



**ANNUAL REPORT AND FINANCIAL
STATEMENTS
31st July 2021**



DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31st JULY 2021

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DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31st JULY 2021

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 20th November 1989 and registered as a charity on 20th February 1990. The charity's governing document is its Memorandum and Articles of Association.

Directors

Elizabeth Laycock, Trustee and Chair of the Board of Directors

Linda Jordan, Trustee

Nicola Blatchly-Lewis, Trustee

Senior Leadership Team:

Interim Business Operations Consultant

Pramod Philip

Director of Finance

Pieter Vermeulen

Head of Stakeholder Engagement
and Facilities Management

Simidele Akinsuyi

Left the company on 31st December 2021

Head of Commercial Operations

Coral Decourcy

Left the company on 31st March 2021

Company Secretary

Judith Nelson

Registered office

C/O Linda Jordan 31 The Tanneries, 9 Abbey Road, London, England, E15 3JZ

Bankers

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

Solicitors

DAC Beachcroft LLP, Walbrook Building, 25 Walbrook, London EC4N 8AF

Auditor

RSM UK Audit LLP

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

MK9 1BP

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

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 31st July 2021.

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) (effective 1 January 2019).

OBJECTIVES OF THE CHARITY

NEWTEC is a company limited by guarantee having charitable status. Its principal aims are:

- The education and training of people in East London;
- The provision of childcare services within East London;
- And particularly for those who through their social or economic circumstances find difficulty gaining access to these services.

NEWTEC takes care to promote and deliver high standards for safeguarding plus equality and diversity within all its activities. Any safeguarding incidents or concerns are reported swiftly to the Directors, with Linda Jordan taking the lead on safeguarding issues for the Trustee Board.

STRUCTURE, GOVERNANCE AND 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. The Directors of the company during the year and up to the date of this report are listed on page 1.

No Director is employed by or has any interest in any contract with the charitable company. At 31st July 2021, the number of Directors totalled three (31st July 2020: three).

The Directors, who are the charitable company's Directors, are in charge of the long-term strategic direction of the company. Day-to-day and short-term operational management is delegated to the Senior Leadership Team, the composition of which is listed at page 1.

There is regular liaison between the Chair of the Board individually, plus the two other Directors together, with the Interim Business Operations Consultant.

The key management personnel of NEWTEC comprise the Directors (2020: Directors and the CEO). The Directors haven't received any remuneration in their capacity as Directors of the charitable company in the current or prior year.

The pay and remuneration of the key management personnel is set by the Board of Directors.

PUBLIC BENEFIT

In planning and implementing the charitable company's activities the Directors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular the supplementary public benefit guidance on advancing education.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

REVIEW OF BUSINESS PERFORMANCE DURING THE YEAR ENDED 31ST JULY 2021

As in the year ended 31st July 2020, financial year ended 31st July 2021 saw a great deal of financial and operational challenges for NEWTEC and as a result the activities being wound down.

PROVISION OF CHILDCARE

NEWTEC previously operated seven nursery settings within the London Borough of Newham. These settings provided 431 nursery places when at full capacity:

- Deanery Road, 104 places;
- Cumberland Road, 95 places;
- Mark Street, 57 places;
- East Ham, at Newham College of Further Education's campus, 57 places;
- Plaistow Day Nursery, 56 places;
- Children's Garden Nursery, University of East London (UEL), 45 places;
- Early Years Education Centre, 43 West Ham Lane, 17 places.

NEWTEC's nurseries all held "Good" OFSTED ratings, except East Ham, rated "Outstanding".

Prior to the coronavirus lockdown in late March 2020, the nurseries were operating well. During the lockdown period, NEWTEC deliberately kept one setting, Deanery Road; open, albeit at reduced capacity. NEWTEC, as required, therefore continued to offer sufficient day care provision for key workers and others requiring childcare.

