

REGISTERED COMPANY NUMBER: 07801721 (England and Wales)
REGISTERED CHARITY NUMBER: 1146114

**Report of the Trustees and
Unaudited Financial Statements for the Year Ended 31st December 2016
for
KWES Kent Woodland Employment Scheme**

Haines Watts Kent LLP
4 Kings Row
Armstrong Road
Maidstone
Kent
ME15 6AQ

THURSDAY



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14/09/2017
COMPANIES HOUSE

KWES Kent Woodland Employment Scheme

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KWES Kent Woodland Employment Scheme
Report of the Trustees for the year ended 31st December 2016

The trustees, who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31st December 2016.

Although the title of this report is prescribed by law as being “for the year ended 31st December 2016” by custom such reports cover matters through to the date of their approval by the Board, (and their signature on their behalf).

Similarly, although the transactions reported in the financial statements are those relating to the calendar year 2016, the opinion that the Board expresses on the foot of the balance sheet – that the accounts show a true and fair view – represents their opinion at the date of signature of that balance sheet, an opinion which takes into account the effects of any relevant “post balance sheet events”.

These points are important, because it will be seen in the report that follows that, at least for some part of the period between the year end and the time at which this report and the balance sheet were signed, there was considerable doubt whether the charity was viable, and thus whether financial statements could be drawn up on a going concern basis.

The trustees have adopted the provisions of the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their Accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

REFERENCE AND ADMINISTRATIVE DETAILS

Registered company number
07801721 (England and Wales)

Registered charity number
1146114

Registered office
Placketts Hole
Bicknor
Sittingbourne
Kent ME9 8BA

Trustees

Mrs S Alder

Appointed 23rd February 2016
Resigned 31st March 2017
Resigned 13th January 2017

Miss E Feakins

Hon Treasurer

J M Harrison

D N Hutton

G E Jessel DL

P J Moore

Resigned 30th June 2017
Resigned 31st March 2017
Appointed 23rd February 2016
Resigned 11th June 2017
Resigned 10th June 2017

C P E Raine

Mrs A J Wainman OBE

D P Wainman

Chairman

Appointed 12th June 2017

KWES Kent Woodland Employment Scheme
Report of the Trustees for the year ended 31st December 2016

Reference and administrative details continued

The subscribers to the Memorandum were the first trustees, and subsequent trustees have been co-opted by the trustees (although they could in the alternative be elected by the members of the company). One third of the trustees resign, by rotation, at each annual meeting of the company, but are eligible to stand for re-election. The trustees, when complete, consist of at least four and not more than twelve individuals over the age of 18, all of whom must support the Objects. They must meet at least six times each year.

Company Secretary
D P Wainman

Independent examiner
Anthony Brand
Haines Watts Kent LLP
4 Kings Row
Armstrong Road
Maidstone
Kent ME15 6AQ

Bankers
HSBC Bank Plc – Sittingbourne
CAF Bank Ltd – West Malling

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

KWES Kent Woodland Employment Scheme is a company limited by guarantee, incorporated on 7th October 2011 and registered as a charity on 21st February 2012. The company's incorporation was requested under a Memorandum of Association, and it is governed by its Articles, as defined by the Companies Act 2006. In the event of the company being wound up in circumstances that its assets are insufficient to meet its obligations, each member of the company is required to contribute an amount not exceeding £1.

Risk management

The trustees have a duty to identify and review the risks to which the charity is exposed and to ensure that appropriate controls are in place to provide reasonable assurance against fraud and error.

Policy and decision making

This is solely the responsibility of the trustees.

OBJECTS AND ACTIVITIES

Objectives and aims

The charity's objects are set out in Article 1.1, but can be briefly stated as being:

- * Relief of unemployment – aimed particularly at ex-service personnel, ex-offenders and young people, all finding it difficult to make the transition to normal jobs, by providing paid apprenticeships and
- * Education – in the form of training, leading to recognised qualifications, in all aspects of woodland management, for the apprentices employed.

ACHIEVEMENT AND PERFORMANCE

KWES started operations in autumn 2013 with 4 apprentices under training by a Project Leader. By the end of 2014 there were 14 apprentices and by end 2015 19.

