

Charity No 1034808
Company No. 2896700 (England and Wales)

NCFE
(A company limited by guarantee)

Financial Statements
for the year ended 31 August 2012



NCFE
(A COMPANY LIMITED BY GUARANTEE)

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NCFE
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COMPANY INFORMATION

Trustees	Mr T Hodgkinson (Chair from 8 February 2012) Ms A O'Donoghue (from 23 July 2008) Ms L Armstrong (from 23 July 2008) Mr C Fleetwood (from 14 July 2011) Mr N Hudson (from 14 July 2011) Mr A Steele (from 14 July 2011) Mr R Sandbach (from 8 February 2012) Mr D Allison (from 17 February 2012)
Senior Management Team	Mr D Graley (Chief Executive) Miss J Ingram (Director of Business Operations) Mr A Downes (Director of Business Development) Mr G Walker (Director of Business Services) Mr T Dawkins (Deputy Director of Business Development)
Secretary	Mr G Walker
Charity Number	1034808
Company Number	2896700
Registered Office	Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Auditors	Haines Watts Floor 11, Cale Cross House 156 Pilgrim Street Newcastle upon Tyne NE1 6SU
Bankers/Investment Advisors	Lloyds TSB Bank plc St Mary's Place Branch 162 Northumberland Street Newcastle upon Tyne NE1 7PR Lloyds TSB Bank plc Grey Street Newcastle upon Tyne Lloyds TSB Bank plc King Street Manchester M2 4LQ
Solicitors	Dickinson Dees St Ann's Wharf 112 Quayside Newcastle upon Tyne NE99 1SB

NCFE
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2012

The trustees (who are also the directors for the purpose of company law) are pleased to present their report together with the financial statements of the charity for the year ending 31 August 2012

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

NCFE is a company limited by guarantee governed by its Memorandum and Articles of Association dated 25 January 1994 and last amended on 31 January 2012

It is registered as a charity with the Charity Commission

The Members of the company are the Trustees, each of whom agrees to contribute £1 in the event of the charity winding up There are currently 8 members (2011 7)

The members of the Board of Trustees, who are also the directors for the purpose of company law, who served during the year were

Mr T Hodgkinson	(Chair from 8 February 2012)
Ms A O'Donoghue	(from 23 July 2008)
Ms L Armstrong	(from 23 July 2008)
Mr C Fleetwood	(from 14 July 2011)
Mr N Hudson	(from 14 July 2011)
Mr A Steele	(from 14 July 2011)
Mr R Sandbach	(from 8 February 2012)
Mr D Allison	(from 17 February 2012)

2 members of the Board of Trustees who resigned from their post were

Mr W Mills	(2 May 2012)
Mr C Hughes	(Chair 17 February 2012)

The Senior Management Team to whom the Trustees delegate day-to-day operational management comprises

Mr D Grailey	(Chief Executive)
Miss J Ingram	(Director of Business Operations)
Mr A Downes	(Director of Business Development)
Mr G Walker	(Director of Business Services and Company Secretary)
Mr T Dawkins	(Deputy Director of Business Development)

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

Appointment of Trustees

As set out in the Articles of Association, the Chair of the Trustees is nominated from within the current membership by the Trustees

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 and will target individuals who have the requisite mix for any specific vacancy.

Trustees serve a three-year term, at the end of which they may seek re-election for a further three years. After six consecutive years' service, a Trustee is required to stand down from the Board.

There is no outside party who can appoint trustees.

Trustee induction and training

All new Trustees undergo a full day's induction at NCFE's office, in which members of the Strategic Management Team 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 day they are also introduced to various members of staff.

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

Organisation

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

The Board meets 4 times per year, one meeting of which is a residential retreat at which members are able to give greater consideration to the future strategic direction of the organisation.

Each individual member also meets with members of the Strategic Management Team at least twice per year to exchange views and receive updates on the organisation's progress.

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 Senior Management Team who have Directorate level responsibility. Within each Directorate there are a number of teams and each team has a Team Manager who sits as part of the Management Team group.

Related parties

The links between Board Members and the organisations in which they hold senior positions are disclosed in note 23.

A trading subsidiary was incorporated during the year, NCFE Trading Limited, which is a 50% member of The Reed NCFE Partnership LLP, a limited liability partnership incorporated in October 2011.

