



Money

Newable

Advice

Workspace

Annual Report and Financial Statements

Year Ended 31 March 2020

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Country of incorporation of parent company: England and Wales

Directors

P G Collis CB	C J Manson	M B Walsh
Cllr J W Hopkins	J Montgomery CB	A M Watts CBE
M Karim	Cllr G Nicholson (Chair)	M B Whitefield
A G MacLennan	V A Sharp	

Secretary and registered office

M Hofman
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Company number

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Auditors

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Strategic Report

The Directors present the Group's strategic report for the year ended 31 March 2020.

1. Introduction

Newable's purpose continues to be to help companies working at the heart of the British economy to thrive. We achieve this by delivering Money, Advice and Workspace to business. Newable has nearly forty years of experience of helping to generate inclusive economic growth by helping Britain's business men and women start, sustain and scale their businesses. Newable's strategy is to continue to evolve and develop a unique platform of products and services for businesses across Money, Advice and Space that is unmatched in the United Kingdom.

Newable is non-profit distributing and so reinvests all profits and resources back into its businesses.

2. Business Review

The 2020 financial year saw Newable continue its strategy of expanding its range of products and services through organic growth and the targeted acquisition of new products and businesses. This was against the backdrop of continued uncertainty surrounding the outcome of Brexit negotiations and the wider political and economic uncertainty that this caused; and as we entered 2020, the growing impact of the Covid-19 pandemic and the lockdown of the economy that took effect in March 2020.

The impact of the pandemic and lockdown on Newable has been very significant. At its height, some 40% of Newable's wider staff had to be furloughed and a number of businesses had to stop trading or severely restrict trading for a period. However, I am pleased to advise that as of mid-June 2020, we are seeing a strong recovery in business activity with most staff coming off furlough with production and deliveries increasing.

The pandemic and its impact has illustrated the resilience of Newable – we have a strong balance sheet and we are now carrying significant levels of cash as an insurance policy. This together with the range of businesses we have, some of which, such as Advice, have not been negatively impacted by the lockdown, has been a real strength. The Government has introduced a range of measures for business ranging from the employee furlough scheme; tax liability deferrals; the various Covid-19 business interruption loan schemes as well as the accelerated settlement of public sector liabilities owing to businesses.

Two major events took place during the year:

First was the sale during the year of Newable's investment property portfolio. This comprised some ten sites focused on the Greater London

area of mainly industrial and warehouse units. The portfolio sold for £53 million, with the proceeds used to pay off bank debt and to help finance investments in acquisitions and in existing businesses. The sale was part of Newable's repositioning of its property business ("Workspace") following the acquisition of Citibase (since re-branded as NewFlex), which brought with it a national footprint through a network of some 40 Business Centres operating from Aberdeen to Brighton.

The second major development was the first acquisition by Newable Capital. Newable Capital is a new business for Newable and is designed to help founder shareholder/managers who wish to exit their business as they near retirement and want to realise value, but also want to help their management teams to participate in the future growth in value of that business. Newable identified a gap in the market for sub-£15 million valued businesses, where there was a lack of investor appetite and debt capacity to support this type of business.

Since the launch of Newable Capital, over three hundred potential companies, operating across the breadth of the United Kingdom, have been reviewed and evaluated.

We have been extremely impressed by the range and quality of the companies that we have seen and in December 2019 Newable Capital made its first acquisition - ARC Building Solutions Ltd - a Leeds based manufacturer of fire cavity barriers for the house building industry, with annual revenues of some £12 million and profitability of £1.5 million. Newable Capital is now progressing its second acquisition, planned to complete in the second half of 2020. The team has an active on-going strategy to add to its portfolio of investments.



Newable Capital acquires Leeds-based ARC Building Solutions.

Turning to Newable's other businesses:

Workspace

The acquisition of Citibase in November 2018 was partly driven by the analysis that the market for flexible offices would grow rapidly. In our view, the long-term leases offered by the commercial office market do not offer the flexibility required by the agile businesses of the new economy. JLL forecasts that 30% of all offices will be offered on a flexible basis by 2030.

The events of the last year have accelerated the growth in the market for flexible offices. Following a post-acquisition strategic review, it was concluded we would require a wider range of brands and products to match the wide range of demands made by both owners of office buildings (clients) and occupiers of office buildings (customers).

Consequently, during the year, we have assembled a group of brands, products and services, which will enable us to offer solutions to clients and customers in all parts of the market. These are:

1. easyHub. In September 2019, we acquired the rights to use the easyHub brand across 27 countries in Europe. The "easy" brand has very high awareness as a provider of cost-effective products and services;
2. Serendipity Labs. In September, we also acquired the rights to develop the Serendipity Labs brand in the U.K. Serendipity Labs has 40 locations in the USA and offers quality flexible offices in regional locations;
3. Space as a Service/Bold. In December we acquired the start-up Space as a Service/Bold, which is a thought leader in the management of offices as a service to occupiers;
4. Tailor-Made. In February, we launched a new product targeted at the booming market for corporate occupiers who want to de-risk their operation by having a number of smaller office locations rather than one big location; and
5. Citibase remains the brand that is targeted at secondary offices in prime locations and is likely to be the biggest brand in the stable in the immediate future.

All of these brands and products will be operated on a low-risk basis via franchising, management agreements or back-to-back leases. As a result of this multi-brand strategy, it no longer made sense for Citibase to be both the name of a brand and the name of the company. Consequently, in March 2020 we changed the name of the company, which holds all of these brands and products to NewFlex.