The large increase in numbers of apprentices had been made possible by KWES being awarded in September 2014 a Regional Growth Fund grant. The terms agreed were that the Department of Business, Innovation and Skills would provide, over three years £1,001,000 towards the costs of employing and training apprentices, in a ring-fenced expansion project, (KWES-XP), which the charity would establish – alongside its existing, charitably-funded, employment and training of its already-recruited apprentices. KWES-XP undertook to recruit 8 apprentices in autumn 2014, and a further eight in each of autumn 2015 and 2016, so as to build up to a (circulating) complement of 24 apprentices – with the necessary numbers of supervisors to train them; and it was also a term of the grant's availability that during the three years it was being paid out by government, KWES-XP should not receive any other EC, government or charitable funding.

This arrangement, having within the same charity two divisions one of them wholly government funded and forbidden from raising other funds, and the second depending for its continuation on raising charitable funds, proved to be hugely disadvantageous. The charity's accounts, needing as they did to show income and expenditure for these two divisions, presented a picture which was so different from that of any normal charity seeking funds that most donors could not understand what they were being asked to fund, or why. But of equal significance was the fact the trustees came to recognise, that while KWES-XP in this original formulation, was limited to being an employer and trainer of apprentices, the charity's other division needed to diversify, to develop working relationships with others in the woodland business, (community and volunteer groups for example), and to provide them with training and other services they might need, such, for instance, as making available to them KWES's forest machinery and the muscle of its apprentices.

The Department of Business, Innovation and Skills agreed in December 2015 a minor variation of the original grant terms. KWES-XP was to employ all the apprentices, both those who were already its employees within its original ring-fence, and those who were in KWES's other division, it being envisaged that these KWES-XP apprentices would still meet the same overall target numbers of employees. Their supervisors were to be employed "outside the ring-fence", but the training they provided was still to be met out of the grant funds. And these supervisors were then in a position to engage, additionally, in the wider activities outlined in the preceding paragraph.

The apprenticeships were set up for three years, during which KWES concentrated the experience it gave its apprentices in Kent's ancient woodlands. When working in the woodlands, apprentices worked in teams of 4, and each team had to have a fully qualified supervisor. This work could be on a regeneration contract where the charity had undertaken to restore (over a ten year period) woodland to a productive and sustainable coppicing cycle. Such contracts have been signed for Horish wood (Detling Parish Council), Holly Hill wood (Tonbridge & Malling Borough Council), and Admiral and Gorham wood (The Cromarty Trust). Or apprentices might be cutting materials needed for greenwood products, or on a day-rate basis, or area-rate basis, for owners of woodlands.

The summer months, as well as providing time for conversion of timber into greenwood products, and for the limited amount of felling, ride-clearance and other woodland work permitted at that time, also enabled apprentices to devote time their studies. Apprentices' theoretical study, and their gaining practical proficiency certificates, enabled them over the first two years of their apprenticeship to acquire a Level 2 Forestry qualification in Forestry awarded by the Royal Forestry Society. From May 2017, the qualification gained was to be the Level 2 Forestry within the government's new Trailblazer apprenticeship scheme – which is to all extents identical to the RFS qualification.

KWES Kent Woodland Employment Scheme
Report of the Trustees for the year ended 31st December 2016 - continued

ACHIEVEMENT AND PERFORMANCE - continued

In the third year of their apprenticeship, KWES intended that they should be able to progress to the RFS's Level 3 qualification in Silviculture.

As explained in the next section of this report, KWES was compelled to declare all its employees – apprentices and supervisors – redundant in May 2017.

FINANCIAL REVIEW

Part 1 – to end-2016

When the charity was established, (and this continued to be the position when the original budgets were prepared for the RGF grant application), the trustees' belief was that the charity would in the medium term be self-sustaining from the proceeds of wood cut by apprentices; although it was recognised that in the short term considerable funds would be needed to cover two facts, namely that (a) expenditure always precedes income, and the time-gap can be significant between, for instance, paying coppicing salaries and the time the woodlands are dry enough for the timber to be extracted and sold,

(b) amounts of income to be expected in the early years would be low – the proportion of experienced apprentices to novices during KWES's growth period was one reason; another was that income from regeneration contracts is inevitably lower in the early years than later; but thirdly, KWES found itself needing, to a large extent, to re-create the markets for the products of Kent's woodlands – markets which have declined in parallel with the woodlands' own decline over the last century.

