



NORTH EDINBURGH CHILDCARE
Registered Number: SC193636

Directors' Report and Financial Statements

For the year ended 31 March 2017

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NORTH EDINBURGH CHILDCARE
Registered Number: SC 193636

Directors' Report and Financial Statements

For the year ended 31 March 2017

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Directors

Mrs Elizabeth McVay (MBE)
Mr William Blanche
Ms Kate Wimpres
Mrs Georgina Alexander
Mrs Allison McDonald
Mr Malcolm Chisholm

Independent Auditor

Mazars LLP
Chartered Accountants and Statutory Auditor
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD

Secretaries

Morton Fraser Secretaries Limited
Quartermile Two
2 Lister Square
Edinburgh
EH3 9GL

Bankers

Bank of Scotland
43 Comely Bank
Edinburgh
EH4 1AF

Registered Office

Quartermile Two
2 Lister Square
Edinburgh
EH3 9GL

Business Address

18b Ferry Road Avenue
Edinburgh
EH4 4BL

Company Number: SC193636
Charity Number: SC023245

NORTH EDINBURGH CHILDCARE

Directors' Report

For the year ended 31 March 2017

Introduction

The Directors are pleased to present the consolidated report and financial statements for the year ended 31 March 2017. These financial statements include the results of the subsidiary company, North Edinburgh Childcare Enterprise Limited.

Governing Documents

The organisation is a charitable company limited by guarantee, incorporated on 22 February 1997 and registered as a charity on 29 March 1997. The company's Memorandum of Association established the objects and powers of the charitable company and is governed under its Articles of Association.

Recruitment and Appointment of the Board Directors

The Directors of the company are also charity trustees for the purpose of charity law and under the company's Articles are known as Directors. Under the requirements of the Memorandum and Articles of Association, all Directors who have been appointed by the Board since the date of the last AGM retire from office and have to be re-elected, but otherwise one-third of Directors retire each year and have to seek re-appointment. Therefore, most Directors have to be re-elected every 3 years. The directors who served during the year were:

Mrs Elizabeth McVay (MBE)
Mr William Blanche
Ms Julie Crawford (resigned 26 September 2016)
Ms Kate Wimpess
Mrs Georgina Alexander
Mrs Allison McDonald
Mr Malcolm Chisholm

Directors Induction and Training

Many of the Directors are familiar with the work of the group, having had involvement either personally or professionally prior to joining the Board of Directors. All new Directors are encouraged to meet with the management team to familiarise themselves with the charity and the context within which it works.

All new Directors are given our Memorandum and Articles of Association, and our latest financial statements. Feedback from new Directors suggests that they get all the relevant information, and the charity is welcoming.

North Edinburgh Childcare has successfully implemented a programme of training and development for both the Board and Executive team with an initial focus on good governance. Further development for the Board and Executive Team has focussed on Social Accounting Audit, strategic development and business planning. In May 2017 there was an organisational celebration of 20 years of North Edinburgh Childcare.

Organisational Structure

The charity is organised so that the Directors meet regularly to manage its affairs. There is a General Manager (Theresa Allison), regarded as key management personnel, employed to manage the day to day running of the organisation, as well as financial and administrative support staff. Directors ensure her salary package is benchmarked against the voluntary sector.

Risk Statement

The Directors hold a joint Development event/Board Meeting on an annual basis to review the strategic risk register of North Edinburgh Childcare, and to ensure controls are in place to mitigate any risks identified. The principal risks comprise a reduction in grant funding, reputational incidents and new nursery providers in the area. The current risk register was reviewed in December 2016 and it was agreed to extend the current risk register to be reviewed again in 2017.

NORTH EDINBURGH CHILDCARE

Directors' Report (continued)

For the year end 31 March 2017

Related Parties

In so far as it is complimentary to the organisation's objects, North Edinburgh Childcare is guided by both local and national policy. This includes the representation of local organisations within the community, identifying relevant policy developments and prospective funding.

Objectives for the year

Our principal activities are to offer high quality affordable childcare to parents/carers primarily living in Edinburgh to allow them to work, train or attend a further education programme. North Edinburgh Childcare operates its services across Forth, Inverleith, Almond and Leith Neighbourhoods. Additionally, our Training Services deliver accredited and non-accredited training to both individuals and organisations across Edinburgh and The Lothians.

