustees on 1 December 2020 and signed on their behalf by:



Ms D Jenkins MBE DL

# Company balance sheet

at 31 July 2020

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Intangible assets	10	1,931	1,410
Tangible assets	11	3,006	3,179
Investments	12	11,583	12,197
		<u>16,520</u>	<u>16,786</u>
<b>Current assets</b>			
Stocks	13	2	-
Debtors	14	4,713	4,795
Cash at bank and in hand		<u>25,605</u>	<u>21,495</u>
		30,320	26,290
<b>Creditors:</b> amounts falling due within one year	15	<u>(3,940)</u>	<u>(3,498)</u>
<b>Net current assets</b>		<u>26,380</u>	<u>22,792</u>
<b>Total assets less total liabilities</b>		<u>42,900</u>	<u>39,578</u>
<b>Net assets</b>		<u>42,900</u>	<u>39,578</u>
<b>Charity funds</b>			
<b>Unrestricted funds:</b>			
Unrestricted funds		42,900	39,578
<b>Total funds</b>		<u>42,900</u>	<u>39,578</u>

The financial statements were approved by the Trustees on 1 December 2020 and signed on their behalf by:



Ms D Jenkins MBE DL

## Group statement of cash flows

for the year ended 31 July 2020

	<i>Notes</i>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
<b>Cash flows from operating activities:</b>			
Net cash provided by operating activities	17	<u>6,221</u>	<u>7,623</u>
<b>Cash flows from investing activities:</b>			
Dividends, interest and rents from investments		465	527
Purchase of tangible fixed assets		(304)	(573)
Purchase of intangible fixed assets		(2,157)	(631)
Proceeds from sale of investments		3,789	1,712
Purchase of listed investments		(3,777)	(1,771)
<b>Net cash used in investing activities</b>		<u>(1,984)</u>	<u>(736)</u>
<b>Change in cash and cash equivalents in the year</b>		4,237	6,887
Cash and cash equivalents brought forward		21,726	14,839
<b>Cash and cash equivalents carried forward</b>	18	<u>25,963</u>	<u>21,726</u>

# Notes to the financial statements

for the year ended 31 July 2020

## 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 2020. 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 £3,322,000 (2019: £6,207,000).

### ***Company status***

The charity is a company limited by guarantee, incorporated in England and Wales with Company number: 02896700. The members of the charity are the Trustees named on page 2. 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 Trustees 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 Trustees 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

for the year ended 31 July 2020

### 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.

#### *Government grants*

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Grants are of a revenue nature, and as such are credited to income to match them with the expenditure to which they relate.

#### *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.

Product development costs are recognised as intangible assets measured at cost.

# Notes to the financial statements

for the year ended 31 July 2020

## 1. Accounting policies (continued)

### *Intangible fixed assets and amortisation (continued)*

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
Software	-	2 - 5 years straight line
Product development	-	4 years straight line

Intangible assets are reviewed for impairment where market conditions or other factors indicate a reduction in future economic benefits. Impairment losses are recognised in the statement of financial activities where an asset's realisable amount exceeds its carrying value.

### *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.

### *Impairment of assets*

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of financial activities.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of financial activities.

### *Fixed asset investments*

Listed investments, which have been classified as fixed asset investments, are measured 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.

### *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.

# Notes to the financial statements

for the year ended 31 July 2020

## 1. Accounting policies (continued)

### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

### **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.

### **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 probable 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.

# Notes to the financial statements

for the year ended 31 July 2020

## 1. Accounting policies (continued)

### *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.

## 2. Investment income

	2020 £000	2019 £000
Rent receivable	159	201
Dividends	209	233
Interest receivable	97	93
	<u>465</u>	<u>527</u>

## 3. Other income

Government grants of £1,172,000 (2019: £nil) have been recognised in the Group Statement of Financial Activities and relate to claims under the COVID-19 job retention scheme.