The charity believes that there are no further related parties.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

Risk management

The Trustees have a risk management strategy in place which comprises

- An annual review of the strategic risks the charity may face, contained within the Business Plan
- The establishment of systems and procedures to mitigate those risks identified in the plan
- The implementation of procedures designed to minimise any potential impact on the charity should those risks materialise

Work is ongoing to identify and address operational risks within the business and a comprehensive Business Continuity Plan is being implemented

A key element in the management of financial risk is the setting of a reserves policy and its regular review by Trustees

OBJECTIVES AND ACTIVITIES

The organisation offers a wide range of qualifications on the Qualification and Credit Framework, together with a wide portfolio of awards. It also offers accreditation services whereby customers can, subject to satisfying the appropriate quality assurance criteria, receive national awarding body accreditation for their own bespoke provision.

The charity is increasingly involved in community and charity work and contributes both financially and via the provision of staff time to a number of good causes.

ACHIEVEMENTS AND PERFORMANCE

NCFE achieved income of £16.5 million, during 2011-12, and has now enjoyed significant growth for a number of years. NCFE now deals with approximately 480,000 candidate registrations per academic session, spread across over 1,500 active centres. Whilst our core customer base remains Further Education colleges in England, it continues to expand to encompass schools, private training providers and employers.

We have completed a comprehensive review of NCFE's product portfolio and are now focusing activity upon the development of a suite of products providing both breadth and progression within a range of identified priority sectors. NCFE now offer over 400 qualifications.

During the year further enhancements to the candidate registration, certification and customer management system have taken place. Work continues to build additional systems, which will work with the new Qualification and Credit Framework and a Customer Relationship Management system is now live.

Designated reserves are set aside to cover the expected costs of IT, acquisition of property and other development during 2012-13 and additional sums have been designated to cover expected future pension settlements.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

FINANCIAL REVIEW

2011-12 was a very satisfactory year for NCFE in the context of a volatile environment. In the context of that external environment within education, the economic situation and in particular, when funding priorities have threatened the market for some of NCFE's more traditionally successful products, this is seen as a satisfying result and one which exceeded budget expectations.

The surplus achieved includes significant expenditure on qualification development and the further enhancement of our ICT systems.

At 31 August 2012, NCFE was in a financially very strong position and had significant cash and investments totalling over £12.8 million (2011: £6.8 million). This demonstrates the strength of NCFE's Balance Sheet where net assets increased to £12.7 million.

NCFE is unusual as a registered charity in that all income is earned. As such, NCFE's continued success is reliant upon continuing to meet the needs of customers and aligning its portfolio to skills and Government funding priorities. Continued caution is required as public sector funding cuts will affect NCFE's customer base.

The continued generation of surpluses is therefore necessary to fund a period of sustained product development which, together with ongoing ICT investment, should position NCFE strongly to continue to provide its customers with a range of inspirational learning solutions with exceptional customer service.

Significant investment was made in the year in new computer systems and this is expected to continue during 2012-13. Significant investment continues to be made in relation to developing compliance with Business Continuity and Data Security best practice.

Increasingly high levels of ICT investment are required to ensure the high level of our regulatory compliance.

These significant investments are also made in the context of the economic recession and possible cuts in government funding. NCFE is only able to fund this required investment with the continued success of the organisation.

Investment powers and policy

Under the Memorandum and Articles of Association, the charity has the power to invest in any way the Trustees wish.

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 company's investment advisors.

The Trustees' paramount objective is capital growth and it is therefore accepted that this will need commitment to a 'medium-term' investment period, likely to be at least five years.

The final position at 31 August 2012 showed an unrealised gain at that date of £137,753 shown in the Statement of Financial Activities.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

Reserves policy

The Trustees have reviewed the charity's needs for reserves in line with the guidance issued by the Charity Commission. The Trustees believe that an appropriate level of reserves, which would be required to wind down the charity's activities, is the equivalent of up to nine months' of Centre Support costs and a shorter period for other teams. These costs include office overheads and salary costs for the period required to conclude the charity's affairs with the minimum of disruption to colleges and centres and to maximise customer service.

Any funds in excess of this figure, which will be reviewed annually at the time of the Trustees agreeing the annual budget, will be set aside or designated for future developments in furtherance of NCFE's charitable purpose to further the education of young persons and adults.

The Trustees therefore consider that the ideal level of uncommitted general reserves as at 31 August 2012 would be £3.1 million. The actual position at the year end is £7.5 million which is in excess of the target level but given the uncertainties over future contracts and income level the Trustees consider it to be prudent to carry this level of reserves. The position will be reviewed on a regular basis and further transfers will be made if deemed appropriate.

The Trustees also consider that £6.4 million of designated reserves are required to cover the Pension Fund deficit, future IT and other investments and property acquisition.