Most of the nursery staff were furloughed during the lockdown period but all returned to post on 1st September 2020. This allowed NEWTEC to re-open our nursery settings, save that:

- a. Nursery occupancy was very significantly lower than pre-pandemic levels – which was only as to be expected in context of the lockdown and subsequent increase in home working meaning many parents no longer required nursery day care.
- b. The re-opening of East Ham was delayed until 1st October 2020 to allow time for essential major maintenance work at the campus; and
- c. NEWTEC decided it was uneconomic to re-open the 17-place setting at 43 West Ham Lane, given the adjacent Mark Street nursery was operating at well below capacity.

The Directors note their thanks to all NEWTEC staff who kept nursery provision going during lockdown, and also to colleagues at the London Borough of Newham who have been very supportive during the pandemic and thereafter.

EDUCATIONAL AND TRAINING ACTIVITIES

NEWTEC performed no such activities during the financial year, as all such activities ceased as planned on 31st July 2020.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

OTHER ACTIVITIES

Room hire

A modest amount of additional income was generated by hiring out underutilised rooms, as an incidental activity for the charity.

Fundraising

No fundraising activities were conducted during the financial year ended 31st July 2021 by NEWTEC directly or organisations on behalf of NEWTEC. The charity's income was from its operational activities.

FINANCIAL REVIEW, FINANCIAL CHALLENGES, AND NEWTEC'S RESPONSES THERETO

Context

NEWTEC had been in financial difficulty for several years. In early 2020, the Directors took the decision to discontinue all educational operations by 31st July 2020 and transfer as many of the nursery settings as possible, as going concerns, to new operators thereafter.

The Directors have taken necessary steps to ensure the company remains solvent in the short-term.

Financial performance

In the twelve months ended 31st July 2021, NEWTEC made an operating deficit of £1,082k. (2020: £997). There were several issues causing this deficit, including:

- a. Low levels of income from nursery operations. The coronavirus lockdown and post-lockdown move to home working by many parents meant we had a small fraction of the previous number of fee-paying nursery children. However, fixed costs relating to premises remained.
- b. Redundancy costs. Former nursery staff based at NEWTEC nursery settings that did not transfer via the Transfer of Undertaking Protection of Employment (TUPE) regulations to employment with the new operators.

Reconciliation of deficit	
	£'000
Operating Deficit	1,082
Depreciation and amortisation	121
Net expenditure per the SOFA	1,203

Reserves and cash holding policy

The current level of unrestricted reserves is £1,930k of which £4,654k is represented by fixed assets.

Our current cash holding policy is to aim for at least three months' expenditure to be held as cash at bank.

Bridging loan financing

NEWTEC took out two tranches of bridging loan with Ortus Secured Finance, with the 1 Mark Street building used as collateral. The first tranche of £2 million loan was taken out in the year ended 31st July 2020. NEWTEC took out a further facility of £261,756 in May 2021, as additional working capital was required to ensure the company remained solvent until the sale 1 Mark Street had completed. As reported elsewhere, the Ortus loan funding was repaid fully after the balance sheet date on sale of the property. The Directors note thanks to Ortus Finance for their support to NEWTEC during what had been a very difficult time for the company.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

Going concern

In April 2020 the Board of Directors took the decision to wind down all of the activities of NEWTEC with a view to cessation and as such have concluded that it remains no longer appropriate to prepare the financial statements of NEWTEC on a going concern basis.

During the year the following has happened in relation to the cessation of activities:

1. Transfer of nursery operations to other providers

As a result of the coronavirus lockdown, all nursery operators nationwide have experienced significant financial difficulties due to the loss of nursery fee income whilst fixed costs remain at their relatively high levels. Many parents are understandably cautious about returning their children to nursery. Some parents are now working from home extensively, so no longer need day care for their children.

The Directors felt the long-term delivery of childcare provision would be served better by the NEWTEC nursery settings being transferred to other operators with good financial strength plus operational capability for the nurseries to continue to provide benefit to their local communities. In the early part of the financial year, NEWTEC discussed this with several other nursery providers.