Achievements and Performance

Over the year a total of 613 children from 507 families attended NEC's early learning and childcare services. During this period we increased the number of places in our nursery at Ferry Road Avenue to provide 15 full time equivalent places for children aged 4 months to 2 years of age, 20 full time equivalent places for children aged 2-3 years and 30 full time equivalent places for 3-5 year olds. Overall this increased our numbers in the Nursery from 55 full time equivalent places to 66. We worked in partnership with the City of Edinburgh Council to deliver early learning and childcare based on best practice documents including Building the Ambition, Pre-Birth to Three National Guidance and the Curriculum for Excellence.

Our out of school care service continued to provide before school, after school and holiday care for children attending primary schools across the North Edinburgh area. Over the year we provided 82 breakfast club/drop off places, 248 term time after school care places and 164 full day holiday care places for children 5-12 years. Our out of school clubs were awarded grades of very good/excellent in all areas following Care Inspectorate inspections during the year.

We maintain the contract for the Scottish Government's workplace nursery at Victoria Quay, we run this service under our subsidiary company North Edinburgh Childcare Enterprise Limited (NECEL). This nursery continued to provide 6 full time equivalent places for babies aged 0-18 months, 12 full time equivalent places for children aged 18mths - 2½ years and 19 full time equivalent places for children aged - 2½ - 5 years. It also continued to work in partnership with the City of Edinburgh Council to deliver early learning and childcare based on national practice guidance. Over the year a total of 70 children from 63 families used the service.

NECEL also continued to run an out of school care service based in Balerno Community High School for children attending Dean Park Primary School and S1-2 pupils from the high school. Over the year 62 children from 41 families used this service which is an increase on the previous year.

In 2016/17, our Training Department supported 42 individuals to attain accredited qualifications in childcare and by the end of March 2017 had supported 504 people to attain a recognised qualification in childcare. In 2016/17, 20 individuals were enrolled on our new Modern Apprenticeship programme and of these, 19 had progressed from our Childcare Academy. We also had 34 unemployed people enrolled on our Childcare Academy programme which supported 28 individuals during this period, to progress into work bringing the total number of people supported into a job through the programme to 305. Within this same time period, 75 young people (either in their senior phase at school or having just left school) participated in our 'Childcare Taster Activities' bringing the total number of people who have participated in our taster courses to 304. During 2016/17, 473 people attended one of our short courses either through our short course programme (291) or externally within their own settings (182) within this year which cumulatively means that an incredible 2658 workers, managers, and volunteers (mainly from the childcare sector) have now undertaken a short course with North Edinburgh Childcare's Training Services.

Transactions and financial position

During 2016/17 we entered into year two of our two year contract with the City of Edinburgh Council and had to endure a further cut to our funding of an additional 10% that equated to £52,022.00. This means from 2015 we have received a 20% reduction in our funding overall that equates to over £104,000.00.

The Board and Executive Team continued implementing our strategic plan into 2016/17 to guide the organisation in meeting the challenge to maintain high quality and operate within a reduced operational budget.

NORTH EDINBURGH CHILDCARE

Directors' Report (continued)

For the year end 31 March 2017

The operating surplus on on-going activities for the year ended 31 March 2017 was £13,804. The Directors are satisfied with the performance during the year and that the strategy to mitigate against funding cuts is effective.

Within NECEL, our contract with the Scottish Government for the management of the nursery at Victoria Quay continues to perform in line with our expectations. The Executive Team implemented changes to the operation of the out school club in Balerno again these changes are proving to be effective. The Board consider that NECEL has made a positive contribution to the parent charity in the year ended 31 March 2017.

Principal Funding Sources

The principal funding sources for the charity are currently by way of grant and contract income from the City of Edinburgh Council and Skills Development Scotland.

Profits from the trading activities of North Edinburgh Childcare Enterprise Limited are paid to the charity under gift aid in order to be applied to the charitable activities of the parent entity.

Reserves Policy

The Directors consider it prudent to maintain general reserves sufficient to enable the charity to meet its short term cash flow requirements and match their risk management policy. The reserves held are adequate for this purpose.

