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**ANNUAL REPORT AND FINANCIAL  
STATEMENTS  
31<sup>st</sup> July 2017**

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## REFERENCE & ADMINISTRATIVE INFORMATION

### Status

Newham Training and Education Centre (NEWTEC) is a charitable company limited by guarantee without share capital incorporated in England and Wales on 20<sup>th</sup> November 1989 and registered as a charity on 20<sup>th</sup> February 1990. The charity's governing document is its Memorandum and Articles of Association.

### Directors

Marzieh Chipperfield	Chair
Liz Laycock	
Linda Jordan	
Sheila Weeden	
Marcia Samuels	
Di Gowland	resigned 30.06.2017
Jayesh Kothari	appointed 26.04.2017, resigned 17.10.2017
Paul Stopford	appointed 17.10.2017

### Senior Leadership Team:

Chief Executive Pat Edwards  
Head of Learning Services Jennifer Marshall  
Head of Customer Services Caroline Grant  
Head of Commercial Operations Coral Decourcy  
Head of Quality and Standards Saher Nijabat  
Director of Finance Pieter Vermeulen

### Company Secretary

Pat Edwards

### Registered office

22 Deanery Road  
Stratford  
London E15 4LP

### Bankers

Bank of Scotland  
St James's Gate  
14-16 Cockspur Street  
London SW1Y 5BL

### Solicitors

Irwin Mitchell Solicitors  
Riverside East  
2 Millsands  
Sheffield, S3 8DT

### Auditors

RSM UK Audit LLP  
Chartered Accountants  
The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
Buckinghamshire MK9 1BP

## DIRECTORS' REPORT

The directors, who are also the trustees of the charity, present their annual report (incorporating the Strategic Report) and the audited financial statements of Newham Training and Education Centre (NEWTEC) for the year ended 31<sup>st</sup> July 2017.

The financial statements have been prepared in accordance with accounting policies set out in the notes to the accounts and comply with the Charities Act 2011, the Companies Act 2006, and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) published on 16<sup>th</sup> July 2014.

### OBJECTIVES & ACTIVITIES

#### OBJECTIVES OF THE CHARITY

NEWTEC is a company limited by guarantee having charitable status. Its principal aim is to provide learning opportunities for women, men and the community, to enable them to gain access to employment to improve their career development or to participate in further or higher education. NEWTEC provides integrated support for clients by providing quality childcare on and off site in its nursery and with local registered childminders.

#### STRATEGIC DIRECTION FOR 2017 & BEYOND

##### OUR VISION:

All our children will be happy, healthy and safe, and supported by well qualified and economically active parents and carers.

##### OUR MISSION:

To provide the highest quality childcare services and vocational training in care for young people, adults and employers.

##### OUR STRATEGY:

Prioritise training for young people and adults at risk of non-participation or unemployment, and for those progressing from foundation programmes.

Provide FE/HE training in Vocational Services for young people, adults and employers, to include foundation level services leading to employment.

Provide opportunities for progression into meaningful employment and related training for unemployed young people and adults.

Develop and operate integrated services with key partners for children, their parents/carers, and employers.

Provide high quality childcare at affordable prices.

Develop NEWTEC's strategy to work in an integrated way with relevant local and regional agencies.

Continuously develop and improve all aspects of the organisation, including quality, financial health, human resources, leadership and management, training and development and resources.

##### OUR VALUES are:

Promoting and safeguarding the interests of children, young people, adults and the community.

Promotion of equality, diversity and inclusion as key aspects of meeting community needs, excellent service delivery, and good employment practice.

**An ethical organisation** reflecting our charitable status, the reliance which communities have on our services and our partner and stakeholder status with other key local organisations.

**Business-Innovation:** seeking creative initiatives to ensure the long-term sustainability of the organisation.

**Determination to succeed:** aiming to achieve excellence in all that we do, and grow the services we provide.

## SERVICE PROVISION

NEWTEC delivers its objectives through its Learning Services and Commercial Operations departments. NEWTEC operates six nurseries: Mark Street, Deanery Road, Cumberland Road, East Ham, UEL Docklands and Plaistow Day Nursery in addition to an Early Education Centre in West Ham Lane.

**Learning Services was restructured in 2017 and separated into two areas of delivery: Young People & HE and Adult Learning.**

### Young People & HE

- NEWTEC's provision was reviewed by Ofsted in November 2016. Overall a grade of 2 was awarded from the inspection. The young people provision has maintained a Grade 1- Outstanding for effectiveness of leadership and management and Good - grade 2 for the outcomes for learners and the quality of teaching, learning and assessment. NEWTEC maintains very effective links within the industry and all provision meets the needs of both employers and employees and those seeking work. Quality of learning is assured through an annual self-assessment report against the standards of the Common Inspection Framework.
- Health, Public Services & Care (Early Years and Health & Social Care) – 2016/2017 activities remained stable with learners completing traineeships and study programmes that include English and Maths. Early Years and Health & Social Care retention is 97%.
- Preparation for Life and Work – this broad curriculum area includes Functional Skills English, Maths, ICT; GCSEs in English and Maths, employability, job search, vocational guidance and job preparation. The focus of the young people provision is to ensure all learners progress to further education, higher education or employment. Bespoke employability programmes concentrate on improving “soft skills” such as team working, problem solving, motivation and communication – skills often cited by employers as essential to effective workplace performance. Functional Skills and GCSE retention for 16/17 is 97.4%. Retention for employability programmes is 99%.
- Higher Education - NEWTEC also continues to offer a Foundation Degree in Early Years and Early Years Leadership and Management in collaboration with Kingston University. The quality of teaching, learning, assessment, and outcomes of the HE provision is excellent due to highly effective leadership and management.