During our post-acquisition strategic review, it became clear that the occupiers in the flexible future would search for office space on-line and that future success in this sector would be more difficult to achieve without a strong on-line presence. Consequently, in December we completed the acquisition of the on-line broker Ask Officio Ltd ("Officio").

In recent years, Officio has been the biggest flexible office broker in the UK. Officio is an expert in finding potential occupiers of flexible offices through digital marketing. The strategic plan is to use this expertise to expand into new products and services which will harvest the boom in flexible offices.

Newable continues its activities in property development, focused on the London market and mainly on industrial and warehouse units and estates. Our team completed the sale of Newable's 53,000 sq. foot development at Creek Way in Rainham. In addition, construction was completed on a 65,000 sq. foot development at Jeffreys Road, Enfield, which was sold following the year-end.

We also started building work on our 73,000 sq. foot development site in Dartford, which will complete in December 2020. Our pipeline of new developments was strengthened by the obtaining of planning permission for our 33,000 sq. foot site in Alfred's Way, Barking and we will continue to add new development sites to our portfolio as they become available.

Money

Following the buyout of Newable's joint venture partner's stake in May 2019, Newable Business Finance is now a 100% owned subsidiary of Newable.

In the financial year under review, Newable Business Finance Limited delivered approximately 35% year on year growth in loan balances and revenues. The business continues to be a leading provider of Responsible Finance to UK SMEs.



Expanding the NewFlex workspace proposition with an acquisition of Bold.



Synergy Car Leasing team, based in Harrogate, North Yorkshire.

Newable Business Finance has been adversely impacted by the Covid-19 pandemic, which has caused many SMEs to close temporarily. The prevalence of Government-supported loan schemes (Business Bounce Back Loan and Coronavirus Business Interruption Loan) has caused further disruption to the unsecured business finance market in which Newable Business Finance operates. The Government schemes are due to end in late 2020 and Newable Business Finance continues to monitor and adapt to the market conditions.

Partially in response to this, but also as part of our continuing plans to develop our offering in this area, Newable is progressing plans to further grow its activities in the brokerage sector, where significant revenues can be generated through matching borrowers and lenders without taking on balance sheet risk.

As part of the expansion into brokerage operations, Newable Lending completed the acquisition of a majority stake in Synergy Automotive Ltd (which trades as Synergy Car Leasing – “Synergy”) in January 2020. Synergy is an FCA authorised, vehicle-leasing broker based in Harrogate. Founded in 2006 the business operates across SMEs including small fleet, consumer (company car allowance) and retail consumers (including sole traders/mixed use) with revenues of £3 million and profitability of £0.5 million. Synergy complements our existing Epsom based, property brokerage - Newable Commercial Finance.

In addition to Newable Capital, Newable also provides equity investment through Newable Ventures Ltd (“NVL”) – previously branded Newable Private Investing. NVL strengthened its position as a leading early-stage investor during the year completing 11 investments totalling £2.3m.

As at the end of the year, the business had £9.5m under management. The business has focused on professionalising the angel network through the launch of the co-investment service to simplify the process of early-stage investing and attract new passive and active investors.

This year the business created a forum of leading investment firms, accountants, solicitors and private banks to increase the number of female entrepreneurs and investors, who are underserved in the British market. As part of this initiative, we are participating in HM Treasury’s Investing In Women Code.

Following the end of the financial year, NVL received direct authorisation from the Financial Conduct Authority and has progressed several tenders to manage larger investment portfolios.

Advice

During a time of unprecedented uncertainty, our International Trade Advisor teams exceeded all of the exporting targets set by the Department for International Trade. As a result, we are proud to have supported over 10,000 businesses in London and South East and have been responsible for helping to generate £3bn in incremental export sales for UK plc.

We believe that this result is down not only to the quality of our Advisers, but also the fact that our Advisers are organised into sector specific teams. The benefit to clients is that they are able to deal with an adviser, based locally, but also an expert in their industry. During the year, our contracts with the Department of International Trade that were due to be retendered by end March 2020, were formally extended to March 2021 and it is likely that they will be further extended to September 2021 or March 2022.

Newable also serves as a delivery partner for Innovate UK, the UK Government's innovation agency. Our **Innovation** Advisers supported over 915 entrepreneurs across the year helping them to commercialise their ideas and bring them to market. This also includes our specialist work with the British Library. Apart from working extensively domestically, the team designed and delivered important overseas missions to India, Spain and the United States, with the last postponed to 2021 due to Covid-19. An example of this activity is the group of UK SMEs from the Future Cities sector that we took to India as part of the Global Business Innovation Programme (GBIP) programme.

Our **Social Impact** programmes continued to make an important difference through such activity as Building Confidence, our inclusive supply chain initiative delivered on behalf of JP Morgan Chase Foundation. During the year, the project has provided business support to 264 micro and small inner-city business and has led to contracts totalling +£1m being awarded by large contractors creating 96 new jobs and

safeguarding 106 as a result. Newable has also successfully won the delivery of the GLA London Growth Hub business support programme starting in November 2019 and aiming to help the "everyday" London businesses, particularly those from disadvantaged groups and disengaged from mainstream business support. Our advisers have since supported 318 London businesses.

Our Events team delivered 148 capability and business building events during the year. A highlight included designing and delivering a series of 'Going Global in a Day' workshops at which businesses had the opportunity to meet 1-2-1 with commercial officers from a larger number markets across the world.