Agreement was reached with:

- The London Early Years Foundation - to take over three nursery settings, being 22 Deanery Road, Cumberland Road, and the University of East London Garden Nursery.
- Little Angels Uni Ltd - to take over one nursery setting, being Plaistow Day Nursery.

2. Permanent closure of three nursery settings

Nursery settings at 1 Mark Street and Newham College's East Ham campus were closed during the financial year. These premises would not have been available in future - due to the sale of 1 Mark Street and because Newham College intends to redevelop the ground floor rooms that housed the nursery setting.

The lease on the 43 West Ham Lane setting expired on 1 May 2022, and with insufficient demand after the easing of coronavirus lockdown restrictions, the decision was made during the financial year to close this setting permanently.

3. Sale of 1 Mark Street

NEWTEC's freehold building, at 27,000 square feet, was no longer required and the Directors therefore took the decision to sell the building. The building was being actively marketed during the financial year. After the year-end, the Directors evaluated offers received on the building, with advice from our Chartered Surveyors. The sale of the building completed March 2022.

The first call on the sale proceeds was the settlement of the loan secured thereupon. A boundary error, dating back from 2003 when the land for 1 Mark Street was purchased, was corrected with the kind help of the London Borough of Newham.

After the year-end, the Directors accepted an offer on the property. The buyer imposed a number of conditions. In particular, that the planning consent and a restrictive covenant on the building be revised.

Adjustments

At the point of the application of the non-going concern basis of accounting in the prior year adjustments were made to impair intangible fixed assets to their net realisable value and to recognise an onerous lease provision in relation to operating leases. Adjustments have been made to the onerous lease provision in the year to reflect the cessation or settlement of the leases.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

Post balance sheet events

The sale of NEWTEC's 1 Mark Street freehold premises was completed on 22 March 2022. The sale completed many months after expected, as a result of additional work required to secure the planning consent required by the purchaser and negotiations with the local council regarding amendment to the restrictive covenant. Upon the sale of the property, all loan funding from Ortus Secured Finance was repaid in full, the legal charges relating to the loan were released, and the company no longer has any loan borrowing or bank overdrafts.

NEWTEC is finalising an agreement to settle dilapidations regarding the expired lease for 43 West Ham Lane, Stratford, London.

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.

Statement of 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).

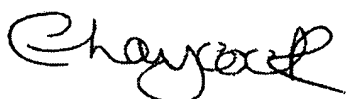
Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including income and expenditure of the charitable company for that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

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

- a. select suitable 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;
- d. state whether applicable UK accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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



Elizabeth Laycock (Director)

25 July 2022

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NEWHAM TRAINING AND EDUCATION CENTRE**

Opinion

We have audited the financial statements of Newham Training and Education Centre (the 'charitable company') for the year ended 31 July 2021 which comprise the Statement of Financial Activities (incorporating Income and Expenditure Account), the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including 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 2021 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.

Emphasis of matter - non going concern basis of accounting

We draw attention to the disclosures made in the non-going concern accounting policy on page 12 of these financial statements which describes the preparation of the financial statements on a non-going concern basis. As a result of the company ceasing to trade in the year, the directors have concluded that it is no longer appropriate to prepare the financial statements on a going concern basis. Our opinion is not modified in this respect.

Other information

The other information comprises the information included in the Directors' Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Directors' Report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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, which includes the Directors' Report and the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

- the Directors' Report and the Strategic Report included within the Directors' Report has been prepared in accordance with applicable legal requirements.

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 or the Strategic Report included within the Directors' 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 directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors (who are also the trustees of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors 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 directors 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the charitable company operates in and how the charitable company is complying with the legal and regulatory framework;

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Companies Act 2006, Charities Act 2011, the charitable company's governing document and tax legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Directors' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents, inspecting correspondence with local tax authorities and evaluating advice received from internal/external advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Health and Safety. We performed audit procedures to inquire of management and those charged with governance whether the charitable company is in compliance with these law and regulations and inspected correspondence with regulatory authorities.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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.