### Adult Learning

- The Adult Learning provision has maintained a Grade 1- Outstanding for effectiveness of leadership and management and Good - grade 2 for the outcomes for learners and the quality of teaching, learning and assessment. NEWTEC maintains very effective links within the industry and all provision meets the needs of both employers and employees and those seeking work. Quality of learning is assured through an annual self-assessment process and is validated via the quality assurance process of our primary contracts; Newham College (NCFE) & South Essex College.
- Health, Public Services & Care (Early Years, Health & Social Care and Supported Teaching & Learning in Schools) – 2016/2017 activities remained stable with Subject Sector Area success rate of 94%.
- Business, Administration and Law (Business Administration & Customer Services) – 2016/2017 activities remained stable with Subject Sector Area success rate of 98%.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

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- Preparation for Life and Work – this broad curriculum area includes Functional Skills English, Maths, and ESOL, employability, job search, vocational guidance and job preparation. The focus of the adult learning provision is to ensure all learners progress to further education, higher education or employment. Bespoke employability programmes concentrate on improving “soft skills” such as team working, problem solving, motivation and communication – skills often cited by employers as essential to effective workplace performance. Overall retention for 16/17 is 100% with 70% success rate for this Subject Sector Area.
- Overall retention for this provision is 98% for both NCFE & South Essex sub-contracts and overall success is 94% and 95% respectively.
- Skills Support for the Unemployed (Learn Direct SSU) (Health & Social Care, Retail, Travel & Tourism) – This is a sub-contract with Learn Direct. NEWTEC successfully delivered customer services, business administration and health & social care programmes under ESF funded sub-contract with outstanding learner outcomes. Retention on SSU contract is 100% and progression targets has been exceeded with over 80% learners progressing into Employment or Apprenticeship against a target of 25%. The quality of teaching, learning, assessment, and outcomes of provision is excellent due to highly effective leadership and management.
- Adult Apprenticeships (Childcare and Health & Social Care) NEWTEC continues to provide apprenticeships to adults and employers based in Health & Social Care and Childcare sector. 2016/2017 overall retention improved from 37% to 72%. The timely completion rate (33% currently) still requires improvement.

### **Children's Services**

All seven NEWTEC nursery provisions continue to be successful, all achieving Ofsted Grade 2. All provisions welcome families entitled to Early Education Entitlement Grant (EEEG) as well as full cost commercial places. The settings are operating as mixed economy nurseries with subsidised places for learners and local parents, other places are sold at full cost. NEWTEC is also managing the childcare services for NCFE under a Service Level Agreement and has been managing the UEL's nursery in Docklands since January 2016 after successfully winning a tender to manage the provision. NEWTEC offers a provision that caters solely for families who are entitled to the EEEG in addition each nursery provision also has an allocation for families that are entitled to EEEG.

Whilst NEWTEC has successfully been running the Children Centres for a number of years, due to political changes the borough was under threat of more than half of the Children Centres being closed. This resulted in a much smaller pool of provisions within the community to support those that are the most vulnerable. NEWTEC was successful in the consultation processes regarding these changes and is working in partnership with the selected main hub and an additional centre on the Best Start in Line Initiative that has replaced the Children Centres albeit in a reduced capacity.

### **Recruitment Agency**

The Recruitment Agency started in July 2010 and was rebranded as Staffing Matters in 2017. Staffing Matters caters for professionals in the Childcare and Health & Social Care sector; this may be candidates who are looking for full or part-time work or employers who are looking for temporary or permanent staff.

### **Room Hire**

The room hire for the period under review was largely successful due to the current climate of activity in the Stratford area associated with the regeneration process within the borough of Newham. The next financial year should continue to be successful as certain long term commitments to hire have been agreed with NCFE, the controlling entity for a group of companies including NEWTEC.

## **STRUCTURE, GOVERNANCE & MANAGEMENT**

NEWTEC has a Board of Directors who meet regularly to oversee NEWTEC's strategic direction, to ensure legislative compliance and to maintain financial probity.

### **Directors**

The directors of the company during the year and up to the date of this report as listed on page 1.

The directors are elected annually at the annual general meeting by a simple majority and no director is employed by or has any interest in any contract with the company. At 31<sup>st</sup> July 2017, the number of members totalled 6 (2016:6).

NEWTEC is managed by a Senior Leadership Team comprising of the Chief Executive, the Head of Young People & HE, Head of Commercial Operations, Head of Quality and Standards, Head of Adult Learning and the Head of Stakeholder Engagement.

On the 17<sup>th</sup> December 2006, following signature of a Members Agreement between NCFE and NEWTEC (the members, NEWTEC Trustees, the College and the College Governors) decided that (and the constitution of NEWTEC enables it) it is of material benefit to the Parties, if NCFE shall be the parent undertaking of NEWTEC and NEWTEC shall be a subsidiary undertaking of NCFE.

The Directors consider the board of directors, who are the charitable company's trustees, and the CEO comprise the key management personnel of the charitable company, at present, in charge of directing and controlling, running and operating the charitable company on a day to day basis.

The pay and remuneration of the key management personnel is set by the Board of Directors. Long term strategic decisions i.e. the strategic plan are set and agreed by the Board of Directors, short term and medium term decisions are made by key members of management.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

**PUBLIC BENEFIT**

In setting our objectives and planning our activities the Directors have given careful consideration to the Charity Commissions general guidance on public benefit and in particular the supplementary public benefit guidance on advancing education.

**RECRUITMENT OF DIRECTORS**

New directors will continue to be sought through external recruitment in line with NEWTEC's equal opportunities policies.

New directors are inducted into their role by the Chair and supported by the other directors and the CEO.