An appropriate transfer between funds has been made to fulfil the requirements of the reserves policy.

NCFE contributes to the Tyne and Wear Pension Fund on behalf of former employees. After an actuarial valuation at 31 August 2012, which showed a deficit of £1.22 million, the Trustees have deemed it prudent to set aside a reserve to cover this deficit, in accordance with FRS17. There are no current employees who are members of this scheme.

PLANS FOR THE FUTURE

Changes to Government skills priorities and hence funding has moved away from those products which have historically provided NCFE with the greatest share of its income. Consequently, the Trustees are aware that a continued re-focusing of NCFE's product portfolio is required to enable it to remain competitive and to continue its recent rate of growth.

Such a programme is well underway and the organisation will be launching a large number of new products in 2012-13.

In addition, NCFE has committed to building an organisation driven by service excellence and much activity will be focused on embedding the concept of service excellence within everything that the company does.

NCFE has purchased a property post year end and plans to re-locate its Head Office there later in 2013.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

Public benefit statement

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

NCFE's charitable purpose as enshrined in its objects is to promote and advance the education and training of young persons and adults

The Trustees ensure that this purpose is carried out for the public benefit by

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 certificates of achievement to those students successful in meeting the examination or assessment requirements and awarding prizes to students demonstrating outstanding achievement

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also the directors of NCFE for the purpose of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

In so far as the directors are aware

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

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

AUDITORS

In accordance with the Companies Act 2006, a resolution proposing that Haines Watts be reappointed as auditors of the charitable company will be put to the Annual General Meeting

This report has been prepared in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities (issued March 2005)

On behalf of the board of Directors



Mr G Walker
Company Secretary

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NCFE

We have audited the financial statements of NCFE for the year ended 31 August 2012 which comprise the Consolidated Statement of Financial Activities (including Income and Expenditure account), the Group and Parent Charitable Company Balance Sheet, the Cash Flow Statement 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).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors (who are also the trustees of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 August 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NCFE

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

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

S Richardson (Senior Statutory Auditor)
For and behalf of Haines Watts



Statutory Auditors

Floor 11, Cale Cross House
156 Pilgrim Street
Newcastle upon Tyne
NE1 6SU

30 May 2013

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2012

	Notes	Unrestricted Funds £'000	Designated Funds £'000	Restricted Funds £'000	Total 2012 £'000	Total 2011 £'000
Incoming Resources						
Incoming resources from generated funds						
Investment income	3	129	-	-	129	71
Incoming resources from charitable activities:						
Examination and assessment		16,524	-	3	16,527	10,325
less Share of joint ventures income		(107)	-	-	(107)	-
Total incoming resources		<u>16,546</u>	<u>-</u>	<u>3</u>	<u>16,549</u>	<u>10,396</u>
Resources expended						
Costs of generating funds						
Investment management costs		18	-	-	18	19
Charitable activities						
Examination and assessment		9,354	-	3	9,357	7,943
Other resources expended		-	-	-	-	239
IT development costs		-	718	-	718	642
Governance costs		<u>71</u>	<u>-</u>	<u>-</u>	<u>71</u>	<u>59</u>
Total resources expended	4	<u>9,443</u>	<u>718</u>	<u>3</u>	<u>10,164</u>	<u>8,902</u>
Net incoming/(outgoing) resources before transfers		<u>7,103</u>	<u>(718)</u>	<u>-</u>	<u>6,385</u>	<u>1,494</u>
Share of operating loss in joint venture		(126)	-	-	(126)	-
Gross transfers between funds		(3,318)	3,318	-	-	-
Net incoming resources before other recognised gains and losses		<u>3,659</u>	<u>2,600</u>	<u>-</u>	<u>6,259</u>	<u>1,494</u>
Gains/(losses) on investment assets		138	-	-	138	22
Actual gain/(loss) on defined benefit pension scheme		-	(400)	-	(400)	100
Net movement in funds		<u>3,797</u>	<u>2,200</u>	<u>-</u>	<u>5,997</u>	<u>1,616</u>
Reconciliation of funds						
Fund balances at 1 September 2011		3,730	2,960	-	6,690	5,073
Fund balances at 31 August 2012		<u>7,527</u>	<u>5,160</u>	<u>-</u>	<u>12,687</u>	<u>6,689</u>

The consolidated statement of financial activities includes all gains and losses recognised in the current year

All activities derive from continuing activities

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BALANCE SHEET
AS AT 31 AUGUST 2012