Social Outcomes

The Directors are satisfied the outcomes to the formal social impact audit work that was completed in 2016 with the launch of our Social Impact Report at an event held in the Scottish Parliament in December 2016. Our report evidenced the social outcomes on the activities audited thus far. The Directors recognise this work is part of the longer term strategic plan of the organisation and agreed our Social Impact Report will be published biennially

Plans for Future Periods

The charity plans to continue the activity outlined within this report in the forthcoming years. The strategic plan that has already been implemented by the Executive Team will continue to be monitored by the Directors for its effectiveness.

- The Social Impact Audit work will continue during 2017/18 with our next report due to be published in 2018.
- We will focus on our expansion plans for our Nursery at Ferry Road Avenue.
- We will plan our strategy for acquiring the money needed to fund our expansion.
- We will work with the Scottish Government to minimise disruption to service at Victoria Quay while refurbishment of the Nursery is undertaken.
- The Training Department will continue to deliver accredited and non-accredited training and maintain our Modern Apprenticeship programme.
- The Training Department will also continue to expand the opportunities to deliver the short course programme, and extend the delivery of the level 3 qualification within the private sector.
- Emergency First Aid at Work training will be promoted to a wider audience including non-care sectors.
- Childcare will continue to review attendance figures.
- At the same time we will be working towards attracting additional investment through our Social Outcomes.

NORTH EDINBURGH CHILDCARE

Directors' Report (continued)

For the year ended 31 March 2017

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company and the surplus or deficit of the group for that year. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

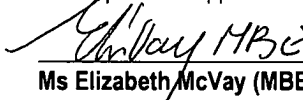
In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board of directors and trustees on 30 October 2017 and signed on its behalf by

 Director
Ms Elizabeth McVay (MBE)

NORTH EDINBURGH CHILDCARE

Independent Auditor's Report to the Directors and Members

For the year ended 31 March 2017

Independent Auditor's Report to the Directors and Members of North Edinburgh Childcare

We have audited the financial statements of North Edinburgh Childcare for the year ended 31 March 2017 which comprise: Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors (who are also the trustees of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's Directors and Members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustees Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2017 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

NORTH EDINBURGH CHILDCARE

Independent Auditor's Report to the Members

For the year ended 31 March 2017

Matters on which we are required to report by exception

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 or returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime, take advantage of the small companies' exemption in preparing the Directors' report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.



Craig Maxwell (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Apex 2, 97 Haymarket Terrace
Edinburgh
EH12 5HD

Date 30 October 2017

NORTH EDINBURGH CHILDCARE

**Consolidated Statement of Financial Activities
(Including Income and Expenditure Account)**

For the year ended 31 March 2017

	Notes	Unrestricted Funds	Restricted Funds	2017 Total Funds	2016 Total Funds
		£	£	£	£
Income from:					
Charitable activities	2	961,800	532,760	1,494,560	1,504,730
Other trading activities		299,367	-	299,367	274,385
Investments		7,961	-	7,961	3,307
Other		7,912	-	7,912	5,499
Total income		<u>1,277,040</u>	<u>532,760</u>	<u>1,809,800</u>	<u>1,787,921</u>
Expenditure on:					
Raising funds		242,456	-	242,456	230,867
Charitable activities		-	1,554,260	1,554,260	1,532,486
Total expenditure	3	<u>242,456</u>	<u>1,554,260</u>	<u>1,796,716</u>	<u>1,763,353</u>
Net income/(expenditure)	4	1,034,584	(1,021,500)	13,084	24,568
Transfers between funds		<u>(1,009,336)</u>	<u>1,009,336</u>	-	-
		25,248	(12,164)	13,084	24,568
Other recognised gains/(losses)					
Actuarial losses on defined benefit pension schemes		-	-	-	(83,000)
Net movement in funds		25,248	(12,164)	13,084	(58,432)
Reconciliation of funds					
Fund balances as at 1 April 2016		<u>150,664</u>	<u>291,003</u>	<u>441,667</u>	<u>500,099</u>
Fund balances as at 31 March 2017		<u>175,912</u>	<u>278,839</u>	<u>454,751</u>	<u>441,667</u>

There were no recognised gains or losses other than those shown above.