**PARTNERSHIP WORKING**

NEWTEC works in partnership with a range of other organisations to deliver learning services in line with its objectives. Significant partners for 2016/2017 include:

- Newham College Group (NCFE) – parent company and member
- London Borough of Newham – Children's Centre; 14 to 19 Leaders' Forum
- Adults Skills Strategic Partnership; Nursery Managers' Forum
- Kingston University – Foundation Degree in Early Years and Leadership & Management
- Learn Direct – Apprenticeship sub-contractor
- South Essex College – Adult education sub-contractor

**STRATEGIC REPORT**

**ACHIEVEMENTS & PERFORMANCE**

**KEY BUSINESS RESULTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017**

13 key performance indicators were formulated by the new Senior Leadership Team to drive and monitor organisational performance over 2017. Key Performance Indicators were as follows:-

Ref	Key Business Results	Comments
1.	NEWTEC College – to achieve 90% timely success rate for Functional Skills	Not Achieved
2.	NEWTEC College – Learners into Jobs – to convert 20% work placements to actual jobs	Achieved
3.	Function Skills – 100% of NEWTEC staff to achieve L2 Functional Skills	Not Achieved
4.	Young learners contract to £1.1m	Achieved
5.	Apprenticeships contract value at £100k	Achieved
6.	Student Loans contract £655k	Achieved
7.	Classroom contract £600k	Achieved
8.	Non-Core Commercial Income £614k	Achieved
9.	Childcare provision income by £3m	Achieved
10.	Additional funds £150k	Achieved



DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

11.	MATRIX Re-accreditation	Achieved
12.	Investors in People (platinum)	Not Achieved
13.	New Childcare setting	Achieved

The company achieved ten (77%) of the thirteen key performance indicators, with one further objective achieving Gold against the new standard. The financial targets are discussed in the Financial Review below.

**NEWTEC has been awarded the following quality kite-marks:**

Investors in People (Gold)  
Mindful Employer  
Customer First  
Investors in Diversity  
Matrix  
EFQM –Readiness for Excellence Award (4 Star)  
NEWTEC won the best Small to Medium sized UK Company.  
The NEWTEC Chief Executive won the Chief Executive of the Year.

**FINANCIAL REVIEW**

In the twelve months ended 31<sup>st</sup> July 2017, NEWTEC made an operating surplus of £201k (after adjusting for the release of capital grants received in previous years and part of accumulated reserves brought forward) against a target of £175k.

The significant events that have affected the financial performance and financial position of the charity during the reporting period are detailed below:

The operating surplus of £201k for the period was above target due to new Educational Contracts such as Learn Direct and South Essex College contracts coming on board plus existing 19+ LR and 24+ contracts performing over and above set targets.

Nursery output also increased due to the additional take up of nursery places in the newly established nurseries such as Cumberland Road and Plaistow Day nurseries.

The financial performance going forward will be affected by the anticipation of the trustees of opening a new nursery within the next 12 months which is part of the expansion programme to open a new nursery each financial year. Further growth of 15% is anticipated through the EFA contract.

The following financial targets have been identified for 2017/18 to support and maintain the continuing return to sustainability:

To achieve a targeted and sustainable mix of charitable/grant income and social enterprise income with the correct contribution to company overheads.

To achieve a 3% operating surplus for 2017/18 through effective management of our cost base and successful income generation in line with the company reserve policy.

To make better use of the improved quality and distribution of financial information across the organisation to enable accurate assessment of financial viability of both ongoing and proposed projects.

To identify problems with high risk projects at an early stage and implement turnaround project management to reduce the potential financial risk and impact.

To review NEWTEC's financial procedures and improve financial controls across the organisation.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

Reconciliation of surplus/(deficit)	
	£'000
Operating Surplus	201
Depreciation in respect of assets financed by Capital Grants recognised in the SOFA in a prior year.	-126
SOFA Net income resources being the profit for period	75

### Reserves and cash holding policy

One of NEWTEC's long-term aims is to achieve total cash at bank and in hand of £125k by 2018/19 and to improve the cash held and the future sustainability of the organisation. NEWTEC's cash held at 31 July 2017 was approximately £0.4k. The improved performance will be achieved through the expansion of the childcare activities, increased commercial activities and exposure to SFA apprenticeship funding and future efficiency savings identified through joint working with NCFE. The current level of unrestricted reserves is £2,336k.

The charity will ensure its long term financial sustainability by continuously working towards maintaining positive reserves. Over time Newtec's target has been to reduce the negative reserve by generating a small surplus consistently and this is evident in the unrestricted reserves.

### Financial commitments

The financial commitments of the company at 31<sup>st</sup> July 2017 are as shown in notes 15 to 17 of the financial statements.

### Risk Management

The major risks, to which NEWTEC is exposed, as identified by the Board of Directors, have been reviewed and systems have been established to mitigate those risks appropriate to the level of materiality and risk. The Risk Register was updated in October 2016. Project specific risks are considered on a six weekly basis in STAR meetings and appropriate action identified. STAR meetings are monthly team Short Term Action & Review meetings to monitor the progress of the NEWTEC Quality Improvement Plan. The principal risks are:

The loss of funding, inability to meet commercial financial income and the 19+ Student Loans resulting in reduced enrolment numbers at Level 3. This will be mitigated by seeking and securing additional funders and direct contracts, increase commercial cash income including fundraising and effective engagement with partner and employers.

Failure to achieve/recruit for planned learner numbers. This will be mitigated by regular staff meetings such as STAR and LINKS to review the current marketing strategy, effectiveness of Information Advice and Guidance and development of staff skills set.

## **KEY DEVELOPMENTS DURING 2016/2017**

### **Working with Newham College of Further Education (NCFE)**

NEWTEC became part of the Newham College group of companies in December 2006 however, directors retained direct control over all NEWTEC affairs. The Member's Agreement and Service Level Agreements state that NEWTEC and NCFE will:

Continue to review the extent of collaboration between NEWTEC and NCFE, particularly with regard to childcare training and provision to ensure a full cross borough service meeting the needs of local people and employers in this sector. This will be undertaken in full consultation and co-operation with the Newham Early Years Partnership. The provision will extend beyond Newham where appropriate.