3. People and Culture

Newable has a long-term people ambition to be one of the best employers to work for in the United Kingdom. This is measured by participating in the Best Companies Workplace Engagement Standard Accreditation Programme – Newable has achieved the first level of accreditation - 'Ones to Watch'.

The people strategy aims to respond, support and deliver on Newable's ambition to grow by 3x5y through the recruitment, development and retention of the best available talent.

Newable supports a workplace culture where our people can grow and contribute to the achievement of Newable's objectives and where work is stimulating and rewarding in a diverse, inclusive, creative and innovative environment.



Partner and Stakeholder Networking Event held at Smithfield London.

Although not required by law to disclose headline statistics, in line with best practice, Newable does voluntarily produce data for the Group on the diversity of its people, which is disclosed in this Report. The latest available data is at 31 December 2019; however, it excludes the Group's three most recent acquisitions: ARC, Officio and Synergy due to differences in reporting requirements and systems. Figures for these companies will be included in future reports.

To summarise, the key people statistics for Newable Ltd and NewFlex show:

- There are 344 FTE staff compared to 347 a year ago.
- 11.3% of the staff work on a part-time/reduced hours basis compared to 8.7% a year ago.
- The voluntary staff turnover rate for Newable Ltd is 10.6% compared to 14.7% a year ago and for NewFlex it is 22.8%.
- The ethnic minority proportion rate increased from 19.4% to 21% in the last 12 months for Newable Ltd. For NewFlex the rate is 27%.
- The gender ratio at Newable Ltd is 46.4% women versus 53.6% men compared to NewFlex with a ratio of 72.4% women versus 27.6% men.
- The number of new hires in Newable Ltd who describe themselves as being from an ethnic minority background is 37% compared to 24.1% a year ago. For NewFlex the number is 31%.

Newable Ltd has produced its Gender Pay Gap Report for the third year running based on a data sample as at 16 February 2020. The report relates to Newable Ltd and does not include other companies within the Group such as NewFlex, ARC, Officio and Synergy. We plan to include these Group companies in future years as we develop their reporting capabilities further.

Although the headcount for Newable Ltd is below the 250-headcount threshold for statutory reporting requirements, it is reporting on the Gender Pay Gap as part of our on-going commitment to diversity, inclusion and equality.

The 2020 report shows that Newable Ltd continues to have a gender pay gap. However, when compared with the previous reports for 2018 and 2019, the pay gap has continued to reduce year on year.

Newable continues to create an evidence base to identify any barriers to gender equality and to inform future priorities for action. The report provides an update on the following key initiatives:

- the proportion of men and women applying for jobs and being recruited:

2018 46.8% of women applied for jobs compared to 51.5% of men (1.7% of applicants did not disclose gender); the success rate for women was 46.6% versus 53.4% for men.

2019 29.4% of women applied for jobs compared to 70.6% of men; the success rate for women was 44.4% versus 55.6% for men.

- the proportion of men and women applying for and obtaining promotions:

2018 the proportion of men securing promotions was 44% compared to 56% of women.

2019 the proportion of men securing promotions was 75% compared to 25% of women.

- the proportion of men and women leaving Newable:

2018 56% men and 44% women.

2019 54% men and 46% women.

- the take-up of flexible working arrangements by gender and level within Newable:

2019 Seven flexible working arrangements agreed of which four were women and three were men. 71% of these were for administrative roles.

- the proportion of men and women who return to their original job after a period of maternity or other parental leave:

2018 66% of women who went on maternity leave during 2018 returned to Newable and to their original job role.

- the proportion of men and women still in post a year on from a return to work after a period of maternity or other parental leave:

2018 50% of the women who went on maternity leave are still in post, one year on.

Newable remains committed to reporting on an annual basis on what it is doing to reduce the gender pay gap and the progress that it is making.

4. Principal Risks and Uncertainties

As explained in the Corporate Governance Framework (see page 13), Newable adopted the Quoted Companies Alliance Corporate Governance Code ("the Code") effective 1 April 2020. In line with the Code (Principle Four), the Board pays careful attention to effective risk management, considering both opportunities and threats.

The principal risks, as identified in the Group's Risk Appetite Statement, which could have an impact on the Group's performance, are:

- Market;
- Capital and liquidity;
- Operational;
- Regulatory;
- Reputational; and
- Credit;

During the year, the Risk Committee enhanced the Group's risk reporting regime to provide an aggregated view of principal risk performance versus Board sanctioned appetite and placed further emphasis on emerging risk analysis.

The Group continues to invest in its operating control environment supplemented by a comprehensive suite of insurance policies and risk-based internal audit programme.

Note 32 of the financial statements contains specific information on financial instrument risk.

5. Key Performance Indicators

Integral to the performance management of the Group, the Board and management monitor actual against budgeted revenue, costs and underlying pre-tax profitability and earnings before interest taxation depreciation and amortisation ('EBITDA'). Note 5 of the financial statements provides an analysis of revenues by major business unit and type of revenue.

In addition, for the Group's:

- Development property business and office space businesses, asset values, occupancy rates, rental yield per desk space and property valuations are tracked.
- Advice business, key export targets as set out in the Group's contracts with the Department of International Trade are also closely monitored.
- Lending business, loan arrear rates, interest yield and bad debt levels are tracked.
- Equity businesses, investment returns, fund inflows, number of investors and investee company performance are tracked.

Review and monitoring takes place through a combination of monthly business reviews, individual Business Board and finance meetings and scheduled Group Board and Group Committee meetings. In addition, the recently introduced CRM system – Salesforce – is also providing valuable additional and real time KPIs for Newable.