The final payment of RGF grant was received in February 2017, refunding expenditure incurred during the final months of 2016. Because the charity would not thereafter be receiving "restricted funds" (the RGF grant), it is no longer necessary for the charity's accounts to segregate KWES-XP's activities – although commitments given to the (then) Department of Business, Innovation and Skills in 2014 continue. These are, first, the linkage between the grant refundable and KWES-XP's target expenditure during the three years to September 2017, as referred to in note 1(h) to the financial statements, and secondly its maintaining a target average number of employees over the six years to September 2020, again referred to in the same note.

Part 2 – the position for 2017 and onwards

However, KWES clearly continued to need funding – a fact the trustees recognised, and had been making every attempt to address from early 2016. One source appeared to be the government's Trailblazer apprenticeship scheme – subsidies for those employing apprentices were originally promised from the start of 2017, subsequently put back to May 2017, but in fact only became claimable when the specification for the forestry apprenticeship was approved at end-June 2017.

KWES had been accepted in March 2017 onto the Register of Apprentice Training Providers as an "employer/provider", which should have enabled it to continue, after the Trailblazer came into being, the same activity it had been pursuing, that is continuing to employ its apprentices and supervise their "on-the-job" training and experience, and also providing their "off-the-job" theoretical learning and monitoring their whole progress through their apprenticeships. (In many apprenticeships an employer delegates both "theoretical" and "monitoring" to a separate organisation, most frequently a college.) In the forestry industry, the costs of training an apprentice are considerably greater than those expenses that would be incurred by a "college" limiting itself to off-the-job training. This arises first because the law requires that the apprentice's work be subject to considerably more extensive supervision than is the case in other industries; and secondly one effect of that supervision is to constrain the apprentices' ability to earn as much for their employer as that employer must pay in salary.

KWES Kent Woodland Employment Scheme

Report of the Trustees for the year ended 31st December 2016 - continued

The many attempts the trustees made through 2016 to bring to the attention of Ministers and their civil servants the acute financial problems that KWES was facing met with no success – until finally a letter was received from the Minister of State for Apprenticeships and Skills on 6th March 2017. The Minister asked for a proposal from KWES, in light that he recognised its special situation. He asked that KWES's proposal explain the exceptional and extenuating circumstances it faced, and deal specifically with factors such as redundancy, niche provision and importance to the local economy.

KWES's response set out its immediate needs – a sum recognising that it had been without support from the ending of the RGF grant in late 2016 through to the start of the Trailblazer scheme; and also the fact explained above that the proper training of a forestry apprentice required ongoing payments of an amount approximately four times the level that was being offered under the Trailblazer arrangements. This response was met first by total silence; and then after the general election was called and Ministers and civil servants went into “*purdah*”, the suggestion was made that nothing more could be offered than the standard Trailblazer amounts.

It became obvious to the trustees that the charity was being forced towards insolvency; and the trustees in May 2017 called in an Insolvency Practitioner, who commenced the procedures for the charity to be liquidated on 12th June.

Part 3 - Solvency

However, on the eve of that liquidation, the charity was rescued – restored to solvency – by a very generous donation from a supporter.

The donation did not result in the charity's assets coming to exceed its total liabilities. The largest of those immediate liabilities was £74,000 owed to HSBC (the outstanding balance of an overdraft facility which had been a necessary part of the RGF grant procedure, under which expenditure had to be drawn on overdraft before being refunded quarterly in arrear to reinstate that borrowing. The lack of other support had prevented KWES from repaying the full amount out of the final grant instalment in early 2017.) Another liability – part of the support provided in the past was a loan, of which £51,000 remains outstanding, from a charitable donor. This had been provided in recognition of the “delay factors” explained in part 1 above; its repayment is called for in instalments over approximately four years from August 2017.

Had the charity been liquidated, both these borrowings would have become immediately repayable, and since the resulting total liabilities would have exceeded available assets, this would have been an insolvent liquidation. Section 123(2) Insolvency Act 1986 states that a company is insolvent “if the value of (its) assets is less than the amount of its liabilities, *taking into account its contingent and prospective liabilities.*” It is those italicised words that enabled the trustees to declare the charity solvent on 12th June 2017, and to avoid liquidation – because it is abundantly clear (and legal advice was received confirming this), that if the crystallisation of a *prospective* liability is sufficiently far into the future, it can be left out of account. (That was of course the basis on which the trustees had signed off each of the 2014 and 2015 accounts of the charity, each showing total liabilities in excess of assets, with an explanation that, if the charitable donor had called in his loan, the charity would have been insolvent, but the trustees believed his intention was the exact opposite, to keep it going.)