		Group		Charity	
	Notes	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fixed assets					
Tangible assets	8	333	225	333	225
Investments	9	1,624	1,466	1,624	1,466
		<u>1,957</u>	<u>1,691</u>	<u>1,957</u>	<u>1,691</u>
Current assets					
Debtors	10	2,987	1,749	2,987	1,749
Investments		4,600	1,000	4,600	1,000
Cash at bank and in hand		6,638	4,371	6,638	4,371
		<u>14,225</u>	<u>7,120</u>	<u>14,225</u>	<u>7,120</u>
Creditors: amounts falling due within one year	11	<u>(2,149)</u>	<u>(1,301)</u>	<u>(2,149)</u>	<u>(1,301)</u>
Net current assets		<u>12,076</u>	<u>5,819</u>	<u>12,076</u>	<u>5,819</u>
Total assets less current liabilities		<u>14,033</u>	<u>7,510</u>	<u>14,033</u>	<u>7,510</u>
Provisions of liabilities and charges	12	<u>(126)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets excluding pension liability		<u>13,907</u>	<u>7,510</u>	<u>14,033</u>	<u>7,510</u>
Defined benefit pension liability	13	<u>(1,220)</u>	<u>(820)</u>	<u>(1,220)</u>	<u>(820)</u>
Total assets including pension liability		<u>12,687</u>	<u>6,690</u>	<u>12,813</u>	<u>6,690</u>
The funds of the charity:					
Unrestricted funds:					
Unrestricted general fund	15	7,527	3,730	7,653	3,730
Designated funds:					
Investment fund	16	3,000	3,000	3,000	3,000
Future pension settlement fund	16	880	780	880	780
Property fund	16	2,500	-	2,500	-
Unrestricted funds excluding pension liability		<u>13,907</u>	<u>7,510</u>	<u>14,033</u>	<u>7,510</u>
Pension reserve	13	<u>(1,220)</u>	<u>(820)</u>	<u>(1,220)</u>	<u>(820)</u>
		<u>12,687</u>	<u>6,690</u>	<u>12,813</u>	<u>6,690</u>

The financial statements were approved by the Board on 14/11/2012 and signed on its behalf by


Mr T Hodgkinson
Chair

Company No. 2896700

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CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012

		2012		2011	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	18		6,159		1,417
Returns on investments and servicing of finance					
Interest received		88		36	
Interest paid		(4)		(2)	
Dividends received		41		34	
			125		68
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(396)		(211)	
Payments to acquire investments		(75)		(314)	
Receipts from sale of investments		54		314	
Net cash outflow from capital expenditure			(417)		(211)
Increase in cash	19		5,867		1,274

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets

The accounts have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice, "Accounting and Reporting by Charities", issued in March 2005 and the Companies Act 2006

The principal accounting policies adopted in the preparation of the accounts are as follows -

1.2 Basis of consolidation

The consolidated statement of financial activities and balance sheet include the financial statements of the company and its subsidiary undertaking up to 31 August 2012. A separate Statement of Financial Activities for the charity itself is not presented because the charity has taken advantage of the exemptions offered by paragraph 397 of the SORP

1.3 Incoming resources

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

Registration income is included within incoming resources in the period in which the relevant registration is made by the customer regardless of academic session

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

Interest receivable is included when receivable by the charitable company

1.4 Resources expended

Resources expended are recognised in the period in which they are incurred and include attributable VAT. Although the charity is registered for VAT, it is unable to recover VAT in respect of its main educational activities, as this income is exempt from VAT

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

- Governance costs include those incurred in the governance of the charitable company and its assets and are primarily associated with constitutional and statutory requirements

- Support costs include expenditure relating to the general running of the charitable company in support of its charitable activity

1.5 Tangible fixed assets and depreciation

Depreciation is provided on all Tangible Fixed Assets, at rates calculated to write off the cost or valuation, less the estimated residual value, based on prices prevailing at the date of acquisition or revaluation, of each asset over its expected useful life, as follows

Leasehold property improvements	Straight line over 5 years
Office and computer equipment	33% straight line
Fixtures and fittings	33% straight line

1.6 Investments

Investments listed on a recognised stock exchange, including investments and unit trusts, are stated at market value

Net investment gains and losses for the year, both realised and unrealised, are disclosed in the Consolidated Statement of Financial Activities

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

1 Accounting policies (continued)

1.7 Accumulated funds

Unrestricted Funds comprise those Funds which the directors are free to use in accordance with the charitable objects of the charitable company

The Restricted Fund is to be used for specific purposes as laid down by the donor and the expenditure which meets these criteria is charged to the fund

Designated Funds are unrestricted funds earmarked by the directors for specific purposes