The Board and management believe that these key performance indicators as described above are key metrics to monitor Newable's performance, as they provide a good basis to judge underlying performance.

6. S172 Statement

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') requires Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders, which will have an impact on the long-term success of the company.

This S172 statement, which is reported for the first time, explains how Newable's (and its subsidiaries ("Newable")) Directors:

- have engaged with employees, members, suppliers, customers and others; and
- have regard to employee and members' interests, the need to foster Newable's business relationships with suppliers, customers and others, and the effect, including on the principal decisions taken by the company during the financial year.

This S172 statement focuses on matters of strategic importance to Newable, and the level of information disclosed is consistent with the size and the complexity of Newable's business.

General confirmation of Directors' duties

Newable's Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval.

At Board Meetings, the Directors review the progress against strategic priorities and the changing shape of the business portfolio. The Board monitors its decisions and actions, including its implementation of and performance against, the strategy and plan. The Board satisfies itself that emerging and principal risks are identified and understood, systems of risk management, compliance and controls are in place to mitigate such risks and expected conduct of company business and employees is reflected in Newable's set of values.

When making decisions, each Director ensures that they have acted in the way that they consider, in good faith, would most likely promote

Newable's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

Newable's Directors understand the business and the evolving environment in which they operate. Newable's purpose is to make a sustainable profit from helping other businesses thrive and to grow the size of the business through increasing profitability. This is balanced with keeping staff well-being and safety paramount, as well as social responsibility being fundamental to our business approach.

Newable's strategy is to develop the Group in order to provide:

- Money, Advice and Workspace for clients
- rewarding and fulfilling careers for staff
- balanced returns for stakeholders

Newable's measures of success include:

- trebling the size of our business through increased profitability and investment
- significantly expanding Newable's range of products and services to smaller businesses
- having highly motivated professional staff who value working for Newable and act as ambassadors for the business as evidenced in staff surveys and other measures
- developing a national footprint
- significantly raising Newable's profile in the business sectors in which it operates and nationally

The objective of the three strategic ambitions is to increase long-term value for Newable, whilst recognising that the long-term success of our business is dependent on our stakeholders and the external impact of our business activities on society and the environment.

S172(1) (B) "The interests of the company's employees"

Newable's long-term success is predicated on the commitment of our employees to our purpose, and their demonstration of our values on a daily basis. The Directors recognise that our employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, Newable's Directors consider the implications of decisions on employees and the wider workforce, where relevant and feasible.

Newable provides its employees with information on matters of concern to them and consults with them on a regular basis, so that their views are taken into account when making decisions, which are likely to affect their interests. Newable engages with its employees to ensure that we foster an environment that they are happy to work in and that best supports their well-being. Employees receive regular updates on the Group's performance via Town Hall (now Microsoft Teams) meetings. The Group also holds employee forums, feedback forms and surveys, as well as external reviews and benchmarking. The Directors also recognise that our pensioners, though no longer employees, also remain important stakeholders.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong, mutually beneficial relationships with suppliers, customers, government and delivery partners. Newable seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships. Newable continuously assesses the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics, for example, within the context of business strategy updates and investment or divestment proposals.

S172(1) (D) "The impact of the company's operations on the community and the environment"

This aspect is inherent in our strategic ambitions. Newable publishes annually its "Making an Impact" Report to reflect the social contribution made by Newable's day to day activities.

Newable has created an Environmental Team with membership comprising members of staff from across Newable and has been working with Green Mark to achieve an internationally recognised environmental accreditation standard. This team will work closely with the new Board Committee.

Newable is also planning to create an Environment and Social Impact Committee of the Board, which will consist of staff across the business from all departments and all levels.

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

Newable is economically, environmentally and socially responsible, and is a values-driven business, whose values are defined as a result

of a company-wide engagement process. The Board periodically reviews and approves clear frameworks, such as General Business Principles, Newable's Code of Conduct, specific Ethics & Compliance manuals (which include Whistleblowing), and its Modern Slavery Statement, to ensure that its high standards are maintained both within Newable, and the business relationships we maintain. This, complemented by the way the Board is informed and monitors compliance with relevant governance standards, helps assure its decisions are taken and that Newable acts in ways that promote high standards of business conduct.

S172(1) (F) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on all stakeholders. In doing so, our Directors act fairly as between the Newable's members.

Culture

The Board recognises that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships. The Board has established honesty, integrity and respect for people as the Newable's core values. The General Business Principles, Code of Conduct, and Code of Ethics help everyone in Newable to act in line with these values and comply with relevant laws and regulations. Newable's commitment and policies on Health, Safety, Security, Environment & Social Performance applies across Newable and are designed to help protect employees, people and the environment. Newable also strives to maintain a diverse and inclusive culture.

The Board considers Newable's Employee Survey to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment to Newable. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen Newable's culture and values.

7. Other Matters

The Group is placing increased emphasis and focus on its environmental and corporate social responsibilities. As a result, an Environment Team was established during the year as a forum for staff to monitor the Newable's

impact on the environment and to drive the agenda to improve and adopt environmental best practice by Newable. Newable is also in the process, and which is explained in more detail in the Corporate Governance section of the Annual Report, of establishing a new Environmental & Social Impact Committee of the Group Board which will sit alongside the existing Audit, Remuneration, Nomination and Risk and Governance Committees. Members of the Board (NEDs and Executives) as well as members of staff will staff this Committee. The objective is to reinforce the Board's focus and execution of its important environmental and social impact agenda and to reinforce the Group's progressive reputation in this area.