At the date of signature of this report, and of the financial statements, the trustees confirm that they believe the charity to be solvent, and they reaffirm their belief (note 1(c) to the financial statements) that it is reasonable to assume the support of donors and lenders will continue for the foreseeable future.

KWES Kent Woodland Employment Scheme
Report of the Trustees for the year ended 31st December 2016 - continued

THE FUTURE

As reported, the charity was, in May 2017, compelled to declare all its employees redundant; and the trustees believe it unlikely that they will be able in the foreseeable future either to re-employ those involved, or to offer employment to others.

If it were suggested that the charity appears to be abandoning the first of its objects – the relief of unemployment – the trustees do not believe that to be correct. The charity is working closely with three of its former team leaders who have established a commercial forestry business in the compound formerly rented by KWES, and who fully share KWES's vision to reverse the decline in the southeast's forestry industry, and determination that the industry must have an increased, and trained, workforce. The trustees see as the charity's future as including:

- o training apprentices employed by other employers and landowners. Such training could be delivered by those team leaders. It would be for discussion with each employer whether to aim for five-day-a-week training, and what would be the cost to the employer. KWES has also been working closely with Plumpton College in Sussex, to enable Plumpton to subcontract to KWES the former's forestry apprenticeship training
- o KWES could also provide short-course training for NPTC "tickets", for instance for chainsaw or brush-cutter use – and first aid, now a legal requirement for all forestry workers.
- o KWES would continue to raise funds allowing it to help many rural local communities that have lost jobs in forestry, and/or lost opportunities they once had to enjoy their local woods. KWES is co-ordinating a bid to the Heritage Lottery Fund with the help of the Mid-Kent Downs, and Medway Valley, Countryside Partnerships, on behalf of several community and volunteer managed woodlands across northwest Kent, enabling them to achieve more effective coppicing and management, creating wildlife corridors linking them, and establishing better liaison with local residents and especially with schools and their pupils.
- o Recently KWES has made significant progress with the help of the Kent County Council, and support from Royal Botanic Gardens Kew at Wakehurst Place, in a bid for EU finance to establish (with a French partner) a scholarship scheme – to train in silviculture people who have already qualified as forest workers. Silviculture in ancient woodlands uses a holistic approach, respecting ecological processes and variations in the soil, the micro-climate, associated fungi, flora and fauna, as well as the trees themselves, rather than imposing artificial uniformity; timber production management concentrates on maintaining a functioning ecosystem.
- o A significant number of Kent's ancient woods are owned by local authorities who have extreme difficulty in funding adequate maintenance. KWES has been working with a number of these, accessing charitable funds, (and in some cases forestry commission grants), and arranging the manpower and machinery to enable local communities to enjoy their woods again.

TRUSTEES' RESPONSIBILITY STATEMENT

The trustees (who are also directors of KWES Kent Woodland Employment Scheme for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

KWES Kent Woodland Employment Scheme
Report of the Trustees for the year ended 31st December 2016 - continued

Company law requires the trustees 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. In preparing those financial statements, the trustees are required to

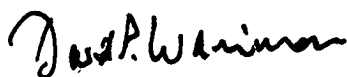
- * select suitable accounting policies and apply them consistently
- * observe the methods and principles in the Charity SORP 2015 (FRS102)
- * make judgments and estimates that are reasonable and prudent
- * state whether applicable UK Account Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- * prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities..

Small company rules. The accounts which follow have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies, and in accordance with the Charity SORP 2015 (FRS102).

Governance of the charity and Statement of Recommended Practice 2015. The foregoing headings set out the trustees obligations under law. The trustees have a further duty to ensure that the governance of the charity is conducted to the highest standards and that the charity's reporting and accounting each show that these high standards are being met.

Approved by order of the board of trustees on **8 Sept 17** and signed on its behalf by



D P Wainman - Secretary

Independent Examiner's Report to the Trustees of KWES Kent Woodland Employment Scheme

I report on the accounts for the year ended 31st December 2016 set out on pages ten to eighteen.

Respective responsibilities of trustees and examiner

The charity's trustees (who are also the directors for the purposes of company law) are responsible for the preparation of the accounts. The charity's trustees consider that an audit is not required for this year (under Section 144(2) of the Charities Act 2011 (the 2011 Act)) and that an independent examination is required.