Results for the year relate in their entirety to the ongoing activities of the group.

The full Consolidated Statement of Financial Activities for the year ended 31 March 2016 is disclosed in note 17.

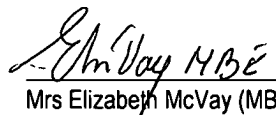
NORTH EDINBURGH CHILDCARE

Consolidated Balance Sheet SC193636 As at 31 March 2017

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	7		351,972		340,283
Current assets					
Debtors	8	57,976		17,705	
Cash and cash equivalents	9	<u>765,066</u>		<u>815,564</u>	
		823,042		833,269	
Creditors: amounts falling due within one year	10	<u>(131,263)</u>		<u>(142,885)</u>	
Net current assets			<u>691,779</u>		<u>690,384</u>
Net assets excluding pension liability			1,043,751		1,030,667
Pension liability	13		<u>(589,000)</u>		<u>(589,000)</u>
			<u>454,751</u>		<u>441,667</u>
The funds of the charity					
Restricted funds	11		278,839		291,003
Unrestricted funds	11		<u>175,912</u>		<u>150,664</u>
			<u>454,751</u>		<u>441,667</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the board of directors on 30 October 2017 and signed on its behalf by:

 Director
Mrs Elizabeth McVay (MBE)

NORTH EDINBURGH CHILDCARE

Company Balance Sheet


SC193636

As at 31 March 2017

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Investments	6		2		2
Tangible assets	7		<u>351,972</u>		<u>340,283</u>
			351,974		340,285
Current assets					
Debtors	8	61,920		24,742	
Cash and cash equivalent	9	<u>712,543</u>		<u>773,644</u>	
		774,463		798,386	
Creditors: amounts falling due within one year	10	<u>(115,529)</u>		<u>(127,487)</u>	
Net current assets			<u>658,934</u>		<u>670,899</u>
Net assets excluding pension liability			1,010,908		1,011,184
Pension liability	13		<u>(589,000)</u>		<u>(589,000)</u>
			<u>421,908</u>		<u>422,184</u>
The funds of the charity					
Restricted funds	11		278,839		291,003
Unrestricted funds	11		<u>143,069</u>		<u>131,181</u>
			<u>421,908</u>		<u>422,184</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the board of directors on 30 October 2017 and signed on its behalf by:

 Director
Mrs Elizabeth McVay (MBE)

NORTH EDINBURGH CHILDCARE

Statement of Consolidated Cash Flows

For the year ended 31 March 2017

	2017 £	2016 £
Cash flows from operating activities:		
Net movement in funds	13,084	24,568
Adjustments for:		
Depreciation	22,234	25,247
Movement in debtors	(40,271)	230
Movement in creditors	(11,622)	300
Interest received	(7,961)	(3,307)
Net cash flows (used in) generated from operating activities	(24,536)	47,038
Cash flows from investing activities:		
Purchase of property, plant and equipment	(33,923)	(11,647)
Interest received	7,961	3,307
Net cash flows used in investing activities	(25,962)	(8,340)
Net (decrease) / increase in cash during the year	(50,498)	38,698
Cash at bank and in hand at 1 April	815,564	776,866
Net cash flow per above	(50,498)	38,698
Cash at bank and in hand at 31 March	765,066	815,564

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements

For the year ended 31 March 2017

1. ACCOUNTING POLICIES

General information

North Edinburgh Childcare is a private company limited by guarantee and a charity registered in Scotland. The registered office is Quartermile Two, 2 Lister Square, Edinburgh, EH3 9GL

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS102), 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 (FRS102) (effective 1 January 2015), and the Companies Act 2006. North Edinburgh Childcare meets the definition of a public entity under FRS102.

The financial statements have been prepared on a going concern basis. The financial statements are prepared in sterling, which is the functional currency of the company. The monetary amounts are rounded to the nearest £.

Transition to FRS102

The last set of accounts prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective 1 January 2015) were for the year ended 31 March 2016. Details of restatement of figures are shown in note 18.