Finally, Newable continues to maintain comprehensive anti-bribery and anti-corruption policies, which are communicated to staff through training and information on the intranet.

Please see note 37 for details of post balance sheet events.

8. Conclusion

Our financial year ended in very challenging circumstances for the country and our customers as the United Kingdom started to suffer from the Covid-19 pandemic and went into lockdown, and as it became clear that there would be significant economic damage to the economy and to individual businesses, with the prospect of a major recession developing on an unprecedented scale.

Despite this, I am pleased to be able to report these positive results, that Newable has maintained profitability and continues to have a strong and growing balance sheet, which demonstrates the continued potential of the business. Newable really is a special business and I am confident that we will navigate the turmoil that lies ahead as we all deal with the impact of the pandemic.

Finally, I would like to record again my grateful thanks to all our staff and to my Board colleagues at Newable for their contribution over the last year. There has been a great deal of hard work by every single person across the business. Despite the many challenges the country faces, I look forward with confidence in Newable's future.

On behalf of the Board

C J Manson
Chief Executive

24 July 2020

Directors' Report

The Directors present their annual report and financial statements for the year ended 31 March 2020. The financial statements are for Newable Limited (the “Company”) and its subsidiaries (together, the “Group”).

1. Results and Future Developments

The Group’s profit for the year, after taxation and non-controlling interests, amounted to £578,000 (2019: £4,291,000), and has been added to reserves. In accordance with the articles of association no dividend is payable to members.

The Group is focused on building a United Kingdom based group that will continue to develop its strategy of launching or acquiring new products and services as well as strengthening its existing range of products and services that it offers to start up, small and medium sized businesses. This is part of a five-year strategy to broaden significantly the Group’s activities, including through acquisitions of businesses that have a leading product or service, and to become the ‘go to’ place for British small and medium sized businesses.

2. Directors

Those persons who acted as Directors during the year and subsequently are given below:

Non-Executive Directors

P G Collis CB

Cllr J W Hopkins

A G MacLennan

J Montgomery CB

Cllr G Nicholson (reappointed Chair 26 March 2020)

V A Sharp

A M Watts CBE

Executive Directors

M Karim (Chief Information Officer) (appointed 26 March 2020)

C J Manson (Chief Executive)

M B Walsh (Chief Financial Officer)

M B Whitefield (Chief People Officer)

N K Wright (Marketing and Communications Director)
(resigned 26 March 2020)

3. Directors' Interests in Shares

The Company is limited by guarantee without share capital.

Certain Non-Executive Directors are appointed from time to time to act as Private Members of the Company. These Private Members have no rights to participate in the income and assets of the Company. P G Collis CB, A M Watts CBE, A G MacLennan, V A Sharp and J Montgomery CB acted as Private Members throughout the year. None of these Directors has or had at any time during the year any interest in the shares of any other Group undertakings.

4. Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution to reappoint BDO LLP as auditors of the Group and Company will be proposed at the next Annual General Meeting.

5. Directors' responsibilities for the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law – "UK GAAP"), in compliance with Financial Reporting Standard 101.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group and Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;

and in the case of the Company financial statements, in accordance with UK GAAP; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group and Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board

M B Walsh
Director

24 July 2020

140 Aldersgate Street
London
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Corporate Governance Framework

Chair's Introduction

Newable is committed to maintaining the highest standards of corporate governance. It is the responsibility of the Group Board to ensure that the Company and the wider Group have in place the structure, strategy and people to deliver value and effective corporate governance for our stakeholders.

The Group Board, recognising the absence of traditional shareholders and the corporate governance challenge they bring to a business, set about ensuring that we apply a high standard of corporate governance and objective challenge to our business. This approach to governance and corporate leadership has been the principle that we have followed over the last ten plus years. To ensure that going forward we maintain this high standard of Governance, the Group Board agreed to formally adopt the Quoted Companies Alliance ("QCA") Corporate Governance Code from 1 April 2019.

The adoption of the QCA Code also reflects our commitment to our application of our values framework and provides the enhanced context in which we can expand our commitment and belief in our environmental, ethical, social and governance values whilst exemplifying Newable's five core corporate values: Dream Big, Get Going, Grow Together, Always Improve and Pass it On.

We have set out below our approach in relation to complying with each of the ten principles of the QCA Code.

Guy Nicholson
Group Chair

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

As a company limited by guarantee, Newable does not have shareholders. Instead, it seeks to derive long-term value for all of its stakeholders including its customers.

Newable's purpose is to make a sustainable profit from helping other businesses thrive. Our business model and strategy is to develop Newable in order to provide:

- Money, advice and workspace for clients
- Rewarding and fulfilling careers for staff
- Balanced returns for stakeholders

Please see the Strategic Report section of our Annual Report for more information on the key strategic execution challenges and how they will be addressed.

Principle 2: Seek to understand and meet shareholder needs and expectations

Newable Limited is a Company limited by guarantee with no shareholders. Instead, it has a combination of private and original and new 'ordinary members'.

The original and new ordinary members are the London Boroughs and the Corporation of London. The Company Articles specify a proportion (less than 20%) of the Board of Directors must be Borough Representatives.

Each year, Newable provides the original and new ordinary members with an Annual Report and review of Newable's activities. The ordinary members are invited to attend the Annual General Meeting, where they have the opportunity to ask questions and address any concerns to the Board of Directors. Two of the NEDs are required by Newable's Articles to represent the London Boroughs and to help to ensure that the rest of the Board maintain an understanding of the views of the ordinary members on an on-going basis.