Use of our 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.

Sarah Mason

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

26 July 2022

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

STATEMENT OF FINANCIAL ACTIVITIES (incorporating Income and Expenditure Account)

FOR YEAR ENDED 31ST JULY 2021

	Note	Restricted funds £	Unrestricted funds £	Total 2021 £	Total 2020 £
Income from:					
Other trading activities:					
Training room hire	2	-	61,361	61,361	109,388
Charitable activities	3	752,022	772,697	1,524,719	4,653,664
					4,763,052
Total income		752,022	834,058	1,586,080	
Expenditure on:					
Charitable activities:					
Social enterprise activities (including exceptional items of £312,066 - refer to note 7)	4(a)	752,022	2,036,985	2,789,007	3,618,188
Learning and employment	4(b)	-	-	-	2,141,430
Total expenditure		752,022	2,036,985	2,789,007	5,759,618
Net expenditure for the year		-	(1,202,927)	(1,202,927)	(996,566)
Fund balances brought forward at 1st August 2020		-	3,132,596	3,132,596	4,129,162
Fund balances carried forward at 31st July 2021		-	1,929,669	1,929,669	3,132,596

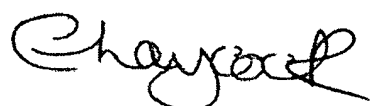
For the period to 31st July 2021 all of the activities are discontinued operations, please refer to the going concern accounting policy for more details regarding discontinued operations. For the period to 31st July 2021 discontinued operations included income of £752,022 (2020: £122,796) and expenditure of £752,022 (2020: £183,661) relating to restricted funds.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

BALANCE SHEET **AS AT 31ST JULY 2021**

			2021		2020
	Note	£	£	£	£
Fixed assets					
Intangible assets	8		-		-
Tangible assets	9		4,653,948		5,126,958
Investments	10		3		3
			<u>4,653,951</u>		<u>5,126,961</u>
Current assets					
Debtors	11	15,000		251,360	
Cash at bank and in hand		<u>155,196</u>		<u>491,148</u>	
		170,196		742,508	
Creditors - amounts falling due within one year	12	<u>2,739,599</u>		<u>2,422,572</u>	
Net current liabilities			<u>(2,569,403)</u>		<u>(1,680,064)</u>
Total assets less current liabilities			<u>2,084,548</u>		<u>3,446,897</u>
Provisions for liabilities	13		(154,879)		(314,301)
Net assets			<u><u>1,929,669</u></u>		<u><u>3,132,596</u></u>
Reserves					
Unrestricted funds	14		1,929,669		3,132,596
Restricted funds	15		-		-
			<u><u>1,929,669</u></u>		<u><u>3,132,596</u></u>

The financial statements on pages 9 to 26 were approved and authorised for issue on 25 July 2022 by the Board and signed on their behalf by:



Elizabeth Laycock (Director)

STATEMENT OF CASH FLOWS

FOR YEAR ENDED 31ST JULY 2021

	Note	2021 £	2020 £
Net cash used in operating activities	17	<u>(624,628)</u>	<u>(1,106,243)</u>
Investing activities			
Proceeds on disposal of tangible fixed assets	7	40,000	-
Net cash from investing activities		<u>40,000</u>	<u>-</u>
Financing activities			
Proceeds from new bank loans		261,756	2,000,000
Interest paid		(13,080)	-
Repayment of bank loans		-	(6,401)
Repayment of other borrowings		-	(370,000)
Net cash from financing activities		<u>248,676</u>	<u>1,623,599</u>
Net (decrease)/increase in cash and cash equivalents		<u>(335,952)</u>	<u>517,356</u>
Cash and cash equivalents at the start of the year		491,148	(26,208)
Cash and cash equivalents at the end of the year		<u>155,196</u>	<u>491,148</u>
Relating to:			
Bank balances included in cash at bank and in hand		155,196	491,148
		<u>155,196</u>	<u>491,148</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31ST JULY 2021

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 2019), the Companies Act 2006 and the Charities Act 2011.