1.8 Leasing commitments

The charitable company classifies the lease of printing and postal equipment and the telephone system as operating leases. Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease

1.9 Pension Costs

The regular cost of providing retirement pensions and related benefits is charged to the Consolidated Statement of Financial Activities over the employee's service lives on the basis of a constant percentage of earnings. Any difference between the charge to the Consolidated Statement of Financial Activities and the contribution paid to the scheme is shown as a movement in the designated pension reserve in the balance sheet

2 Net movement in funds

	2012 £'000	2011 £'000
Depreciation	287	246
Auditors Remuneration (company £8,000, 2011 £8,000)	10	8
Remuneration of auditors for non-audit work	8	2
	<hr/>	<hr/>

3 Investment income

	2012 £'000	2011 £'000
Dividends – UK equities	40	34
Interest – UK fixed interest securities	-	4
Interest receivable	89	33
	<hr/>	<hr/>
	129	71
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

4 Total resources expended

	Staff costs £'000	Depreciation £'000	Other costs £'000	Total 2012 £'000	Total 2011 £'000
Costs of generating funds					
Investment management costs	-	-	18	18	19
Charitable activities					
Examination and Assessment					
Activities undertaken directly	3,816	287	5,254	9,357	7,943
IT Development	452	-	266	718	642
Other resources expended	-	-	-	-	239
Governance costs	23	-	48	71	59
	<u>4,291</u>	<u>287</u>	<u>5,586</u>	<u>10,164</u>	<u>8,902</u>

5 Support costs

The charity allocates its support costs as shown below -

	Examination & Assessment £'000	Governance £'000	2012 £'000	2011 £'000
Staff costs	1,303	23	1,326	1,384
Other	-	48	48	37
	<u>1,303</u>	<u>71</u>	<u>1,374</u>	<u>1,421</u>

6 Directors

None of the Directors (or any persons connected with them) received any remuneration during the year, but 5 of them were reimbursed a total of £2,463 for travelling expenses (2011 4 were reimbursed £398)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

7 Employees

Number of employees

The average monthly number of employees during the year was

	2012	2011
Examination and Assessment	124	113
Governance	1	1
	<u>125</u>	<u>114</u>

Employment costs

	2012 £'000	2011 £'000
Wages and salaries	3,690	3,202
Social security costs	336	315
Pension costs of current employees	253	227
Pension costs of former employees	12	78
	<u>4,291</u>	<u>3,822</u>

The number of employees whose annual emoluments were £60,000 or more were

	2012	2011
£70,000 to £80,000	-	-
£80,000 to £90,000	3	3
£90,000 to £100,000	-	-
£100,000 to £110,000	1	1
	<u>4</u>	<u>4</u>

None of the employees whose emoluments exceed £60,000 has retirement benefits accruing under defined benefit pension schemes

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

8 Tangible fixed assets

Group and Charity

	Leasehold property improvements £'000	Office and computer £'000	Fixture and fittings £'000	Total £'000
Cost or valuation				
At 1 September 2011	157	952	221	1,330
Additions	-	396	-	396
At 31 August 2012	<u>157</u>	<u>1,348</u>	<u>221</u>	<u>1,726</u>
Depreciation				
At 1 September 2011	117	776	212	1,105
Charge for the year	40	239	9	288
At 31 August 2012	<u>157</u>	<u>1,015</u>	<u>221</u>	<u>1,393</u>
Net book value				
At 31 August 2012	<u>-</u>	<u>333</u>	<u>-</u>	<u>333</u>
At 31 August 2011	<u>40</u>	<u>176</u>	<u>9</u>	<u>225</u>

All assets are used for, or support, the Company's charitable objectives

9 Fixed asset investments

Group and Company

Listed Investments	£'000
Market value at 1 September 2011	1,465
Acquisitions at cost	74
Disposals at market value	(53)
Change in value in the year	138
	<u>1,624</u>
Historical cost:	
At 31 August 2012	<u>1,667</u>
At 31 August 2011	<u>1,646</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

9 Fixed asset investments (Continued)

The charity owns one £1 ordinary share, 100% of the voting capital in NCFE Trading Limited, a company incorporated and registered in England and Wales. The principal activity of the company is that of a holding company. The company was dormant to the 31 August 2013.