Any of the original and new ordinary members can request a meeting with the company's leadership by contacting the Chief Financial Officer, Michael Walsh: michael.walsh@newable.co.uk.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success.

Newable publishes at the beginning of each fiscal year its 'Making an Impact' report to reflect the social contribution made by Newable's day to day activities. The report can be found on our website.

Newable is in the process of establishing an Environmental and Social Impact Committee of the Board led by a senior NED to expand Newable's programme in this important area for the business. It is planned that this new Committee will be approved at this year's AGM to be held in November. In addition, we have worked with Green Mark to achieve an internationally recognised corporate environmental accreditation for our Head Office at 140 Aldersgate and this programme will be extended across the group.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Audit Review Committee and its sub-committee, the Group Risk Committee, lead on the formal regular reviews of Newable's risk processes, risk appetite and risk management information, and make the appropriate recommendations to the Board.

Newable's Audit Review Committee is supported by an internal audit function that is outsourced to RSM, an independent firm. During the year, the Audit Review Committee reviewed the results of a number of internal audit reports covering various issues, to test the strength of our internal controls and risk management processes.

RSM will continue this programme of work in the forthcoming year, which is part of a planned rolling programme across Newable.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Group Board of Directors meets formally three times during the year, in addition to a number of meetings outside the normal course of business to address specific issues or proposals. The Group Board has overall responsibility for leading and controlling Newable and is accountable to the ordinary members for financial and operational performance.

As at 31 March 2020, the Group Board was comprised of a Non-Executive Chair, four Executive Directors and six Non-Executive Directors. With the exception of the Chair and one Non-Executive Director, both Borough Representatives, the remaining Non-Executive Directors are Private Members of the Company.

The Group Board is aware that two Non-Executive Directors have served in excess of 10 years. The Board believes that they both remain objective and arm's length of the company given their wide range of external appointments to other Boards and the extent of their professional experience. Their continuing engagement and contributions are highly valued.

The Group Board has reviewed the independence of the Non-Executive Directors and has concluded that, with the exception of the two NEDs who are also Councillors representing two of Newable's original ordinary members, the London Borough of Hackney and the London Borough of Lambeth, the Non-Executive Directors are independent.

The Group Board is supplied with comprehensive Board papers in advance of each Board meeting, including financial and business reports covering each of Newable's principal business activities.

Regular attendance at Group Board meetings, Committee and Subsidiary Board meetings is an important commitment on the part of Executive and Non-Executive Directors to ensure that governance arrangements remain robust and effective.

Board Meeting Attendance

Director's Name	To May 2020	To May 2019
P G Collis CB	3/3	3/3
J Hopkins	2/3	3/3
A G MacLennan	3/3	3/3
C J Manson	3/3	3/3
J Montgomery CB	1/3	2/3
G Nicholson	3/3	3/3
V A Sharp	3/3	3/3
M B Walsh	3/3	2/3
A M Watts CBE	3/3	3/3
M B Whitefield	3/3	3/3
N K Wright (resigned 26 March 2020)	2/3	3/3

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Executive and Non-Executive Directors bring together a broad range of business and Government experience and apply independent, objective and informed analysis to discussions and decisions.

This enables the Group Board to provide clear and effective leadership and maintain the highest standards of integrity across Newable's business activities. Biographical details of members of the Group Board are detailed on Newable's external website at: <https://www.newable.co.uk/team.php>

The roles of the Group Chair and Chief Executive Officer are kept distinct and separate, with a clear division of responsibilities. Peter Collis acts as the Senior Independent Director. The Board considers that both the Non-Executive Group Chair and the Senior Independent Director are independent of the Chief Executive.

The combination of the Group Boards' Executive and independent Non-Executive Directors, and the use of the Board Committees, facilitate a forum for clear, independent and unfettered governance and communication both internal and external to the business.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, all Directors are able to obtain relevant independent professional advice at the Company's expense.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Group Board undertakes an annual self-assessment process, the results of which are reviewed by the Board and the Nominations Committee, which helps to inform future priorities for Board performance development generally. In addition, the Board, periodically (usually every three years) undertakes a third party evaluation of Board performance and effectiveness, the latest review of which took place during the financial year. The results of the independent review were very positive and its recommendations are currently being reviewed and implemented.

The Group Board, and its Committees, also undertake annual reviews of all of the following:

- Conflicts of interest and related policies
- Whistleblowing policy
- Executive remuneration and performance
- Board and Committee terms of reference
- Relevant legal and compliance developments
- Relevant health and safety matters
- Risk Management Framework and Risk Appetite Statements

Principle 8: Promote a culture that is based on ethical values and behaviours

Newable is a values driven business. Our five values have been defined as a result of a Group wide engagement process. The five values are Dream Big, Get Going, Grow Together, Always Improve and Pass it On.

Together the values are intended to help foster a culture that generates professional confidence, an inclusive and high morale working environment that promotes ethical behaviour and high standards in the workplace and in our relationships with third parties. We monitor progress against our values through regular staff surveys.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Group Board has adopted a formal schedule of matters that details key aspects of the Company's affairs and activities; these are presented to the Group Board for decision and or adoption.

Responsibility for the development and recommendations of strategic plans and for the implementation of strategies and policies approved by the Group Board and operational management is delegated to the Boards of Newable's individual businesses and the Group Board Committees. Both Executive and Non-Executive Directors are members of the business Boards and Committees.