Continue to review Corporate Services (Estates, Finance, Human Resources and Management Information) support for NEWTEC from NCFE and to help further improve NEWTEC's efficiency and effectiveness.

NCFE's aim in undertaking this is to better enable those in the community to take advantage of local childcare, employment and training opportunities. It is expected that the new arrangements will:

Identify and exploit synergies and opportunities for joint working

Enable NEWTEC to benefit from NCFE's strength and high level of capability as a childcare provider and economic and community regeneration agency

Consolidate and increase NEWTEC's childcare provision in each of these areas

Better position NEWTEC to take forward its childcare vision and strategy

Enable NCFE to benefit from NEWTEC's professional expertise in Childcare training and provision

### **East London Childcare Institute (ELCI)**

NEWTEC's main childcare provision will remain at its flagship site, the East London Childcare Institute at Mark Street. The ELCI strategy has been agreed with the London Development Agency and will cover the following:

Improve employment opportunities through the provision of high quality training to unemployed people interested in working within the Childcare and Early Years sector

Prioritise the provision of career opportunities through professional development and up skilling for people already employed within this sector

Provide a day care unit which can be used as an integrated learning resource for learners studying child development, education and early year's management

Offer business start-up support to help with the establishment of new nurseries and other childcare projects in East London

Support private sector employers in developing a range of childcare models including workplace nurseries

### **Strategic Plan 2017 & Beyond**

The directors have concluded their annual review of strategy and the outcomes are to undertake the following developments, in addition to NEWTEC's existing strategy:-

Key areas to improve: Functional Skills (English, Maths & ICT), Fund raising capacity, Contract administration and Marketing activities

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

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Three key development areas are:

- a) NEWTEC College – 90% of all learners to achieve a L2 Maths and English
- b) NEWTEC College – Learners into Jobs – to convert 25% work placements to actual jobs
- c) Functional Skills – 90% of NEWTEC staff to achieve L2 Functional Skills

**Other Key Outcomes – ACE ( Accountability, Consistency, Expectations) 2016/17:**

Ref Objectives

**Top Three Priority Objectives (Golden Week)**

1. **NEWTEC College – To achieve 90% timely success rates for Functional Skills our Young Learners.** The functional skills elements are English, mathematics, and information and communication technology. These elements will provide the learners with essential knowledge, skills and understanding needed to operate confidently, effectively and independently in life and at work.
2. **NEWTEC College – Learners into Jobs- to convert 20% Work Placement to actual jobs.** Work experience is an important part of becoming 'workplace-ready': Building useful skills that cannot be taught in the classroom as well as contacts those learners otherwise would not be exposed to. Perspective employers will always look favorably on the effort taken by learners who have done work experience.
3. **Functional Skills – 80% of NEWTEC employees to achieve L2 Functional Skills.** This objective will help to ensure that NEWTEC employees can apply vital functional skills in work situations which will improve our effectiveness and productivity.

**Primary Objectives**

4. **To increase the Young Learners contract value to £1.1m.** The young learner's contract is our primary contract and the aim is to improve the economies of scale through growth of the contract to realise a reduced cost per unit of delivery and to also increase quality measures to Ofsted outstanding.
5. **To stabilise the Apprenticeship sub-contract value to £250k.** The aim is to stabilize the apprenticeship sub-contract to pilot and test different modes of delivery to significantly increase the quality thresholds to national rates.
6. **To grow the Student Loans sub-contract value to £600k.** The aim is to grow the student loan sub-contract to pilot and test different modes of engaging and recruiting level 3 learners in the complimentary curriculum areas.
7. **To maintain ESFA Classroom sub-contract value to £625k.** The intention is to maintain the ESFA classroom sub-contract to increase the quality thresholds to above national rates.
8. **To increase the commercial income to £615k.** To reduce the over-reliance on public sector grant income NEWTEC intends to increase the existing commercial activities from the Recruitment Agency, Café and Room Hire.
9. **To increase the childcare provision income to £3m.** The aim is to increase the childcare fee by 4.5% and to maintain approximately 80% occupancy across all NEWTEC nurseries.
10. **To secure additional grant funds to £150k.** NEWTEC aims to submit a variety of small and large grant applications to support our vulnerable client groups (children, young people and adults) to provide essential wrap around services to the core activities.
11. **To achieve the EFQM (European Foundation for Quality Management) Five Star rating.** The benefits of the EFQM are to help deliver the NEWTEC 'Nudge' strategy, understand what is important to do as leaders and develop a unique culture where excellence is the given. Other benefits also include the proving the linkages between

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strategy and operations, pro-actively engaging employees in change and leading quality improvements initiatives. In addition, the EFQM provides a framework to build a common purpose, to fully understand the impact of actions and to monitor progress.

- 12 **To achieve the Stonewall Workplace Equality Index (Top 100 Employers).** At NEWTEC we know that employees perform better when they can be themselves, therefore creating a fully inclusive environment for lesbian, gay, bi-sexual and transgender employees makes perfect business sense and also has a positive impact on the lives of LGBT employees.
- 13 **To achieve the Merlin Standard.** The aim of the Standard is to encourage excellent supply chain management and within this to ensure fair treatment of partners and subcontractors by NEWTEC, to support development of healthy, high performing supply chains.
- 14 **To achieve the Investors in People – Platinum status.** The Investors in People Standard is the benchmark of good people management practice. The framework reflects the latest workplace trends and leading practices. The platinum accreditation indicates higher performance in people management and is benchmarked against global industry practice.
- 15 **To Acquire 1 new Childcare Setting.** The principle benefits are to provide additional childcare settings to place learners into work placement. The other benefits are being part of a chain of training nurseries to draw on support from a range of specialist colleagues, and in particular the wealth of experience its early year's experts and practitioners can share. Additional benefits include the support of career aspirations, bringing opportunities for a wide range of experiences, succession planning and promotion.