Having satisfied myself that the charity is not subject to audit under company law and is eligible for independent examination, it is my responsibility to:

- examine the accounts under Section 145 of the 2011 Act
- to follow the procedures laid down in the General Directions given by the Charity Commission (under Section 145(5)(b) of the 2011 Act); and
- to state whether particular matters have come to my attention.

Basis of the independent examiner's report

My examination was carried out in accordance with the General Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statements below.

Independent examiner's statement

In connection with my examination, no matter has come to my attention which gives me reasonable cause to believe that, in any material respect, the requirements:

- to keep accounting records in accordance with Section 386 and 387 of the Companies Act 2006; and
- to prepare accounts which accord with the accounting records, comply with the accounting requirements of Sections 394 and 395 of the Companies Act 2006 and with the methods and principles of the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)

have not been met.

Emphasis of matter – going concern

In my opinion, attention should be drawn to the following, in order to enable a proper understanding of the accounts to be reached.

**Independent Examiner's Report to the Trustees of
KWES Kent Woodland Employment Scheme - continued**

The Trustees, in the Financial Review section of their Report, have reported in detail on the year under review and on events which have subsequently occurred-these are also summarised in note 12. The Trustees state the reasons why they believe the going concern basis should continue to apply. Reference to this Report and also to notes 1b), 9 and 12 should be made by anyone seeking a proper understanding of these accounts. However the Trustees have also stated that there are a number of risks and uncertainties associated with their assumption:-

- Following the closure of training activities, reliance on voluntary donations as the sole source of future income to be received in sufficient amounts to fund future running costs and other ongoing financial commitment;
- Continued support from a substantial existing lender as detailed in note 9 to the financial statements;
- The assumption that grants previously provided by the department of BEIS will not be clawed back now that the operations for which they were originally provided have ceased.

Should any of these assumptions cease to be valid the going concern and solvency assumptions of the Trustees would be jeopardised.



Anthony Brand
Chartered Accountant
Haines Watts Kent LLP
4 Kings Row
Armstrong Road
Maidstone
Kent
ME15 6AQ

Date: 11th September 2017

KWES Kent Woodland Employment Scheme

Statement of Financial Activities (Incorporating an Income and Expenditure Account) For the Year Ended 31st December 2016

	Notes	Unrestricted Fund	Restricted Fund	Total Funds	2015
Incomings from Charitable Activities					
Memberships and donations		9,654	10,750	20,404	26,624
Charitable grants		88,850		88,850	97,476
Regional Growth Fund grant			521,000	521,000	368,669
Sales	1(i)	<u>12,148</u>	<u>34,671</u>	<u>46,819</u>	<u>42,441</u>
		110,652	566,421	677,073	535,210
Expenditure					
Purchases	1(i)	521	6,425	6,946	7,062
Charitable activities in furtherance Of the charity's objects	2	71,111	500,753	571,864	469,951
Fundraising costs					568
Administrative costs	3	<u>4,398</u>	<u>29,621</u>	<u>34,019</u>	<u>32,882</u>
		<u>76,030</u>	<u>536,799</u>	<u>612,829</u>	<u>510,463</u>
NET INCOME		34,622	29,622	64,244	24,747
Reconciliation of funds					
Total funds brought forward		(32,864)	17,259	(15,605)	(40,352)
Transfer to unrestricted funds	1(g)	<u>46,881</u>	<u>(46,881)</u>	<u>-</u>	<u>-</u>
Total funds carried forward		<u>48,639</u>	<u>-</u>	<u>48,639</u>	<u>(15,605)</u>

The deficit in funds carried forward at the end of the preceding year was met out of loans as described in Note 9

KWES Kent Woodland Employment Scheme (Registered number: 07801721)

Balance Sheet
At 31st December 2016

	Notes	2016 Total funds All unrestricted 1(g)	2015 Total funds Restricted and unrestricted
Fixed assets			
Tangible assets	1e) & 6	24,043	26,773
Current assets			
Debtors	7	109,492	190,429
Cash at bank		<u>110,667</u>	<u>2,269</u>
		220,159	192,698
Creditors			
Amounts falling due within one year	8	<u>155,563</u>	<u>181,585</u>
Net current assets		<u>64,596</u>	<u>11,113</u>
Total assets less current liabilities		88,639	37,886
Creditors amounts due after more than one year	9	<u>40,000</u>	<u>53,491</u>
		48,639	(15,605)
Total funds		<u>48,639</u>	<u>(15,605)</u>

The charitable company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31st December 2016