During the year, particular areas of focus for the Group Board, its supporting Committees and the business Boards include:

- Strategic direction
- Business acquisition proposals
- Cyber security
- Regulatory compliance, particularly GDPR and anti-financial crime policies
- Financial reporting and monitoring
- Capital structure and planning
- Diversity, inclusion and company culture
- Governance, board composition and evaluation

In order to ensure effective control and oversight, the Group Board has a number of committees with specific responsibilities defined by written terms of reference, which are reviewed annually. These are the Audit Review Committee, Risk Committee (which is a sub-committee of the Audit Review Committee), Remuneration & Personnel Committee and the Nominations Committee. Terms of Reference for the Committees are available on request from the Company Secretary.

A summary of each Committee's activities throughout the year is provided below.

Audit Review Committee

The Audit Review Committee usually meets

three times in the year, consisting of three independent Non-Executive Directors. In addition, the Chief Executive Officer, the Chief Financial Officer, external auditors and internal auditors attend by invitation at the discretion of the Chair. The Committee is responsible for assisting the Board in discharging its responsibilities for the selection of accounting policies and financial reporting, internal controls and its risk management framework.

Newable management has established a system of internal control, which includes the accounting systems needed to manage and record transactions undertaken by the business. However, it must be recognised that any system cannot provide absolute assurance against material misstatement or loss. In addition, the Committee monitors and reviews corporate governance practices and performance on an annual basis on behalf of the Board.

The Audit Review Committee also reviews the independence of the external auditors, including the relationship between audit and non-audit work performed by the external auditors, the nature and scope of the audit with the external auditors prior to commencement and it continues to monitor the scope and results of the annual audit, including its cost effectiveness and objectivity.

The Committee also formally evaluates the performance of the external and internal auditors on an annual basis. The internal and external auditors have direct access, if required, to the Chair of the Committee. The internal auditor meets regularly with the CEO on a solus basis.

Audit Review Committee Meeting Attendance

Director's Name	To May 2020	To May 2019
P G Collis CB	3/3	3/3
A G MacLennan (appointed 17 October 2018)	3/3	2/2
V A Sharp (appointed 1 January 2018)	3/3	3/3
A M Watts CBE (resigned 17 October 2018)	N/A	3/3

Remuneration and Personnel Committee

The Remuneration and Personnel Committee also usually meets three times per year. The Remuneration and Personnel Committee consists of three independent Non-Executive Directors. Executive Directors may attend at the invitation of the Chair to report on specific matters (but are always excluded when their own performance and remuneration are under review).

The Remuneration and Personnel Committee assists the Board in discharging its

responsibilities for executive remuneration policy, remuneration arrangements of Directors and remuneration, employment and personnel policy generally across the Group.

For further details of the work of the Remuneration and Personnel Committee, refer to the Remuneration and Personnel Committee Review in the Annual Report.

Remuneration & Personnel Committee Meetings Attendance

Director's Name	To May 2020	To May 2019
P G Collis CB	3/3	3/3
A G MacLennan	3/3	3/3
V A Sharp (resigned 17 October 2018)	N/A	3/3
A M Watts CBE	3/3	3/3

Nominations

The Nominations Committee usually holds one meeting annually. It consists of two Non-Executive Directors and one Executive Director. The Committee is responsible for assisting the Board in the formal selection and appointment of Directors.

The Committee considers potential candidates and recommends the appointment of new Directors to the Board. The Committee also takes responsibility on behalf of the Board for the recruitment, induction and training of new Directors and the assessment of Board and

individual Director's performance. It evaluates Board members' performance, which includes a review of attendance records and contributions to meetings.

The Committee also reviews and reports on performance in relation to Board and Sub-Committee administration including the content and timeliness of papers and minutes.

Nominations Committee Meeting Attendance

Director's Name	To May 2020	To May 2019
P G Collis CB	1/1	1/1
A G MacLennan (resigned 17 October 2018)	N/A	1/1
C J Manson	1/1	1/1
V A Sharp (appointed 3 July 2018; resigned 17 October 2018)	N/A	1/1
A M Watts CBE	1/1	1/1

Risk Committee

The Risk Committee is a new Committee that was established in early 2019 to provide a greater focus on Newable's risk agenda and to assist Newable's ongoing programme of improving its risk processes. In addition, the Risk

Committee has responsibility for overseeing Newable's regulatory obligations and compliance with those regulations including FCA regulation, financial crime legislation and data protection regulations (GDPR).

Risk Committee Attendance

Director's Name	To May 2020
V A Sharp	3/3
A M Watts CBE	3/3
C Manson	3/3
M B Walsh	3/3
J Wilkinson	3/3

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Newable communicates with its stakeholders, the original and new ordinary members, through the Annual Report and Financial Statements that are distributed to all stakeholders, the Annual General Meeting (AGM) itself and all are extended the invitation to one-to-one meetings on an annual basis. Access to corporate information is also available to the ordinary members, customers both current and future, and the wider public, through Newable's external website, www.newable.co.uk.

Remuneration and Personnel Committee Review

1. Introduction

The Remuneration and Personnel Sub-Committee ('the Committee') is responsible for:

- The determination of Newable's policy for executive remuneration and the terms and conditions of employment of the Executive Directors.
- The determination of appropriate performance conditions for incentive arrangements and bonus payments across Newable.
- Review and determination of Newable's HR policies as required.