#### Potential Strategic Partners:

- (1) UEL – to develop access level 3 courses for early years, to develop work placement experience programme for MA students relating to early years.
- (2) East Thames has requested NEWTEC to develop a training academy for all their staff and residents to deliver English and Maths.

#### Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of the approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

#### Directors' Responsibilities

The directors (who are also the trustees of NEWTEC for the purpose of charity law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including income and expenditure of the charitable company for that period.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

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In preparing these financial statements, the directors are required to:

- a. select suitable UK accounting policies and then apply them consistently;
- b. observe the methods and principles in the Charities SORP;
- c. make judgements and estimates that are reasonable and prudent; and
- d. state whether applicable UK accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- e. prepare the financial statements on the going concern basis unless it is not appropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the charitable company and enable them to ensure that the financial statements comply with the requirements of 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.

By order of the Board



Director

Date 29/11/2017

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF NEWHAM TRAINING AND EDUCATION CENTRE**

We have audited the financial statements of Newham Training and Education Centre (the 'charitable company') for the year ended 31 July 2017 which comprise the Statement of Financial Activities incorporating the Income and Expenditure Account, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2017 and of its 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **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 and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

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**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report and the incorporated Strategic Report.

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

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

**Responsibilities of trustees**

As explained more fully in the Statement of Directors' Responsibilities set out on page 11 and 12, the trustees (who are also the directors 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

RSM UK Audit LLP

SARAH MASON (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP

Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

Buckinghamshire

MK9 1BP

Date 11 December 2017



## STATEMENT OF FINANCIAL ACTIVITIES (incorporating Income and Expenditure Account)

FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

	Note	Restricted funds £	Unrestricted funds £	Total 2017 £	Total 2016 £
<b>Income from:</b>					
Other trading activities: Training room hire	2	-	139,659	139,659	130,598
Charitable activities	3	1,121,630	5,257,906	6,379,536	5,381,133
<b>Total income</b>		<b>1,121,630</b>	<b>5,397,565</b>	<b>6,519,195</b>	<b>5,511,731</b>
<b>Expenditure on:</b>					
Charitable activities:					
Cost of social enterprise activities	4(a)	-	3,227,066	3,227,066	2,727,130
Costs of learning and employment	4(b)	1,182,495	2,034,579	3,217,074	2,783,843
<b>Total expenditure</b>		<b>1,182,495</b>	<b>5,261,645</b>	<b>6,444,140</b>	<b>5,510,973</b>
<b>Net income / (expenditure) for the year</b>		<b>( 60,865 )</b>	<b>135,920</b>	<b>75,055</b>	<b>758</b>
Fund balances brought forward at 1st August 2016		3,216,521	2,200,251	5,416,772	5,416,013
<b>Fund balances carried forward at 31st July 2017</b>		<b>3,155,656</b>	<b>2,336,171</b>	<b>5,491,827</b>	<b>5,416,772</b>

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

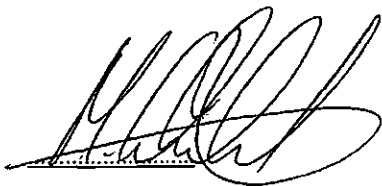
**COMPANY BALANCE SHEET**

AS AT 31<sup>ST</sup> JULY 2017

	Note	£	2017 £	£	2016 £
<b>Fixed assets</b>					
Intangible assets	7		8,149		6,240
Tangible assets	8		5,554,814		5,683,404
Investments	9		<u>3</u>		<u>3</u>
			5,562,966		5,689,647
<b>Current assets</b>					
Debtors	10	964,024		442,479	
Cash at bank and in hand		<u>410</u>		<u>672</u>	
		964,434		443,151	
<b>Creditors - amounts falling due within one year</b>	11(a)	<u>677,509</u>		<u>340,535</u>	
<b>Net current assets</b>			<u>286,925</u>		<u>102,616</u>
<b>Total assets less current liabilities</b>			5,849,891		5,792,263
<b>Creditors - amounts falling due after one year</b>					
Long Term Loan	11(b)		<u>( 358,064 )</u>		<u>( 375,491 )</u>
<b>Net assets</b>			<u>5,491,827</u>		<u>5,416,772</u>
<b>Reserves</b>					
Unrestricted funds	12		2,336,172		2,200,251
Restricted funds	13		<u>3,155,656</u>		<u>3,216,521</u>
			5,491,828		5,416,772

Approved and authorised for issue on 29/11/2017

by the Board and signed on their behalf by:



**Marzieh Chipperfield**  
Chair of the Board of Directors

## NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

### 1. Accounting Policies

#### Basis of accounting

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

The charitable company constitutes a public benefit entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charitable company. Monetary amounts in these financial statements are rounded to the nearest £ unless otherwise specified.

#### Going Concern

NEWTEC financial statements have been prepared on the going concern basis due to ongoing support from Newham College of Further Education.

The College's fixed intention with a horizon of at least twelve months from today's date is that no part of the outstanding balance advanced by the College to NEWTEC shall be repaid unless and only to the extent that repayment will not prejudice the ability of NEWTEC to meet its debts as they fall due provided that NEWTEC conducts its business in accordance with its members agreement and otherwise within the law.

#### Reduced disclosure

In accordance with FRS 102, the charitable company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

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The financial statements of the charitable company are consolidated in the financial statements of Newham College of Further Education. A copy of the consolidated financial statements of Newham College of Further Education may be obtained from <http://www.newham.ac.uk/governance/financial-statements/>.

#### Group financial statements

These financial statements present the financial results of the charitable company only and do not consolidate those of its wholly owned subsidiary, Newtec Services Ltd, which has remained dormant throughout the year.

#### Income

Donations, training room hire, childcare fees and grants are recognised when the SORP income recognition criteria of entitlement, probability and measurement have been met. Revenue grants are credited to income in the year to which they relate. Grants received or applied for the purchase of fixed assets are credited to income in full in the year in which they are received.