10 Debtors

	Group		Charity	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade debtors	2,687	1,470	2,687	1,470
Other debtors	37	12	37	12
Prepayments and accrued income	263	267	263	267
	<u>2,987</u>	<u>1,749</u>	<u>2,987</u>	<u>1,749</u>

11 Creditors, amounts falling due within one year

	Group		Charity	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade creditors	405	463	405	463
Taxes and social security costs	154	125	154	125
Accruals	1,590	713	1,590	713
	<u>2,149</u>	<u>1,301</u>	<u>2,149</u>	<u>1,301</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

12 Provisions for liabilities and charges

Provision for joint venture deficit

The group share of net liabilities is as shown below

	2012	2011
	£'000	£'000
Gross assets	47	-
Gross liabilities	(173)	-
Share of joint venture liabilities	<u>(126)</u>	<u>-</u>

13 Pension costs

NCFE currently operates two pension schemes

For certain former staff with service over a prescribed length, pension benefits were provided through the Tyne and Wear Pension Fund, which is a defined benefit scheme based upon final salary. The assets of the scheme are held separately from those of the charitable company in a separately administered fund. Contributions made are in accordance with the most recent actuarial valuation of the Fund. There are no current staff receiving contributions under this scheme and membership of this scheme is closed.

For current staff, pension benefits are provided through a Group Personal Pension Scheme, which is a defined contribution scheme. The assets of the scheme are held separately from those of the charitable company in a separately administered fund.

NCFE makes an employer's contribution of 9% of pensionable pay, provided that the employee makes a minimum contribution of 3%, 6% provided that the employee contributes 2% and 3% when the employee contributes 1%. These amounts are paid over to the Fund on a monthly basis. At 31 August 2012 contributions of £32,758 were outstanding to the fund (2011 £32,632).

Tyne and Wear Pension Fund

Funded benefits

Introduction

The disclosures below relate to the funded liabilities within the Tyne & Wear Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (LGPS). NCFE participates in the Fund, which provides defined benefits, based on members' final pensionable salary.

In accordance with Financial Reporting Standard No 17 – Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Contributions for the accounting period ending 31 August 2012

The Employer's regular contributions to the Fund for the accounting period ending 31 August 2012 are estimated to be nil. In addition, Strain on Fund Contributions may be required.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

13 Pension costs (continued)

Assumptions

The latest actuarial valuation of NCFE's liabilities took place as at 31 March 2010. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

Principal financial assumptions (% per annum)

	31 August 2012	31 August 2011
Discount rate	3.9	5.4
RPI Inflation	2.9	3.4
CPI Inflation	1.9	2.5
Rate of increase to pensions in payment	1.9	2.5
Rate of increase to deferred pensions	1.9	2.5

Post retirement mortality (retirement in normal health)

	31 August 2012	31 August 2011
Males		
Year of Birth Base table	Standard SAPS Normal Health All Amounts (S1NMA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table (years)	0	0
Scaling to above base table rates	110%	110%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	21.6	21.5
Future lifetime from age 65 (aged 45 at accounting date)	23.4	23.2
Females		
Year of Birth Base table	Standard SAPS Normal Health All Amounts (S1NFA)	Standard SAPS Normal Health All Amounts (S1NFA)
Rating to above base table (years)	0	0
Scaling to above base table rates	110%	110%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	23.8	23.7
Future lifetime from age 65 (aged 45 at accounting date)	25.7	25.6

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

13 Pension costs (continued)

Reconciliation of funded status to balance sheet

	Value as at 31 August 2012 £M's	Value as at 31 August 2011 £M's
Fair value of assets	1 70	2 21
Present value of liabilities	(2 92)	(3 03)
Net pension liability	<u>(1 22)</u>	<u>(0 82)</u>

Analysis of Income and Expenditure charge

	31 August 2012 £M's	31 August 2011 £M's
Current service cost	0 00	0 00
Past service cost	0 00	(0 00)
Interest cost	0 15	0 15
Expected return on assets	(0 13)	(0 15)
Curtailment cost	0 00	0 00
Settlement cost	0 00	0 00
Expense recognised	<u>0 02</u>	<u>(0 00)</u>

Changes to the present value of liabilities during the accounting period

	31 August 2012 £M's	31 August 2011 £M's
Opening present value of liabilities	3 03	3 16
Current service costs	0 00	0 00
Interest cost	0 15	0 15
Contributions by participants	0 00	0 00
Actuarial (gains)/losses on liabilities	0 40	(0 13)
Net benefits paid out	(0 66)	(0 15)
Past service cost	0 00	0 00
Net increase in liabilities from disposals and acquisitions	0 00	0 00
Curtailments	0 00	0 00
Settlements	0 00	0 00
Closing present value of liabilities	<u>2 92</u>	<u>3 03</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