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 £1 unless otherwise specified.

Going concern

In April 2020 the Board of Directors took the decision to wind down all of the activities of NEWTEC with a view to cessation and as such have concluded that it remains no longer appropriate to prepare the financial statements of NEWTEC on a going concern basis. Please refer to the Directors' Report for more details in relation to the cessation of activities.

Basis of consolidation

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. Newtec Services Ltd was liquidated after the year end, on 19 April 2022.

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 (including government grants) or applied for the purchase of fixed assets are credited to income in full in the year in which the charity has met any performance conditions and receipt is probable.

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 Interim Business Operations Consultant's (2020: Chief Executive's) costs and these are included in support costs.

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

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

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

Full year of depreciation is charged in year of purchase.

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.

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 the Statement for Financial Activities. 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, other debtors and accrued income, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

Financial liabilities

Basic financial liabilities, which include loans, trade creditors and accruals, 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 Directors 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.

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.

Provisions

Provisions are recognised when the charitable company has an obligation at the reporting date as a result of past event which it is possible will result in the transfer of economic benefits and that obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Onerous leases

Provisions are made against operating leases where the unavoidable costs of meeting the contractual lease obligations exceed the economic benefit expected to be received.

Dilapidations

Provisions are made for dilapidations costs expected to be settled when the leased property is vacated.

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.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

Critical accounting estimates and areas of judgement

In the application of the charitable company's accounting policies, the Directors 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.

2. Income from other trading activities

	Discontinued operations 2021 £	Continuing operations 2020 £
Training room hire	<u>61,361</u>	<u>109,388</u>

In 2021, income from other trading activities was £61,361 (2020: £109,388) all of which related to income from unrestricted funds.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

3. Income from charitable activities

	Discontinued operations 2021 £	Continuing operations 2020 £
<u>a) Social enterprise income</u>		
Childcare fees	633,672	1,631,361
Other misc income	49,603	279,541
	<u>683,275</u>	<u>1,910,902</u>
<u>b) Learning and employment income</u>		
	Discontinued operations 2021 £	Discontinued operations 2020 £
London Borough of Newham	752,022	1,020,683
Government grants:		
ESFA - Revenue	55,636	1,327,083
Apprenticeship Programme	24,231	183,462
19+ AEB - Revenue	(270)	(33,593)
HE Contracts	-	122,796
24+ Loans/Tuition Fees	9,825	48,736
	<u>841,444</u>	<u>2,669,167</u>
Newtec Recruitment	-	73,595
	<u>841,444</u>	<u>2,742,762</u>
Total income from charitable activities	<u>1,524,719</u>	<u>4,653,664</u>

In 2021, total income from charitable activities was £1,524,719 (2020: £4,653,664) of which £772,697 (2020: £3,510,185) related to income from unrestricted funds and £752,022 (2020: £1,143,479) was from restricted funds.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

4. Expenditure on charitable activities

(a) Social enterprise activities

	Discontinued operations 2021 £	Continuing operations 2020 £
<u>Staffing costs</u>		
Salaries & wages	1,187,225	1,270,993
Temporary staff	137,263	254,618
Other staff costs	3,838	13,416
	1,328,326	1,539,027
<u>Other costs</u>		
Food costs	53,129	86,082
Other direct costs	93,641	30,866
Support costs	962,510	1,947,722
Exceptional items - refer to note 7	312,066	-
	1,421,346	2,064,670
<u>Governance costs</u>		
Professional fees	38,031	10,827
Governance assistance	1,304	3,664
	39,335	14,491
Total social enterprise costs	2,789,007	3,618,188