#### Expenditure

Expenditure is recognised on an accruals basis as a liability is incurred and includes any VAT which cannot be fully recovered and is reported as part of the expenditure to which it relates.

Staff costs are apportioned between course costs, support costs, fund-raising and publicity and management and administration on the basis of time is spent on each of these activities.

Overheads are allocated to course costs if they are direct charitable expenditure; otherwise they are allocated to support costs.

Governance costs comprise the statutory and constitutional costs of governing the charity and include external audit fees and an appropriate proportion of the Chief Executive's costs and these are included in support costs.

Support costs are allocated between charitable activities using apportionment based on salary costs.

#### Taxation

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

#### Intangible fixed assets – other than goodwill

Purchased intangible assets are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to the statement of financial activities on a straight-line basis over their useful lives, as follows:-

Computer software & website costs	25% per annum
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### **Tangible fixed assets**

Expenditure on items costing £500 and over is capitalised in the year of acquisition. Items costing less than that are to be written off to the Statement of Financial Activities.

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. With the exception of land, depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Freehold Building	15% per annum
Leasehold Buildings	over term of the lease
Building works	2-15% per annum
Computers & equipment	25% per annum
Fixtures, fittings	15% per annum
Motor vehicle	25% per annum

### **Impairment of fixed assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income and expenditure.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### **Financial instruments**

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

#### *Financial assets*

Basic financial assets, which include trade debtors, accrued income, amounts due from the parent undertaking and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

#### *Financial liabilities*

Basic financial liabilities, which include bank overdraft, loans, trade creditors, deferred income and NCFE long term balance, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

### **Funds**

Restricted funds comprise monies where a restriction has been placed on their use by a donor (for a purpose which falls within, but is narrower than the general charitable objectives). Restricted funds are distributed in accordance with the terms of the original restriction.

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds are unrestricted funds earmarked for particular purposes by the Board of Directors.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

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**Leases**

All leases are considered to be operating leases and rentals are charged to the Statement of Financial Activities on a straight line basis over the lease term.

**Defined contribution pension scheme**

For defined contribution schemes the amount charged to the Statement of Financial Activities is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

**Critical accounting estimates and assumptions**

In the application of the charitable company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

- The charity is in receipt of a loan from Newham College of Further Education. This loan is interest free and has no fixed repayment date. Under FRS102 the trustees have discounted the loan at an estimated interest rate of 1.5% over a period of 20 years.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

**2. Income from other trading activities**

	2017 £	2016 £
Training room hire	139,659	130,598

In 2017, income from other trading activities was £139,659 (2016: £130,598) all of which related to income from unrestricted funds.

**3. Income from charitable activities**

	2017 £	2016 £
<b><u>a) Social enterprise income</u></b>		
Childcare fees	2,273,369	1,898,162
Other misc income	37,092	40,176
	<u>2,310,461</u>	<u>1,938,338</u>
<b><u>b) Learning and employment income</u></b>		
Government grants:		
EFA - Revenue	1,065,000	1,034,291
Apprenticeship Programme	-	260,000
NCFE 19+	746,000	589,000
London Borough of Newham-Capital	-	27,747
Other Education Contracts	-	75,000
London Borough of Newham	925,158	638,619
Prevista Contract	76,605	76,507
SSW Contract	-	3,082
HE Contracts	176,924	165,528
Learn Direct	204,251	-
South Essex College	154,637	-
24+ Loans/Tuition Fees	677,293	449,649
Other	19,548	92,906
	<u>4,045,416</u>	<u>3,412,329</u>
Newtec Recruitment	23,659	30,466
	<u>4,069,075</u>	<u>3,442,795</u>
<b>Total income from charitable activities</b>	<u>6,379,536</u>	<u>5,381,133</u>

All grants were given towards the capital expenditure, salaries and running costs of the charity, and have been fully used for this purpose in the accounting period.

Grants from the European Social Fund are shown gross of administration fees.

In 2017, total income from charitable activities was £6,379,536 (2016: £5,257,906) of which £5,257,906 (2015: £4,423,173) related to income from unrestricted funds and £1,121,630 (2016: £957,960) was from restricted funds.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

4. Expenditure on charitable activities

(a) Cost of social enterprise activities

	Total 2017	Total 2016
<u>Staffing costs</u>		
Salaries & wages	1,572,128	1,065,904
Temporary staff	352,334	370,877
Other staff costs	12,345	11,113
	<u>1,936,807</u>	<u>1,447,894</u>
<u>Other costs</u>		
Food costs	155,077	124,263
Other direct costs	29,342	46,807
Support costs	1,091,474	1,093,422
	<u>1,275,893</u>	<u>1,264,492</u>
<u>Governance costs</u>		
Professional fees	10,702	11,080
Governance assistance (Chief Executive)	3,664	3,664
	<u>14,366</u>	<u>14,743</u>
<b>Total social enterprise costs</b>	<u>3,227,066</u>	<u>2,727,130</u>



DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

**4. Expenditure on charitable activities (continued)**

**(b) Cost of learning and employment**

	Newtec Recruitment	Young Learners Services	Adult Learners Services	Total 2017	Total 2016
<b>Staffing Costs</b>					
Salaries & Wages	50,050	307,972	644,463	1,002,485	770,622
Temporary Staff	22,319	-	50,985	73,304	237,694
Other Staff Costs	-	11,924	37	11,961	3,059
	<u>72,369</u>	<u>319,896</u>	<u>695,485</u>	<u>1,087,750</u>	<u>1,011,375</u>
<b>Other costs</b>					
External Course costs	-	509,739	741,644	1,251,383	785,642
Student Travel Costs	-	-	-	-	304
Other Student Support	-	42,096	3,968	46,064	45,960
Course Books & Materials	-	2,608	-	2,608	1,152
Exam fees	-	75,854	9,898	85,752	107,024
Office Costs	-	21,070	12,091	33,161	27,126
Allocated overheads	34,748	213,814	447,428	695,990	790,517
	<u>34,748</u>	<u>865,181</u>	<u>1,215,029</u>	<u>2,114,958</u>	<u>1,757,725</u>
<b>Governance costs</b>					
Professional fees				10,702	11,080
Governance assistance (Chief Executive)				3,664	3,663
				<u>14,366</u>	<u>14,743</u>
<b>Total learning and employment costs</b>	<u>107,117</u>	<u>1,185,077</u>	<u>1,910,514</u>	<u>3,217,074</u>	<u>2,783,843</u>
<b>Total expenditure on charitable activities</b>				<u>6,444,140</u>	<u>5,510,973</u>