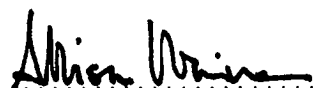
The members have not required the charitable company to obtain an audit of its financial statements for the year ended 31st December 2016 in accordance with Section 476 of the Companies Act 2006

The Trustees acknowledge their responsibilities for

- (a) ensuring that the charitable company keeps accounting records that comply with Sections 386 and 387 of the Companies Act 2006, and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the Charitable company as at the end of each financial year and of its surplus or deficit for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the charitable company

These financial statements have been prepared in accordance with the special provisions in Part 15 of the Companies Act 2006 relating to small companies, and in accordance with the Charity SORP 2015 (FRS102).

The financial statements were approved by the Board of Trustees on 8 Sept '17 and were signed on its behalf by



Mrs A J Wainman – Trustee



J M Harrison – Trustee

KWES Kent Woodland Employment Scheme

Cash Flow Statement for the Year Ended 31st December 2016

		2016 £	2015 £
	Notes		
Cash flows from operating activities			
Cash generated from operations	1	129,711	37,689
Net cash provided by operating activities		<u>129,711</u>	<u>37,689</u>
Cash flows from investing activities			
Purchase of tangible assets		(21,313)	(53,545)
Net cash used in investing operations		<u>(21,313)</u>	<u>(53,545)</u>
Change in cash in the reporting period		108,398	(15,856)
Cash at beginning of reporting period		<u>2,269</u>	<u>18,125</u>
Cash at end of reporting period		<u>110,667</u>	<u>2,269</u>

Note 1 Reconciliation of net income to net cash flow from operations

Net income for the reporting period per Statement of Financial Activities	64,244	24,747
Depreciation charge	24,043	26,772
Decrease/(increase) in debtors	80,937	(51,055)
(Decrease)/increase in creditors	<u>(39,513)</u>	<u>39,275</u>
Net cash provided by operating activities	<u>129,711</u>	<u>37,689</u>

**Notes to the Financial Statements
for the Year Ended 31 December 2016**

1. ACCOUNTING POLICIES

a) Basis of preparing the financial statements

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

b) Going concern

The financial statements have been drawn up on the going concern basis since the trustees believe it reasonable to assume that the support of donors and lenders will continue for the foreseeable future. The Trustees opinion is set out in detail in Part 3 of the Financial Review included within the Trustees report which should be read in conjunction with these financial statements.

c) Income

All incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

d) Expenditure

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to that category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

As explained in the notes to each of the 2013 and 2014 accounts, the trustees took the view at those times and against the specific background of the charity's then activities, that those accounts would show a truer and fairer view of the state of the charity's affairs if all expenditure was written off in the year in which it was incurred. No assets were therefore capitalised in those accounts to be written off over a period of years by a depreciation charge.

The trustees reviewed that decision at October 2015 in the light of the changes made from that date in the agreement relating to the Restricted Fund (see Note 1 h) below). They have determined that it continues to be correct for the charity to write off – and not capitalise – expenditure in that part of the charity's activities which continue, in essentially unchanged form, those carried on in all periods up to October 2015 (referred to in Note 1 h) as "KWES-XP"). But that a truer and fairer view could be formed of the charity's new activities resulting from the October 2015 changes (the "supervisory division") if fixed assets related to those new activities were to be capitalised and depreciated over a short period of years.

e) Tangible fixed assets

Depreciation is provided at an annual rate of 50% (reducing value) in order to write off plant and machinery, and motor vehicles, over their estimate useful lives.

KWES Kent Woodland Employment Scheme

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

f) Taxation

The charity is exempt from corporation tax on its charitable activities.

g) Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees. Restricted funds can be used only for particular restricted purposes within the objects of the charity. Restrictions arise where specified by a donor or when funds are raised for particular restricted purposes.

The charity's restricted funds arose under an Agreement dated 4th September 2014 between the Secretary of State for Business, Innovation and Skills, and the charity, as amended by a Minor Variation Agreement of 11th December 2015. The Agreement in its original form necessitated the charity establishing a separate division (the Expansion Project – KWES-XP for short) which under the Agreement

(a) was entitled to receive from the Regional Growth Fund "training aid" up to a ceiling of £1,001,000 during the three years to September 2017, this ceiling also being linked to an agreed target for KWES-XP's expenditure in those three years of £1.8m, and conditional also on its not being entitled to receive funds from any other EC, government or charitable source during those same three years,

(b) and conditional upon its recruiting and employing a target number of apprentices (and the supervisors required to train them, and an administrator) and maintaining this target through to September 2020.