Consolidation

The group financial statements consolidate the financial statements of North Edinburgh Childcare and its subsidiary company, North Edinburgh Childcare Enterprise Limited. No statement of financial activities is presented for North Edinburgh Childcare as permitted by section 408 of the Companies Act 2006.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Charity and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Apportionment of expenditure

Expenditure on charitable activities and raising funds comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

All costs are allocated between the expenditure categories of the Statement of Financial Activities (SoFA) on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, whilst other costs are allocated on bases appropriate to the relevant expenditure.

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity.

Designated funds are unrestricted funds earmarked by the Management Committee for particular purposes.

Restricted funds are subjected to restrictions on their expenditure imposed by the donor or through the terms of an appeal. Transfers from unrestricted funds are made to clear net resources expended on restricted funds activities.

Grant accounting

Amounts received from government bodies and other providers are disclosed in Note 2. All amounts shown reflect the income attributable to the year to 31 March 2017.

Without the assistance of government grants, the charity would have incurred a deficit for the year of £519,676 (2016: £616,815).

Value added tax

Value Added Tax is not recoverable by the group and as such is included in the relevant costs in the Consolidated Statement of Financial Activities.

Pensions

Pension costs represent funding deficit payments to a defined benefit scheme, closed to further accrual (note 13) plus contributions to personal pension plans.

Taxation

North Edinburgh Childcare has been recognised by HM Revenue and Customs as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1998. Accordingly the charity is potentially exempt from taxation in respect of income or capital gains to the extent that such income or gains are applied to charitable purposes. North Edinburgh Childcare's trading subsidiary company is subject to Corporation Tax in the same way as any other commercial organisation. Surpluses, where they arise, are paid to North Edinburgh Childcare under gift aid after taking account of any applicable reserves policy.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value over their expected useful lives on the following basis:

Leasehold land and buildings	2% - 6.7% on cost
Office equipment	20--33% on cost
Motor vehicles	25% on cost
Play equipment	25% on cost
Fixtures and fittings	20-33% on cost

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial instruments

The group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Operating leases

Rentals under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

Judgements in applying accounting policies and key sources of estimation uncertainty

No significant judgements have had to be made by management in preparing these financial statements and they consider there to be no material items of estimation uncertainty.

2. INCOME RECEIVABLE FROM ACTIVITIES TO FURTHER CHARITY'S OBJECTIVES

Grants receivable – restricted funds	2017	2016
	£	£
City of Edinburgh Council Employability and Childcare Contract Fund	424,848	476,871
Early Learning and Childcare Funding – Partner Provider	9,476	48,960
City of Edinburgh Council - Revenue	-	18,704
City of Edinburgh Council Integration Support	8,328	7,800
City of Edinburgh Council Strategy Fund	-	7,000
City of Edinburgh Council Community Grant Fund	1,530	-
State Street Community Support Grant	-	990
Skills Development Scotland	88,578	76,547
Training childcare academy	-	7,735
Awards for All	-	1,017
Miscellaneous	-	1,880
	<hr/>	<hr/>
	532,760	647,504

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3. TOTAL EXPENDITURE

	Costs incurred in provision of childcare and training	
	2017 total	2016 total
	£	£
Expenditure on raising funds		
Fundraising trading	242,456	230,867
Expenditure on charitable activities		
Staff costs	902,450	884,522
Indirect staff costs	447,234	444,149
Food and housekeeping	36,837	32,776
Arts, crafts and toys	12,088	25,687
Other support costs	2,348	1,946
Bad debt provision	(5,854)	(5,724)
Property costs	37,971	42,184
Repairs and depreciation	26,193	27,922
Other administrative costs	57,588	51,385
Audit and accountancy fees	6,150	7,590
Legal and professional	31,255	20,049
Total expenditure	1,796,716	1,763,353

Governance costs representing audit, accountancy, legal and professional fees amounted to £37,405 (2016: £27,639).