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

4. Expenditure on charitable activities (continued)

(b) Learning and employment – discontinued operations

	Total 2021 £	Total 2020 £
<u>Staffing Costs</u>		
Salaries & Wages	-	492,891
Temporary Staff	-	94,676
Other Staff Costs	-	63,615
	-	651,182
<u>Other costs</u>		
External Course costs	-	687,078
Student Travel Costs	-	172
Other Student Support	-	64,753
Course Books & Materials	-	113
Exam fees	-	60,940
Office Costs	-	39,369
Allocated overheads	-	623,329
	-	1,475,754
<u>Governance costs</u>		
Professional fees	-	10,830
Governance assistance (Chief Executive)	-	3,664
	-	14,494
Total learning and employment costs	-	2,141,430
Total expenditure on charitable activities	2,789,007	5,759,618

In 2021, the expenditure on charitable activities was £2,875,213 (2020: £5,759,618) of which £752,022 (2020: £1,204,344) was from restricted funds and £2,123,191 (2020: £4,555,274) was expenditure from unrestricted funds, which includes exceptional items of £312,066 (2020: £nil) – refer to note 7. In 2020, learning and employment operations were discontinued, but the charitable company continued its social enterprise operations. In 2021, all the remaining activities were discontinued.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

5. Net expenditure for the year

	2021	2020
This is stated after charging/(crediting):	£	£
Operating lease payments	(72,612)	739,913
Depreciation of owned assets	120,944	139,411
Exceptional items - refer to note 7	312,066	-
Loss on disposal of fixed assets	-	77,182
Interest charged for NCFE balance	-	37,260
Amortisation of intangible assets	-	6,687
Impairment of intangible assets	-	11,309
Arrangement and interest fees recognised for Ortus Loan	261,424	67,548

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

Auditor's remuneration in respect of financial statements audit services	15,800	14,340
Other services:		
Taxation compliance services	2,700	-
All other non-audit services	4,250	9,222

6. Staff costs

	2021	2020
	£	£
Salaries	976,591	2,019,060
Social security costs	67,907	166,124
Pension costs	33,160	86,888
Total staff costs	1,077,658	2,272,072
Redundancy costs	109,567	93,410
Temporary staff	137,263	560,649
	1,324,488	2,926,131

The key management personnel of the charitable company comprise the Directors (2020: Directors and the CEO).

The total employee benefits of the key management personnel of the charitable company were £nil (2020: £80,021) including employer's national insurance payments of £nil (2020: £6,052).

No Directors received any emoluments in their capacity as Directors of the charitable company in the current or prior year.

No amounts were reimbursed to the Directors for expenses in the current or prior year. No employee's emoluments were greater than £60,000 in the year (2020: one in the range £60,001 to £70,000).

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

6. Staff costs (continued)

The average number of employees in the year was:

	2021 Average Number	2020 Average Number
Social enterprise staff	67	123
Learning and employment staff	-	25
Other support services staff	7	12
	<u>74</u>	<u>160</u>

7. Exceptional items

During the year, the charitable company transferred four of its nurseries for £40,000 consideration in total to other organisations, which provide family services in the area of London.

The net assets consisted of the following:

	2021 £
Fixed assets	<u>352,066</u>
Total assets transferred	352,066
Proceeds received	<u>(40,000)</u>
Net loss on disposal	<u>312,066</u>

8. Intangible fixed assets

	Computer software & website £	Total £
Cost:		
1st August 2020	45,709	45,709
Disposals	<u>(45,709)</u>	<u>(45,709)</u>
31 st July 2021	-	-
Amortisation:		
1st August 2020	45,709	45,709
Amortisation on disposals	<u>(45,709)</u>	<u>(45,709)</u>
31 st July 2021	-	-
Net Book Value:		
As at 31st July 2020 and 31 st July 2021	<u>-</u>	<u>-</u>

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

9. Tangible fixed assets

	Freehold Land & Buildings £	Leasehold Buildings £	Computers £	Fixtures, Fittings & Equipment £	Total £
Cost:					
1st August 2020	6,789,038	1,463,338	81,875	65,679	8,399,930
Disposals	-	(861,783)	-	(8,857)	(870,640)
31st July 2021	6,789,038	601,555	81,875	56,822	7,529,290
Depreciation:					
1st August 2020	2,034,650	1,116,214	81,875	40,233	3,272,972
Charged in the year	115,496	-	-	5,448	120,944
Depreciation on disposal	-	(514,659)	-	(3,915)	(518,574)
31st July 2021	2,150,146	601,555	81,875	41,766	2,875,342
Net Book Value:					
As at 31st July 2021	4,638,892	-	-	15,056	4,653,948
As at 31st July 2020	4,754,388	347,124	-	25,446	5,126,958

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

10. Investments

	2021 £	2020 £
3 ordinary shares (100%) in 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. The company was liquidated on 19 April 2022.