In 2017, the expenditure on charitable activities was £6,444,140 (2016: £5,510,973) of which £5,261,645 (2016: £4,492,147) was expenditure from unrestricted funds and £1,182,495 (2016: £1,018,825) was from restricted funds.

**5. Net income for the year**

	2017	2016
This is stated after charging:	£	£
Operating lease payments	261,519	246,281
Depreciation of owned assets	143,189	151,836
Loss on disposal of assets	-	10,000
Amortisation of intangible assets	3,683	4,740
Auditor's remuneration in respect of financial statement audit services	<u>14,175</u>	<u>13,500</u>

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

**6. Staff costs**

	<b>2017</b>	2016
	£	£
Salaries	2,719,236	2,177,475
Social security costs	218,304	192,322
Pension costs	111,358	94,177
Temporary staff	472,662	636,715
	<u>3,521,560</u>	<u>3,100,689</u>

The key management personnel of the charitable company comprise the directors and the CEO.

The total employee benefits of the key management personnel of the charitable company were £100,513 (2016: £100,515) including employer's national insurance payments of £10,370 (2016: £10,372).

No directors received any emoluments in their capacity as directors of the charitable company.

No amounts were reimbursed to the directors for expenses for 2017 (2016 - £nil). 1 employee earned £60,000 per annum or more (2016 - 1).

The average number of employees in the year was:

	<b>2017</b>	2016
	<b>Average Number</b>	<b>Average Number</b>
Social enterprise staff	117	99
Learning and employment staff	30	27
Other support services staff	11	11
	<u>158</u>	<u>137</u>

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

**7. Intangible fixed assets**

	Computer software & website £	Total £
<b>Cost:</b>		
1st August 2016	27,966	27,966
Additions	5,592	5,592
Disposals	( 9,006 )	( 9,006 )
31st July 2017	<u>24,552</u>	<u>18,960</u>
<b>Amortisation:</b>		
1st August 2016	21,726	21,726
Charged in the year	3,683	3,683
Disposals	( 9,006 )	( 9,006 )
31st July 2017	<u>16,403</u>	<u>16,403</u>
<b>Net Book Value:</b>		
As at 31st July 2017	<u>8,149</u>	<u>8,149</u>
As at 31st July 2016	<u>6,240</u>	<u>6,240</u>

The amortisation charge for the year is recognised within expenditure on charitable activities.

**8. Tangible fixed assets**

	Freehold Land & Buildings £	Leasehold Buildings £	Computers £	Fixtures, Fittings & Equipment £	Motor Vehicle £	Total £
<b>Cost:</b>						
1st August 2016	6,786,716	1,487,567	1,009,177	365,257	12,572	9,661,289
Additions	-	-	-	14,598	-	14,598
Disposals	-	-	( 927,302 )	( 314,449 )	-	(1,241,751 )
31st July 2017	<u>6,786,716</u>	<u>1,487,567</u>	<u>81,875</u>	<u>65,406</u>	<u>12,572</u>	<u>8,434,136</u>
<b>Depreciation:</b>						
1st August 2016	1,573,715	1,049,851	998,607	343,139	12,572	3,977,884
Charged in the year	115,289	16,950	2,034	8,916	-	143,189
Disposals	-	-	( 927,302 )	( 314,449 )	-	(1,241,751 )
31st July 2017	<u>1,689,004</u>	<u>1,066,801</u>	<u>73,339</u>	<u>37,606</u>	<u>12,572</u>	<u>2,879,322</u>
<b>Net Book Value:</b>						
As at 31st July 2017	<u>5,097,712</u>	<u>420,766</u>	<u>8,536</u>	<u>27,800</u>	<u>-</u>	<u>5,554,814</u>
As at 31st July 2016	<u>5,213,001</u>	<u>437,716</u>	<u>10,570</u>	<u>22,118</u>	<u>-</u>	<u>5,683,404</u>

If the land valued at £1,000,000 was stated at the historical cost amount it would be included at a carrying value of £650,000.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

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**9. Investments**

	<b>2017</b>	<b>2016</b>
	£	£
3 ordinary shares (100%) of a subsidiary company,	3	3

The subsidiary company, NEWTEC Services Ltd, is dormant and has net assets of £3. The principal activity of the company was the hire of premises and catering associated with the hire; however it has been dormant for the entire financial period.

The subsidiary is carried in the accounts at original nominal value.

**10. Debtors**

	<b>2017</b>	<b>2016</b>
	£	£
Trade debtors	150,596	82,624
Accrued income	513,140	45,952
Prepayments	79,105	84,932
Amounts due from parent undertaking	218,683	223,570
Other debtors	2,500	5,401
	964,024	442,479

**11. Creditors**

	<b>2017</b>	<b>2016</b>
	£	£
(a) Due within one year		
Bank overdraft	116,969	28,717
Bank Loan	23,000	23,000
Trade creditors	67,422	54,776
Taxation and social security	90,005	73,826
Accruals and deferred income	380,113	160,216
	677,509	340,535

Deferred income comprises of rent received in advance of £10,200 (2016: £8,804).