4. NET INCOME/(EXPENDITURE)

Net income/(expenditure) is stated after charging:

	2017	2016
	£	£
Depreciation	22,234	25,247
Auditors' remuneration	7,350	7,150
Auditors' remuneration for non-audit services	3,500	2,575
Operating lease charges	6,670	6,670

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. STAFF COSTS

No remuneration was paid to directors of North Edinburgh Childcare in the year (2016: £nil) nor were any expenses reimbursed to them. The staff costs of the remaining staff were:

	2017 £.	2016 £.
Wages and salaries	1,374,339	1,371,500
Social security costs	99,057	82,775
Pensions	59,115	60,555
Other staff costs	25,150	22,260
	<u>1,555,661</u>	<u>1,537,090</u>

Included within costs of fundraising trading are staff costs of £211,874 (2016: £204,584). Other staff costs include agency staff costs.

1 employee, regarded as key management personnel, (2016: 1) received a salary in the £60,001 - £70,000 range.

The average number of staff employed by the charity and its subsidiary during the year was:

	2017 No.	2016 No.
Charitable work	99	99

6. INVESTMENTS

Company only

Subsidiary undertaking £

Cost as at 31 March 2016 and 2017	<u>2</u>
Net book value as at 31 March 2016 and 2017	<u>2</u>

The company holds 2 shares in North Edinburgh Childcare Enterprise Limited, a company registered in Scotland. This investment represents a 100% shareholding. The principal activity of the subsidiary is the provision of childcare services.

The aggregate amount of capital and reserves and the results of the subsidiary undertaking for the latest available statutory financial accounting period were as follows:

	31 March 2017 £	31 March 2016 £
Aggregate capital and reserves		
North Edinburgh Childcare Enterprise Limited	32,844	19,483
Profit for the year		
North Edinburgh Childcare Enterprise Limited	32,976	19,515

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

7. TANGIBLE FIXED ASSETS

Group	Leasehold Land and Buildings £	Office Equipment £	Motor Vehicles £	Fixtures and Fittings £	Play Equipment £	Total £
Cost						
At 31 March 2016	554,354	3,903	22,203	12,866	-	593,326
Additions	10,659	20,182	-	1,067	2,015	33,923
At 31 March 2017	565,013	24,085	22,203	13,933	2,015	627,249
Depreciation						
At 31 March 2016	223,265	3,903	22,203	3,672	-	253,043
Charge for year	17,252	2,145	-	2,657	180	22,234
At 31 March 2017	240,517	6,048	22,203	6,329	180	275,277
Net book value						
At 31 March 2017	324,496	18,037	-	7,604	1,835	351,972
At 31 March 2016	331,089	-	-	9,194	-	340,283

Company only	Leasehold Land and Buildings £	Office Equipment £	Motor Vehicles £	Fixtures and Fittings £	Play Equipment £	Total £
Cost						
At 31 March 2016	554,354	3,903	22,203	12,366	-	592,826
Additions	10,659	20,182	-	1,067	2,015	33,923
At 31 March 2017	565,013	24,085	22,203	13,433	2,015	626,749
Depreciation						
At 31 March 2016	223,265	3,903	22,203	3,172	-	252,543
Charge for year	17,252	2,145	-	2,657	180	22,234
At 31 March 2017	240,517	6,048	22,203	5,829	180	274,777
Net book value						
At 31 March 2017	324,496	18,037	-	7,604	1,835	351,972
At 31 March 2016	331,089	-	-	9,194	-	340,283

All fixed assets held by the charity are used in direct furtherance of the charity's objectives. The land at Ferry Road Avenue is held under lease from the City of Edinburgh Council and is occupied free of rental charge. The lease expires on 2 July 2055.

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

8. DEBTORS

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	31,928	10,867	31,265	9,717
Other debtors	2,962	395	2,962	395
Amounts due from subsidiary undertaking (note 11)	-	-	4,607	8,187
Prepayments and accrued income	23,086	6,443	23,086	6,443
	<u>57,976</u>	<u>17,705</u>	<u>61,920</u>	<u>24,742</u>

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Cash at bank and in hand	<u>765,066</u>	<u>815,564</u>	<u>712,543</u>	<u>773,644</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	51,789	24,818	50,975	22,168
Social security and other taxes	26,289	32,026	22,987	28,927
Accrued expenses	27,667	48,954	21,553	44,447
Deferred income	22,458	35,504	16,954	30,360
Other creditors	3,060	1,583	3,060	1,585
	<u>131,263</u>	<u>142,885</u>	<u>115,529</u>	<u>127,487</u>

Deferred income relates to grants received where the related expenditure is to be incurred in subsequent periods.