## 4. Investment management costs

	2020 £000	2019 £000
Investment management fees	<u>54</u>	<u>54</u>

## 5. Analysis of expenditure by activities

	<i>Activities undertaken directly</i>	<i>Support costs</i>	<i>Total</i>	<i>Total</i>
	<i>2020</i>	<i>2020</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Examination and assessment activities	<u>26,453</u>	<u>4,111</u>	<u>30,564</u>	<u>27,891</u>



## Notes to the financial statements

for the year ended 31 July 2020

### 6. Direct costs

	2020	2019
	£000	£000
Examination and assessment costs	9,919	10,948
Wages and salaries	14,079	10,621
National insurance	1,430	999
Pension cost	1,025	721
	<u>26,453</u>	<u>23,289</u>

### 7. Support costs

	2020	2019
	£000	£000
Auditor's remuneration	56	42
Wages and salaries	3,338	3,790
National insurance	360	397
Pension cost	357	373
	<u>4,111</u>	<u>4,602</u>

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

### 8. Net income

This is stated after charging:

	2020	2019
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the charity	497	445
Operating lease rentals:		
- IT equipment	46	138
- other operating leases	72	63
Amortisation of intangible assets	1,869	1,632
Auditor's remuneration	56	42
Auditor's remuneration – non-audit services	<u>31</u>	<u>28</u>

## Notes to the financial statements

for the year ended 31 July 2020

### 9. Staff costs

Staff costs were as follows:

	2020	2019
	£000	£000
Wages and salaries	19,520	15,096
Social security costs	1,887	1,458
Other pensions costs	1,413	1,114
	<u>22,820</u>	<u>17,668</u>

The average monthly number of employees, expressed as headcount figures (including casual and part time staff), was 715 (2019: 539).

The number of higher paid employees was:

	2020	2019
	No.	No.
In the band £60,001 - £70,000	8	17
In the band £70,001 - £80,000	8	7
In the band £80,001 - £90,000	4	2
In the band £90,001 - £100,000	3	3
In the band £100,001 - £110,000	2	3
In the band £110,001 - £120,000	1	1
In the band £120,001 - £130,000	-	1
In the band £130,001 - £140,000	1	2
In the band £140,001 - £150,000	-	2
In the band £160,001 - £170,000	1	-
In the band £200,001 - £210,000	1	1
In the band £380,001 - £390,000	-	1

During the year, redundancy payments totalling £2,000 (2019: £340,000) 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.

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 executive team who were considered by the Trustees to be the key management of the charity totalled £656,000 (2019: £375,000 as restated to exclude senior leaders who do not report to the Trustees).

## Notes to the financial statements

for the year ended 31 July 2020

### 10. Intangible fixed assets

	<i>Negative goodwill</i>	<i>Brands</i>	<i>Software</i>	<i>Product development</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Group</b>					
<b>Cost</b>					
At 1 August 2019	(42)	7,869	775	-	8,602
Additions	-	-	861	1,296	2,157
Disposals	-	-	(97)	-	(97)
At 31 July 2020	(42)	7,869	1,539	1,296	10,662
<b>Amortisation</b>					
At 1 August 2019	(42)	5,884	41	-	5,883
Charge for the year	-	1,610	245	14	1,869
At 31 July 2020	(42)	7,494	286	14	7,752
<b>Net book value</b>					
At 31 July 2020	-	375	1,253	1,282	2,910
At 1 August 2019	-	1,985	734	-	2,719

	<i>Brands</i>	<i>Software</i>	<i>Product development</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Company</b>				
<b>Cost</b>				
At 1 August 2019	4,926	388	-	5,314
Additions	-	431	1,296	1,727
Disposals	-	(97)	-	(97)
At 31 July 2020	4,926	722	1,296	6,944
<b>Amortisation</b>				
At 1 August 2019	3,870	34	-	3,904
Charge for the year	974	121	14	1,109
At 31 July 2020	4,844	155	14	5,013
<b>Net book value</b>				
At 31 July 2020	82	567	1,282	1,931
At 1 August 2019	1,056	354	-	1,410

Included in the group cost of additions is £1,531,000 (Company - £235,000) from internal development.