13 Pension costs (continued)

Changes to the fair value of assets during the accounting period

	31 August 2012 £M's	31 August 2011 £M's
Opening fair value of assets	2 21	2 24
Expected return on assets	0 13	0 15
Actuarial gains/(losses) on assets	0 01	(0 10)
Contributions by the employer	0 01	0 07
Contributions by participants	0 00	0 00
Net benefits paid out	(0 66)	(0 15)
Net increase in assets from disposals and acquisitions	0 00	0 00
Settlements	0 00	0 00
Closing fair value of assets	<u>1 70</u>	<u>2 21</u>

Actual return on assets

	31 August 2012 £M's	31 August 2011 £M's
Expected return on assets	0 13	0 15
Actuarial gain/(loss) on assets	0 01	(0 10)
Actual return on assets	<u>0 14</u>	<u>0 05</u>

Analysis of amount recognised in STRGL*

	31 August 2012 £M's	31 August 2011 £M's
Total actuarial gains/(losses)	(0 39)	0 03
Total gain/(loss) in STRGL	0 00	0 00
*STRGL (Statement of Total Recognised Gains & Losses)	<u>(0 39)</u>	<u>0 03</u>

History of asset values, present value of liabilities and surplus/(deficit)

	As at 31 August 2012 £M's	As at 31 August 2011 £M's
Fair value of assets	1 70	2 21
Present value of liabilities	(2 92)	(3 03)
(Deficit)	<u>(1 22)</u>	<u>(0 82)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

13 Pension costs (continued)

History of experience gains and losses

	31 August 2012	31 August 2011
Experience gains/(losses) on assets		
Amount (£M's)	0.01	(0.10)
Percentage of assets	0.6%	-4.5%
Experience gains/(losses) on liabilities		
Amount (£M's)	(0.05)	0.01
Percentage of the present value of the liabilities	-1.7%	0.3%

Unfunded benefits

Introduction

The disclosures below relate to unfunded pension arrangements established by NCFE. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS.

In accordance with Financial Reporting Standards disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Contributions for the accounting period ending 31 August 2012

In the accounting period ending 31 August 2012 the Employer expects to pay £0.01m directly to beneficiaries.

Assumptions

The latest actuarial valuation of unfunded LGPS benefits took place as at 31 August 2009. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 17 purposes were:

Principal financial assumptions (% per annum)

	31 August 2012	31 August 2011
Discount rate	3.9	5.4
RPI Inflation	2.9	3.4
CPI Inflation	1.9	2.5
Rate of increase to pensions in payment	1.9	2.5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

13 Pension costs (continued)

Principal demographic assumptions (retirement in normal health)

Post retirement mortality

	31 August 2012	31 August 2011
Males		
Year in Birth Base table	Standard SAPS Normal Health All Amounts (S1NMA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table (years)	0	0
Scaling to above base table rates	110%	110%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1 25%p a	CMI_2009 with a long term rate of improvement of 1 25%p a
Future lifetime from age 65 (aged 65 at accounting date)	21 6	21 5
Females		
Year in Birth Base table	Standard SAPS Normal Health All Amounts (S1NFA)	Standard SAPS Normal Health All Amounts (S1NFA)
Rating to above base table * (years)	0	0
Scaling to above base table rates**	110%	110%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1 25%p a	CMI_2009 with a long term rate of improvement of 1 25%p a
Future lifetime from age 65 (aged 65 at accounting date)	23 8	23 7

Reconciliations of funded status to balance sheet

	Value as at 31 August 2012 £M's	Value as at 31 August 2011 £M's
Present value of liabilities	0 13	0 12
Net pension liability	(0 13)	(0 12)

Analysis of Income and Expenditure charge

	31 August 2012 £M's	31 August 2011 £M's
Current service cost	0 00	0 00
Past service cost	0 00	0 00
Interest cost	0 01	0 01
Curtailment cost	0 00	0 00
Settlement cost	0 00	0 00
Expense recognised	0 01	0 01

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

13 Pension costs (continued)

Changes to the present value of unfunded liabilities during the accounting period

	31 August 2012 £M's	31 August 2011 £M's
Opening present value of liabilities	0 12	0 12
Current service cost	0 00	0 00
Interest cost	0 01	0 01
Actuarial (gains)/losses on liabilities	0 01	0 00
Net benefits paid out	(0 01)	(0 01)
Past service cost	0 00	0 00
Net increase in liabilities from disposals and acquisitions	0 00	0 00
Curtailments	0 00	0 00
Settlements	0 00	0 00
	<hr/>	<hr/>
Closing present value of unfunded liabilities	0 13	0 12
	<hr/>	<hr/>