11. FUNDS

GROUP	Balance at 1 April 2016 £	Income £	Expenditure £	Transfers £	Balance at 31 March 2017 £
RESTRICTED FUNDS					
Restricted funds	<u>291,003</u>	<u>532,760</u>	<u>(1,554,260)</u>	<u>1,009,336</u>	<u>278,839</u>
UNRESTRICTED FUNDS					
Unrestricted funds	<u>150,664</u>	<u>1,277,040</u>	<u>(242,456)</u>	<u>(1,009,336)</u>	<u>175,912</u>
Total funds	<u>441,667</u>	<u>1,809,800</u>	<u>(1,796,716)</u>	<u>-</u>	<u>454,751</u>

Please see below for details of restricted funds.

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

11. FUNDS (continued)

COMPANY	Balance at 1 April 2016 £	Income £	Expenses £	Transfers £	Balance at 31 March 2017 £
RESTRICTED FUNDS	<u>291,003</u>	<u>532,760</u>	<u>(1,554,260)</u>	<u>1,009,336</u>	<u>278,839</u>
UNRESTRICTED FUNDS					
Unrestricted funds	<u>131,181</u>	<u>1,021,224</u>	<u>-</u>	<u>(1,009,336)</u>	<u>143,069</u>
Total funds	<u>422,184</u>	<u>1,553,984</u>	<u>(1,554,260)</u>	<u>-</u>	<u>421,908</u>

Restricted funds are limited to the value of the childcare centre held in leasehold land and buildings and the amortised value of further construction work carried out in 2004 which was financed from restricted fund income.

Purpose of Restricted Funds

Capital:

City of Edinburgh Council Employability and Childcare Contract awarded from the City of Edinburgh Council's Children & Families and Economic Development Department in order to fund the delivery of subsidised childcare in the North Edinburgh area.

Early Learning and Childcare Funding - Partner Provider: Grant awarded to subsidise the cost of 600 hours of pre-school education per child aged 3-5.

Skills Development Scotland: Grants received from Scottish Government via Skills Development Scotland to subsidise the cost of educating people training for childcare qualifications.

City of Edinburgh Council's Workforce Development Fund to subsidise the cost of educating people training for childcare qualifications.

City of Edinburgh Council Integration Support: Grant awarded to subsidise support personnel for additional support needs children.

State Street Community Support Grant:

State Street SVQ level 3 Funding: Grant awarded in the year ended 31 March 2012 to cover the cost of providing a SVQ Level 3 course in Childcare.

12. COMPOSITION OF FUNDS

GROUP	Fixed assets £	Current assets £	Current liabilities £	Pension liability £	Total £
Unrestricted funds	73,133	823,042	(131,263)	(589,000)	175,912
Restricted funds	278,839	-	-	-	278,839
Net assets	<u>351,972</u>	<u>823,042</u>	<u>(131,263)</u>	<u>(589,000)</u>	<u>454,751</u>

COMPANY	Fixed assets £	Current assets £	Current liabilities £	Pension liability £	Total £
Unrestricted funds	73,135	774,463	(115,529)	(589,000)	143,069
Restricted funds	278,839	-	-	-	278,839
Net assets	<u>351,974</u>	<u>774,463</u>	<u>(115,529)</u>	<u>(589,000)</u>	<u>421,908</u>

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

13. PENSION LIABILITY

North Edinburgh Childcare participates in the Scottish Voluntary Sector Pension Scheme ('the Scheme'). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and was contracted-out of the state scheme until 31 March 2010, when the Scheme was closed to future accrual.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 30 September 2007. From October 2007 there were two benefit structures available, final salary with a 1/60th accrual rate and final salary with a 1/80th accrual rate, until the Scheme closure on 31 March 2010.

The Scheme closed to future accrual on 31 March 2010. There is currently no intention to wind up the Scottish Voluntary Sector Pension Scheme and it continues in paid up form.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefits payments using a discount rate calculated by reference to the expected future investment returns.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2014 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at 30 September 2014 was £88.2 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £33.9 million (equivalent to a past service funding level of 72.2%).