## Notes to the financial statements

for the year ended 31 July 2020

### 11. Tangible fixed assets

	<i>Long-term leasehold property</i>	<i>Fixtures and fittings</i>	<i>Office equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Group</b>				
<b>Cost</b>				
At 1 August 2019	1,419	2,301	1,525	5,245
Additions	-	198	106	304
Disposals	-	-	(26)	(26)
At 31 July 2020	1,419	2,499	1,605	5,523
<b>Depreciation</b>				
At 1 August 2019	180	892	919	1,991
Disposals	-	-	(26)	(26)
Charge for the year	28	203	266	497
At 31 July 2020	208	1,095	1,159	2,462
<b>Net book value</b>				
At 31 July 2020	1,211	1,404	446	3,061
At 1 August 2019	1,239	1,409	606	3,254

	<i>Long-term leasehold property</i>	<i>Fixtures and fittings</i>	<i>Office equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Company</b>				
<b>Cost</b>				
At 1 August 2019	1,419	2,301	1,437	5,157
Additions	-	122	153	275
At 31 July 2020	1,419	2,423	1,590	5,432
<b>Depreciation</b>				
At 1 August 2019	180	892	906	1,978
Charge for the year	28	174	246	448
At 31 July 2020	208	1,066	1,152	2,426
<b>Net book value</b>				
At 31 July 2020	1,211	1,357	438	3,006
At 1 August 2019	1,239	1,409	531	3,179

## Notes to the financial statements

for the year ended 31 July 2020

### 12. Fixed asset investments

	<i>Listed securities £000</i>	<i>Total £000</i>
<b>Group</b>		
<b>Market value</b>		
At 1 August 2019	11,269	11,269
Additions	3,777	3,777
Disposals	(3,789)	(3,789)
Revaluations	(602)	(602)
At 31 July 2020	<u>10,655</u>	<u>10,655</u>
<b>Historical cost</b>	<u>10,213</u>	<u>10,213</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>
<b>Company</b>			
<b>Market value</b>			
At 1 August 2019	11,269	928	12,197
Additions	3,777	-	3,777
Disposals	(3,789)	-	(3,789)
Revaluations	(602)	-	(602)
At 31 July 2020	<u>10,655</u>	<u>928</u>	<u>11,583</u>
<b>Historical cost</b>	<u>10,213</u>	<u>3,376</u>	<u>13,589</u>

#### Listed investments held

	<i>2020 £000</i>	<i>2019 £000</i>
UK bonds	309	311
Overseas bonds	155	184
UK equities	3,000	3,250
Overseas equities	1,204	1,824
Pooled funds	5,987	5,700
	<u>10,655</u>	<u>11,269</u>

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

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 company has not traded during the year.

The company holds 100% of the voting capital in Skills Forward Limited, a company incorporated and registered in England and Wales. The principal activity of the company is the provision of online assessments, diagnostics and e-learning resources.

## Notes to the financial statements

for the year ended 31 July 2020

### 12. Fixed asset investments (continued)

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

### 13. Stocks

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Finished goods and goods for resale	18	17	2	-

### 14. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	3,800	4,267	3,614	4,032
Amounts due from subsidiary undertakings	-	-	11	237
Other debtors	33	18	21	9
Prepayments and accrued income	1,090	531	1,067	517
	<u>4,923</u>	<u>4,816</u>	<u>4,713</u>	<u>4,795</u>

### 15. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade creditors	687	532	676	482
Other taxation and social security	899	674	838	676
Other creditors	172	159	168	133
Accruals and deferred income	2,366	2,235	2,258	2,207
	<u>4,124</u>	<u>3,600</u>	<u>3,940</u>	<u>3,498</u>