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

11. Debtors

	2021 £	2020 £
Trade debtors	-	71,371
Accrued income	-	80,669
Prepayments	-	84,320
Other debtors	15,000	15,000
	15,000	251,360

The other debtors balance consists fully of rental deposits.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

12. Creditors

	2021	2020
	£	£
Due within one year		
Other loan	2,550,459	2,067,548
Trade creditors	17,857	33,578
Taxation and social security	1,654	50,377
Accruals and deferred income	160,516	255,850
Other creditors	9,113	15,219
	<u>2,739,599</u>	<u>2,422,572</u>

Deferred income comprises retainers received in advance of £nil (2020: £6,820).

The other loan is repayable in the following instalments

	2021	2020
	£	£
- within one year	<u>2,550,459</u>	<u>2,067,548</u>
	<u>2,550,459</u>	<u>2,067,548</u>

The Ortus Loan of £2,550,459 (2020: £2,067,548) is secured by a fixed and floating charge over all assets (lodged at Companies House 2nd July 2020). The loan was fully repaid after the year end on 22 March 2022.

Following terms and conditions apply:

- The loan was repayable in full to the lender at the end of 12 months from the drawdown date being 1st July 2020 with an option to extend at a higher interest rate. This option to extend has been taken and a further facility of £261,756 was made available to the company on 14 May 2021, due for repayment within 3 months
- The interest rate of 0.90% per month for the first 12 months (1 July 2020 to 30 June 2021), 1.1% per month for the following 3 months (1 July 2021 to 30 September 2021) and 2.2% thereafter

13. Provisions for liabilities

	Dilapidations	Onerous Leases	Total
	£	£	£
At 1 st August 2020	44,000	270,301	314,301
Unwinding of provisions in the year	-	(159,422)	(159,422)
At 31 st July 2021	<u>44,000</u>	<u>110,879</u>	<u>154,879</u>

The provision for dilapidations relates to an assessment of potential costs that will be incurred when one of the leased premises is vacated. The provision is based on an estimate of costs to be incurred when the current lease expired in May 2022.

The provision for onerous leases relates to obligations arising from the ongoing lease for one former premises and other equipment leases that were not part of the business that was transferred to new providers.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

14. Unrestricted funds

Current year	1st Aug. 2020	Income	Expenditure	Transfer	31st Jul. 2021
	£	£	£	£	£
General funds	3,132,596	834,058	(2,036,985)	-	1,929,669
	3,132,596	834,058	(2,036,985)	-	1,929,669
Prior year	1st Aug. 2019	Income	Expenditure	Transfer	31st Jul. 2020
	£	£	£	£	£
General funds	1,095,236	3,619,573	(4,555,274)	2,973,061	3,132,596
	1,095,236	3,619,573	(4,555,274)	2,973,061	3,132,596

15. Restricted funds

Current year	1st Aug. 2020	Income	Expenditure	Transfer	31st Jul. 2021
	£	£	£	£	£
London Borough of Newham	-	752,022	(752,022)	-	-
	-	752,022	(752,022)	-	-
Prior year	1st Aug. 2019	Income	Expenditure	Transfer	31st Jul. 2020
	£	£	£	£	£
SRB - Capital	3,033,926	-	(60,865)	(2,973,061)	-
London Borough of Newham	-	1,020,683	(1,020,683)	-	-
Kingston University	-	122,796	(122,796)	-	-
	3,033,926	1,143,479	(1,204,344)	(2,973,061)	-

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.