The financial assumptions underlying the valuation as at 30 September 2014 were as follows:

	% pa
- investment return pre retirement	4.1
- investment return post retirement	3.3
- rate of salary increases	3.1
- rate of pension increases pre 6 April 2005	2.2
- rate of pension increases post 5 April 2005	1.8
- rate of price inflation	2.2

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

From 1 April 2016 a new recovery plan came into effect following the finalisation of the 2014 valuation. Confirmations of the contributions payable from 1 April 2016 to 31 October 2029 were advised to employers by letter in December 2012.

If the valuation assumptions are borne out of practice, this pattern of contributions should be sufficient to eliminate the entire funding shortfall by 31 October 2029.

A copy of the recovery plan must be sent to the Pensions Regulator after each valuation is finalised. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan).

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

13. PENSION LIABILITY (*continued*)

agreement that relates to the deficit. The present value is calculated using the relevant discount rate. The present value of the provision is £589,000 (2016: £589,000; 2015: £506,000) and is recognised as a liability on the balance sheet.

The group also contributes to personal pension schemes.

14. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption granted by Financial Reporting Standard 102, not to report details of the transactions with entities which are wholly controlled by a common parent undertaking. Certain directors utilise the childcare services and are billed on normal commercial terms.

15. OPERATING LEASE COMMITMENTS

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

	2017	2016
	£	
Not later than 1 year	6,198	6,670
Later than 1 year and not later than 5 years	5,063	13,824
Later than 5 years	-	157
	<u>11,261</u>	<u>20,651</u>

16. ULTIMATE CONTROLLING PARTY

It is the opinion of the directors that there is no ultimate controlling party.

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

17. CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2016

		Unrestricted Funds	Restricted Funds	2016 Total Funds
		£	£	£
Income from:				
Charitable activities	2	857,226	647,504	1,504,730
Other trading activities		273,383	1,002	274,385
Investments		3,307	-	3,307
Other		5,499	-	5,499
		<u>1,139,415</u>	<u>648,506</u>	<u>1,787,921</u>
Total income				
Expenditure on:				
Raising funds		230,867	-	230,867
Charitable activities		-	1,532,486	1,532,486
		<u>230,867</u>	<u>1,532,486</u>	<u>1,763,353</u>
Total expenditure	3			
Net income/(expenditure)	4	908,548	(883,980)	24,568
Transfers between funds		(858,991)	858,991	-
		49,557	(24,989)	24,568
Other recognised gains/(losses)				
Actuarial losses on defined benefit pension schemes		(83,000)	-	(83,000)
Net movement in funds		(33,443)	(24,989)	(58,432)
Reconciliation of funds				
Fund balances as at 1 April 2015		<u>184,107</u>	<u>315,992</u>	<u>500,099</u>
Fund balances as at 31 March 2016		<u><u>150,664</u></u>	<u><u>291,003</u></u>	<u><u>441,667</u></u>

NORTH EDINBURGH CHILDCARE

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

18. FIRST TIME ADOPTION OF FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 April 2015. The impact of the transition to FRS 102 is as follows:

	As previously stated 1 April 2015	Effect of transition 1 April 2015	FRS 102 (as restated) 1 April 2015	As previously stated 31 March 2016	Effect of transition 31 March 2016	FRS 102 (as restated) 31 March 2016
	£	£	£	£	£	£
Net assets	1,006,099	-	1,006,099	1,030,667	-	1,030,667
Introduction of pension liability	-	(506,000)	(506,000)	-	(589,000)	(589,000)
Net assets	<u>1,006,099</u>	<u>(506,000)</u>	<u>500,099</u>	<u>1,030,667</u>	<u>(589,000)</u>	<u>441,667</u>
Capital and reserves	<u>1,006,099</u>	<u>(506,000)</u>	<u>500,099</u>	<u>1,030,667</u>	<u>(589,000)</u>	<u>441,667</u>

The reserves at 31 March 2015 were reduced by £506,000, and by a further £83,000 in the year ended 31 March 2016 in respect of the requirement to account for the liability to reduce the pension scheme deficit as detailed in note 13.