Analysis of amount recognised in STRGL*

	31 August 2012 £M's	31 August 2011 £M's
Total actuarial	(0 01)	0 00
Total loss in STRGL	(0 01)	0 00
	<hr/>	<hr/>

**STRGL (Statement of Total Recognised Gains & Losses)*

History of present value of liabilities and surplus/(deficit)

	As at 31 August 2012 £M's	As at 31 August 2011 £M's
Present value of liabilities	0 13	0 12
Surplus/(deficit)	(0 13)	(0 12)
	<hr/>	<hr/>

History of experience gains and losses

	31 August 2012	31 August 2011
Experience gains/(losses)		
Amount (£M's)	0 00	0 00
Percentage of the present value of the liabilities	0 0%	0 0%
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2012

14 Restricted funds

The funds of the charitable company include restricted funds comprising the following unexpected balances of income held on trust for specific purposes

	As at 1 September 2011 £'000	Incoming resources £'000	Resources expended £'000	As at 31 August 2012 £'000
Qualification Research	-	3	(3)	-

15 General unrestricted funds

	As at 1 September 2011 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	Share of joint venture £'000	Gain/ (losses) £'000	As at 31 August 2012 £'000
General reserve	3,729	16,546	(9,442)	(3,318)	(126)	138	7,527

16 Designated unrestricted funds

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

	As at 1 September 2011 £'000	Movement in funds		Transfers	As at 31 August 2012 £'000
		Incoming resources £'000	Resources expended £'000	£'000	
Investment fund	3,000	-	(718)	718	3,000
Future pension settlement fund	780	-	-	100	880
Property fund	-	-	-	2,500	2,500
	3,780	-	(718)	3,318	6,380

The investment fund is used to fund the research and development of new products and initiatives and for essential IT systems

The future pension settlement recognises the additional liability in the event that the scheme is settled

The property fund was set aside for a property purchase which has been made post year end

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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17 Analysis of net assets between funds

	Unrestricted Funds £'000	Designated Funds £'000	Restricted Funds £'000	Total Funds £'000
Fund balances at 31 August 2012 are represented by:				
Tangible fixed assets	333	-	-	333
Investments	1,624	-	-	1,624
Current assets	7,845	6,380	-	14,225
Creditors amounts falling due with one year	(2,149)	-	-	(2,149)
Provisions for liabilities and charges	(126)	-	-	(126)
Pension fund deficit	-	(1,220)	-	(1,220)
	<u>7,527</u>	<u>5,160</u>	<u>-</u>	<u>12,687</u>

18 Net cash inflow from operating activities

	2012 £'000	2011 £'000
Reconciliation to changes in resources		
Changes in resources	6,261	1,426
Depreciation of tangible fixed assets	287	246
(Increase)/decrease in debtors	(1,237)	(19)
Increase/(decrease) in creditors	848	(236)
	<u>6,159</u>	<u>1,417</u>

19 Reconciliation of net cash flow to movement in net funds

	2012 £'000	2011 £'000
Increase in cash	5,867	1,274
Net funds at 1 September 2011	5,371	4,097
Net funds at 31 August 2012	<u>11,238</u>	<u>5,371</u>

20 Analysis of net cash balances

	At 1 September 2011 £'000	Cash flow £'000	Non-cash changes £'000	At 31 August 2012 £'000
Cash at bank and in hand	5,371	5,866	-	11,237

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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21 Commitments under operating leases

At 31 August 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Expiry date				
In less than one year	-	-	49	17
Between two and five years	266	-	26	44
In over five years	-	266	-	-
	<u>266</u>	<u>266</u>	<u>75</u>	<u>61</u>

22 Capital commitments

There were capital commitments of £310,000 at 31 August 2012 (2011 £62,000)

23 Related parties

Group and Company

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

Organisation	NCFE Director/ Role within organisation	Value of Transactions £	Outstanding at the year end £
City of Sunderland College	Ms A O'Donoghue Principal (to July 2012)	183,747	5,100
South Essex College of Further and Higher Education	Ms A O'Donoghue Principal (from July 2012)	33,880	nil
Technology Services Group	Mr N Hudson Shareholder	185,015	112,859
Best Price Purchases Ltd	Mr N Hudson Shareholder/Director	87,014	nil
Onyx Group	Mr C Fleetwood Shareholder (to October 2011)	76,227	648

Included within debtors is an amount of £212,498 due from The Reed NCFE Partnership LLP

24 Control

The company is controlled by the Board of Trustees