Transfers between funds

During the prior year, a successor body to the original funder of the SRB Capital grant executed a deed of release lifting the original restrictions imposed on the property by the funder. On 22nd June 2020 the related charge that was held over the property was also lifted. As a result, a transfer was made in the prior year to move these funds from restricted funds to unrestricted funds reflecting the lifting of the restrictions on the asset.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

16. Analysis of net assets between funds

Current year	Unrestricted Funds £	Restricted Funds £	Total £
Tangible fixed assets	4,653,948	-	4,653,948
Investments	3	-	3
Current assets	170,196	-	170,196
Current liabilities	(2,739,599)	-	(2,739,599)
	2,084,548	-	2,084,548
Provisions	(154,879)	-	(218,162)
Net assets at 31st July 2021	1,929,669	-	1,929,669

Previous year	Unrestricted Funds £	Restricted Funds £	Total £
Tangible fixed assets	5,126,958	-	5,126,958
Investments	3	-	3
Current assets	742,508	-	742,508
Current liabilities	(2,422,572)	-	(2,422,572)
	3,446,897	-	3,446,897
Provisions	(314,301)	-	(314,301)
Net assets at 31st July 2020	3,132,596	-	3,132,596

17. Reconciliation of net expenditure to net cash used in operations

	2021 £	2020 £
Net expenditure	(1,202,927)	(996,566)
Depreciation of tangible fixed assets	120,944	139,411
Amortisation of intangible fixed assets	-	6,687
Impairment of intangible fixed assets	-	11,309
Loss on disposal of fixed assets	-	77,181
Net loss on transfer of fixed assets - refer to note 7	312,066	-
Interest payable	234,235	104,808
Operating cash flows before movements in working capital	(535,682)	(657,169)
Decrease in trade and other debtors	236,360	410,549
Decrease in trade and other creditors	(165,884)	(1,173,924)
(Decrease)/increase in provisions	(159,422)	314,301
Cash used in operations	(624,628)	(1,106,243)

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

18. Analysis of changes in net debt

	Notes	At 1st August 2020	Cash flows	Other non-cash movements	At 31st July 2021
		£	£	£	£
Cash at bank and in hand		491,148	(335,952)	-	155,196
Bank and other loans	12	(2,067,548)	(248,161)	(234,750)	(2,550,459)
Debt due within 1 year		(2,067,548)	(248,161)	(234,750)	(2,550,459)
Total net debt		(1,576,400)	(584,113)	(234,750)	(2,395,263)

19. 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 31st July 2021 was £335 (2020: £31,353). The total number of staff in the scheme at 31st July 2021 was 4 (2020: 102).

20. Operating lease commitments

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

	2021	2020
Amounts due:	£	£
Within one year	76,049	212,392
Between one and five years	34,830	602,894
After five years	-	1,379,500
	110,879	2,194,786

21. Fixed and floating charge

The company has a loan (note 12) of £2,550,459 (2020: £2,067,548). This is secured by way of a fixed charge over all book and other debts, and a floating charge over all other assets of the charitable company.

DIRECTORS' REPORT AND ACCOUNTS FOR YEAR ENDED 31ST JULY 2021

22. Related party transactions

The charitable company had no related party transactions during the current year.

The charitable company's ultimate parent undertaking until 30th July 2020 was Newham College of Further Education. As at 31st July 2020 a balance of £30,503 was due to the college.

During the prior year, NEWTEC received income of £811,034 from the College and paid management fees of £261,775.

During the prior year, NEWTEC paid expenses of £17,235 to Gateway Qualifications Limited, a related party entity by common directorship of Liz Laycock (resigned as director of Gateway Qualifications Limited 13th May 2020). As at 31st July 2020 £nil was outstanding.

23. Post balance sheet events

The sale of NEWTEC's 1 Mark Street freehold premises was completed on 22 March 2022. Please refer to the Directors' Report for further details.