		£
Balance at 1 August 2016		8,804
Amount released during the year deferred	(	8,804 )
Amount received during the year		10,200
Balance at 31 July 2017		10,200

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

	2017 £	2016 £
(b) Due after one year		
Bank loan	34,393	56,674
NCFE Long term balance	<u>323,671</u>	<u>318,817</u>
	<u>358,064</u>	<u>375,491</u>

The bank loan is repayable in the following instalments

	2017 (£)	2016 (£)
-within one year	23,000	23,000
-within one to two years	34,393	46,000
-in two to five years	-	10,674
	<u>57,393</u>	<u>79,674</u>

The Bank Loan is secured by a legal charge over 1 Mark Street.

The NCFE long term balance is interest free, unsecured and has no fixed repayment terms but it is not repayable before 31 July 2018.

**12. Unrestricted funds**

	1st Aug. 2016 £	Income £	Expenditure £	31st Jul. 2017 £
General funds	2,200,251	5,397,565	(5,261,645)	2,336,171
	<u>2,200,251</u>	<u>5,397,565</u>	<u>(5,261,645)</u>	<u>2,336,171</u>

**13. Restricted funds**

	1st Aug. 2016 £	Income £	Expenditure £	31st Jul. 2017 £
SRB - Capital	3,216,521	-	( 60,865 )	3,155,656
London Borough of Newham	-	944,706	( 944,706 )	-
Kingston University	-	176,924	( 176,924 )	-
	<u>3,216,521</u>	<u>1,121,630</u>	<u>( 1,182,495 )</u>	<u>3,155,656</u>

## Description of Restricted Funds

SRB Capital – Grant for Mark Street Land and Building

London Borough of Newham – Early Education Entitlement Grant (EEEG) funded by London Borough of Newham.

Kingston University – Delivery of foundation degree in early years Leadership and Management.

## 14. Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Total £
Intangible fixed assets	8,149	-	8,149
Tangible fixed assets	2,309,648	3,245,166	5,554,814
Investments	3	-	3
Current assets	952,129	12,305	964,434
Current liabilities	( 610,087 )	( 67,422 )	( 677,509 )
	2,659,842	3,190,049	5,849,891
Long term liabilities	( 323,671 )	( 34,393 )	( 358,064 )
<b>Net assets at 31st July 2017</b>	<b>2,336,171</b>	<b>3,155,656</b>	<b>5,491,827</b>

## Analysis of net assets between funds - previous year

	Unrestricted Reserves £	Restricted Reserves £	Total £
Intangible fixed assets	6,240	-	6,240
Tangible fixed assets	2,377,373	3,306,031	5,683,404
Investments	3	-	3
Current assets	421,211	21,940	443,151
Current liabilities	( 285,759 )	( 54,776 )	( 340,535 )
	2,519,068	3,273,195	5,792,263
Long term liabilities	( 318,817 )	( 56,674 )	( 375,491 )
<b>Net assets at 31st July 2016</b>	<b>2,200,251</b>	<b>3,216,521</b>	<b>5,416,772</b>

## 15. Capital commitments

At 31<sup>st</sup> July 2017 the company had £17k of capital commitments (2016: £nil).

## 16. Pension commitments

The company contributes towards the personal pensions of a group defined contribution scheme for participating employees. NEWTEC contributes 5% on behalf of each participating employee and a minimum of 3% is contributed by participating employees. Contributions are charged to the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

The outstanding contribution included in creditors at 31<sup>st</sup> July 2017 was £33,323 (2016: £25,916). The total number of staff in the scheme at 31<sup>st</sup> July 2017 was 139 (2016: 100).

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31<sup>ST</sup> JULY 2017

**17. Operating lease commitments**

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£	£
Amounts Due:		
Within one year	224,833	214,668
Between one and five years	599,958	689,000
After five years	1,680,500	1,802,500
	2,505,291	2,706,168

**18. Fixed and floating charge**

The company has a long term loan (note 11) of £57,393 (2016: £79,674), an overdraft facility of £200,000 (2016: £200,000) and a monthly BACS facility of £250,000 (2016: £250,000). These are secured by way of a fixed charge over all book and other debts, and a floating charge over all other assets of the company.

The London Development Agency under the Single Regeneration Budget has made a grant of £4,000,000 for the building and operation of 1 Mark Street, Stratford, London. As a condition precedent to the grant agreement, the London Development agency has a second charge over this property. The grant agreement will remain in force until June 2024.

**19. Related party transactions**

As disclosed in note 20 of the charitable company's ultimate parent undertaking is Newham College of Further Education. As at 31 July 2017 a balance of £323,671 (2016: £318,817) was due to the college.

During the year NEWTEC received income of £2,168,000 (2016: £2,148,459) from the college and paid management fees of £414,246 (2016: £237,742)

During the year NEWTEC paid expenses of £28,708 (2016: £8,675) to Gateway Qualifications Limited, a related party entity by common directorship of Elizabeth Laycock. At year-end, £40 (2016: £NIL) was outstanding and included in trade creditors.

During the year, NEWTEC paid expenses of £750 (2016: £750) to Learning Revolution Trust, a related party by common control by NCFE. At year-end, £NIL (2016: £NIL) was outstanding.

**20. Ultimate parent undertaking**

The charitable company's immediate and ultimate parent undertaking is Newham College of Further Education, an unincorporated charity established to facilitate the provision of learning and qualifications in the community. The college is an exempt charity for the purposes of the Charities Act 2011. The address of the college is Newham College of Further Education, The East Ham Campus, High Street South, London, E6 6ER. A copy of the consolidated financial statements of Newham College of Further Education may be obtained from <http://www.newham.ac.uk/governance/financial-statements/>.

The Members Agreement between the charitable company and Newham College of Further Education requires that the College shall be the parent undertaking of NEWTEC and NEWTEC shall be a subsidiary undertaking of the College.