#### Deferred income

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred income at 1 August 2019	42	247	42	247
Resources deferred during the year	3,289	4,310	3,258	4,310
Amounts released during the year	(3,273)	(4,515)	(3,277)	(4,515)
Deferred income at 31 July 2020	<u>58</u>	<u>42</u>	<u>23</u>	<u>42</u>

## Notes to the financial statements

for the year ended 31 July 2020

### 16. Statement of funds

*Group*

	<i>Brought forward</i>	<i>Income</i>	<i>Expenditure</i>	<i>Investment losses</i>	<i>Carried forward</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Designated funds</b>					
Resilience fund	15,000	-	-	-	15,000
	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
<b>General funds</b>					
General funds	25,201	36,125	(32,318)	(602)	28,406
	<u>25,201</u>	<u>36,125</u>	<u>(32,318)</u>	<u>(602)</u>	<u>28,406</u>
Total unrestricted funds	<u>40,201</u>	<u>36,125</u>	<u>(32,318)</u>	<u>(602)</u>	<u>43,406</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.

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

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Net income for the year before investment (losses)/gains (as per Statement of Financial Activities)	3,807	6,427
<b>Adjustment for:</b>		
Depreciation charges	497	445
Amortisation charges	1,869	1,632
Loss on the disposal of fixed assets	97	23
Dividends, interest and rents from investments	(465)	(527)
Increase in stocks	(1)	-
(Increase)/decrease in debtors	(107)	293
Increase/(decrease) in creditors	524	(827)
Share of loss from joint venture	-	168
REED NCFE distribution adjustment	-	(11)
<b>Net cash provided by operating activities</b>	<u>6,221</u>	<u>7,623</u>

## Notes to the financial statements

for the year ended 31 July 2020

### 18. Analysis of cash and cash equivalents

	2020	2019
	£000	£000
Cash in hand	25,397	21,326
Notice deposits (less than 3 months)	566	400
	<u>25,963</u>	<u>21,726</u>

### 19. 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 £1,413,000 (2019: £1,114,000). Contributions totalling £158,000 (2019: £118,000) were payable to the fund at the balance sheet date and are included within creditors.

### 20. Operating lease commitments

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

	2020	2019
	£000	£000
<b>Group and Company</b>		
Not later than 1 year	90	85
Later than 1 year and not later than 5 years	39	115
	<u>129</u>	<u>200</u>

### 21. 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.

	Value of transactions	Outstanding at the year end	Value of transactions	Outstanding at the year end
	2020	2020	2019	2019
	£000	£000	£000	£000
Interserve Learning and Employment	-	-	11	-
Mr C Peel	32	-	-	-
Kindling Limited	<u>31</u>	<u>3</u>	<u>8</u>	<u>-</u>

Ms D M Jenkins, a Trustee is also a Director of Kindling Limited which invoiced NCFE for Chairman's remuneration. The value of transaction in the current year includes £9,000 that related to the previous year.

Mr C Peel, a Trustee has invoiced NCFE for professional consultancy services supplied. Mr C Peel ceased to be the MD of Interserve Learning and Employment in June 2019.

Four Trustees were reimbursed a total of £4,484 for travelling expenses (2019: 3 were reimbursed £479).



## Notes to the financial statements

for the year ended 31 July 2020

### 22. 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

### 23. Controlling party

The charitable company is controlled by the Board of Trustees.

### 24. Financial instruments

	2020 £000	2019 £000
Financial assets measured at fair value through income and expenditure	10,655	11,269
Financial assets measured as amortised cost	30,194	26,011
	<u>40,849</u>	<u>37,280</u>
Financial liabilities measured at amortised cost	<u>3,167</u>	<u>2,884</u>

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

Financial assets measured at amortised cost comprise trade debtors, other debtors, accrued income and cash.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

### 25. 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.