At the time of the September 2014 agreement, the charity was already employing other apprentices funded from charitable sources – an activity that the charity believed must continue – the result of the agreement was to split into separate divisions the charity's activities (and its funding and fund-raising), despite the fact that all apprentices were being trained together, and in exactly the same way. The purpose of the Minor Variation Agreement was to remove these difficulties and disadvantages by moving all the apprentices into a restructured KWES-XP, (retaining unchanged the original employment target), while moving all their supervisors into a separate "supervisory division" – which was thus freed to supply not only the training needed by the apprentices, but could also train, and work with, other bodies and organisations where this was financially advantageous for the charity.

The last month's expenditure which KWES-XP was entitled to have refunded (within the £1,001,000 ceiling) was November 2016. At that date, the accounts of KWES-XP (which had as above been treated as a separate "restricted fund"), included a balance built up from sales made by that division, these sale proceeds not themselves being "restricted" within the agreements with the Dept of Business, Innovation and Skills. Accordingly, that balance has been released into the charity's unrestricted fund, and from December 2016, all income and expenditure is treated as unrestricted, (although from the point of view of their management of the charity's activities, the trustees continued through 2016 to see a benefit in recognising separate "KWES-XP" and "supervisory" divisions).

h) Hire purchase and operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

KWES Kent Woodland Employment Scheme

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

i) Trading activities

The charity is a "trading charity", that is to say it is entitled to sell goods and services produced by its beneficiaries in the course of its charitable activities.

Income described in these accounts as "wood sales" is generated in part from sales of wood where the charity takes the wood cut as its reward for the apprentices' work in woodlands, in part from the hiring out of the apprentices (e.g. for contract cutting), and thirdly from sales of greenwood products, that is to say fencing materials and other items which can be simply manufactured as by-products of the coppicing processes. The accounts include, described as "purchases", small amounts spent on the acquisition of standing timber (the right to cut and take timber needed for the greenwood products) and costs incurred in transporting that timber from the woodlands to the charity's compound. These latter figures are written off when incurred, because their size does not justify the effort and expense that would be involved in attempting to put a value of a figure of inventory (purchase price plus labour to date).

The 2015 comparative figures include sales (£4,800) and purchases (£4,592) made under a kindling contract which was brought to an end in that year.

2. CHARITABLE ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTS

	Unrestricted Funds £	Restricted Funds £	2016 Total £	2015 Total £
Salaries - supervisors	163,773	-	163,773	122,304
- social security	13,040	-	13,040	10,288
- apprentices	23,276	217,703	240,979	167,540
- Social security	1,140	9,626	10,766	7,189
Personal protective and other equipment	-	23,129	23,129	21,217
Training charge	(185,027)	185,027	-	-
Other Training	26,749	-	26,749	12,369
Employer's Liability insurance	500	13,632	14,132	9,211
Running costs (incl utilities & vehicles)	3,117	43,736	46,853	83,061
Rent of compound	500	7,900	8,400	10,000
Depreciation	<u>24,043</u>	<u>-</u>	<u>24,043</u>	<u>26,772</u>
	<u>71,111</u>	<u>500,753</u>	<u>571,864</u>	<u>469,951</u>

3. ADMINISTRATION COSTS

	Unrestricted Funds £	Restricted Funds £	2016 Total £	2015 Total £
Salary - administrator	1,750	19,250	21,000	21,000
- social security	115	1,261	1,376	1,382
Interest paid	2,010	5,511	7,521	6,774
Accountancy	-	2,528	2,528	3,231
Other administrative expense	<u>523</u>	<u>1,071</u>	<u>1,594</u>	<u>495</u>
	<u>4,398</u>	<u>29,621</u>	<u>34,019</u>	<u>32,882</u>

KWES Kent Woodland Employment Scheme

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

4. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31st December 2016 nor for the year ended 31st December 2015.

Trustees' expenses

There were no trustees' expense paid for the year ended 31st December 2016 nor for the year ended 31st December 2015

5. STAFF

The average number of employees during the year was 26, which was also the average number of staff for the year ended 31st December 2015

Staff costs, separated between salaries and social security costs, are shown in notes 2 and 3. No employee received emoluments in excess of £60,000.

6. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Total £
Cost – at 31 st December 2015	37,705	15,840	53,545
Additions during the year	<u>10,873</u>	<u>10,440</u>	<u>21,313</u>
At 31 st December 2016	48,578	26,280	74,858
Depreciation at 31 st December 2015	18,852	7,920	26,772
Charge for the year	<u>14,863</u>	<u>9,180</u>	<u>24,043</u>
At 31 st December 2016	33,715	17,100	50,815
Written down value at 31 st December 2016	<u>14,863</u>	<u>9,180</u>	<u>24,043</u>
Written down value at 31 st December 2015	<u>18,853</u>	<u>7,920</u>	<u>26,773</u>

As explained in Note 1(e), the charity's activities, and structure, up to September 2015, the effective date of the variation of the arrangements with the Dept of Business, Innovation and Skills, made it inappropriate to capitalise any assets – all expenditure was written off in the period it was incurred.

From October 2015, as explained in Note 1(g), although KWES-XP's activities are substantially unchanged, the activities of the Supervisory Division have significantly changed – and it has become appropriate that the forest machinery and vehicles use in those Supervisory Division activities be treated as fixed assets – albeit assets which will depreciate over a short period of years. (And that short life-expectancy means that it was unnecessary to change, retrospectively, the treatment of expenditure which has been written off in earlier years' accounts).

KWES Kent Woodland Employment Scheme

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Trade debtors	11,572	5,418
RGF grant	<u>97,920</u>	<u>185,011</u>
	<u>109,492</u>	<u>190,429</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Bank overdraft	105,689	140,000
PAYE	8,963	5,812
VAT	1,928	
Accrued expenses	1,613	3,000
Loans due within one year	<u>37,370</u>	<u>32,773</u>
	<u>155,563</u>	<u>181,585</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£	£
Kent Community Foundation	<u>40,000</u>	<u>53,491</u>

As mentioned in the Trustees' Report for each of the last three years, the charity has drawn down £60,000 by way of loan from Kent Community Foundation – a loan which that body provided in recognition of the heavy expenditure which the charity had necessarily to incur in its opening years – but which could be expected to be mitigated in subsequent years by sales proceeds which the apprentices, once they had achieved a level of skill and experience, would be able to generate. The loan terms provide for its repayment in instalments over five years from May 2016. Eight instalments were repaid in 2016; the principal element of the twelve instalments due in 2017, £12,000, (2015 £6,509), is included in the "loans due within one year" in Note 8; and the balance, £40,000, (2015 £53,491), is shown above as falling due further ahead than one year from the Balance Sheet Date.

If the lender were to call in the loan, the charity's finances at Balance Sheet Date would have been extremely stretched – but the trustees believe that the lender's purpose is the exact opposite - to keep the charity going on an even keel.

10. RELATED PARTY DISCLOSURES

There were no related party transactions for the year ended 31st December 2016

KWES Kent Woodland Employment Scheme

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

11. GRANTS RECEIVED

	Unrestricted Funds £	Restricted Funds £	2016 Total £	2015 Total £
Ashden Trust	10,000	-	10,000	10,000
Worshipful Co of Insurers	4,100	-	4,100	-
Anton Jurgens Trust	5,000	-	5,000	-
Minerva Trust	1,500	-	1,500	-
Chapman Trust	1,000	-	1,000	-
R G Hills Trust	1,750	-	1,750	-
Pat Newman Trust	4,000	-	4,000	-
Allan Willets Trust	60,000	-	60,000	-
W H A Hawkins Trust	1,500	-	1,500	-
Others	-	-	-	87,476
Regional Growth Fund	-	521,000	521,000	369,669
	<u>88,850</u>	<u>521,000</u>	<u>609,850</u>	<u>466,145</u>

12. POST BALANCE SHEET EVENTS

As referred to in detail in the Trustees Report, a number of events have occurred since the Balance Sheet date which have had a significant impact on the future of KWES. These include:

- a generous donation of £50,000 from a benefactor;
- the sale of fixed assets and stock to a third party which is expected to realise in excess of £75,000;
- redundancy and related closure costs – in excess of £50,000.

13. FIRST YEAR ADOPTION

The charity has adopted FRS 102 for the year ended 31 December 2016, with the date of transition therefore being 1 January 2015.

On transition the trustees have considered the effect of any changes in accounting treatment from UK GAAP to FRS 102 for the charity but do not consider there to be any changes that would warrant restatement of the comparative financials.