2. Annual Bonus Scheme

Newable operates a number of bonus schemes tailored to the particular needs of its individual businesses and for the Group as a whole, but have a number of common features, which include:

- Bonus schemes operate based on a share of total reported profits.
- Potential bonuses payable to staff are not restricted by a percentage of salary cap. Instead, an aggregate cap on total bonus payable to all staff by Newable, of 25% of Newable's profitability as calculated for bonus purposes is applied.
- Individual business specific bonus schemes include an element of bonus potential driven by overall Newable profitability and not just by the profitability of the individual Newable business.
- Bonuses paid to management and staff are not pensionable.

In addition to the annual bonus schemes described above, that all staff participate in, a long-term incentive plan ("LTIP") is also in operation, which came into operation on 1 April 2017.

As previously reported, the LTIP is a scheme that can award up to 15% of the issued ordinary share capital of Newable UK Holdings Limited, an intermediate holding company, to members of Newable's Executive Committee.

The LTIP will operate over a six-year period from 1 April 2017 to 31 March 2023. Under the rules of the LTIP, Newable will repurchase 50% of the ordinary shares held by participants as at 31 March 2022 with the remaining 50% of ordinary shares repurchased, that are still held by participating members of staff, as at 31 March 2023.

The repurchase price used will be determined by pre agreed price/earnings multiples and asset valuations to value Newable's asset based

and trading businesses. Repurchase of ordinary shares by Newable would only take place after the completion of the audit of the financial statements of the financial year to which the repurchase relates.

Normal good leaver and bad leaver conditions apply with the Committee acting as the final decision making body for the operation of the LTIP. The detailed rules operating the LTIP are incorporated in the Articles of Association of Newable UK Holdings Ltd.

The LTIP is seen as being essential to assist Newable's long-term strategy of significantly expanding its range and scale of its activities.

The Committee will continue to monitor these schemes and will review in the light of prevailing market conditions.

3. Policy on Remuneration of Executive Directors

The objective of Newable's employment policies is to ensure that Newable is able to attract and retain the best calibre of staff from all sections of the communities in which it operates in an inclusive culture.

With regard to remuneration of senior executives, remuneration levels need to be sufficient to attract and retain executives of the quality required to manage Newable successfully. A component part of the remuneration package is therefore structured to link rewards to corporate and individual performance. In this respect wherever possible, comparisons have been made with other companies in similar sectors to ensure that packages offered are consistent and fair in relation to that offered elsewhere.

Accordingly, in this respect, the remuneration package of senior executives may include (in addition to an annual salary), both an annual bonus together with a potential element of long-term incentive.

All current Executive Directors have contracts providing for periods of up to six months' notice.

The main components of executive remuneration for the year ended 31 March 2020 were:

Basic Salary

Executive Directors base salaries were assessed against market rates by independent consultants in March 2018, which resulted in increases in salaries, which took effect in April 2018. In March 2019 Executive Director base salaries were reviewed again, however, it was agreed that no increases would take place in FY2020. A further review took place in March

2020 and it was agreed to defer the issue to July 2020.

Annual Performance Bonus

As described above, Newable operates annual performance bonus schemes, which are approved by the Committee. Payments under annual performance bonus schemes are non-pensionable.

Long Term Incentive Scheme

As described earlier in the report, Newable introduced during FY2018 an LTIP scheme, from which all Executive Directors could benefit. The Committee will review the LTIP annually. Any payments under the LTIP will not take place until 2022 and 2023 and will be non-pensionable.

Pensions

During the year, Newable contributed on behalf of three Executive Directors to a defined contribution scheme. The contributions are based on base salary only.

Other Benefits

Two Executive Directors are entitled to receive a company car or the cash equivalent. All Executive Directors are entitled to the provision of life assurance cover and insurance against critical illness.

4. HR Policies

The Committee has focused on seeking to improve and enhance best practice with regard to HR policy and procedures, which it regularly monitors. During FY2020, there has been a continuing emphasis on the effectiveness of Newable's diversity and inclusion policy through the review of employee statistics including the ratio of staff by gender, age and ethnic minorities. During the year, the Committee has kept HR activities, training, and development under regular review.

Newable is committed to the principles of diversity, inclusion and equality of opportunity and actively encourages applications from all sections of the community. It seeks to ensure that no job applicant or employee receives less favourable treatment on the grounds of his or her age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation, or any other unlawfully discriminatory grounds such as trade union membership or part-time working status.

The Committee continues to encourage and support Newable's commitment to the development and training of all of its employees.

5. Emoluments

Total emoluments of the Directors for the year are shown below.

	Basic Salary	Annual Bonus	One off Properties Disposal bonus**	Other Benefits*	Compensation for Loss of Office	Total 2020	Total 2019
	£000	£000	£'000	£000	£000	£000	
Executive Directors							
C J Manson	235.0	120.5	404.7	30.8	-	791.0	590.4
M B Walsh	177.5	100.4	347.2	24.2	-	649.3	471.5
M B Whitefield	120.0	60.3	202.3	9.6	-	392.2	294.4
N K Wright (resigned 26 March 2020)	127.5	-	-	10.2	189.5	327.2	300.1
Non-Executive Directors							
P G Collis CB	24.1	-	-	-	-	24.1	24.1
P Hendrick (resigned 30 November 2017)	-	-	-	-	-	-	5.2
J Hopkins	6.8	-	-	-	-	6.8	5.2
A G MacLennan	21.8	-	-	-	-	21.8	21.8
J Montgomery CB	6.8	-	-	-	-	6.8	6.2
Cllr G Nicholson	18.7	-	-	-	-	18.7	12.0
V A Sharp	24.1	-	-	-	-	24.1	22.5
A M Watts CBE	24.1	-	-	-	-	24.1	23.7
M A Yeates (resigned 29 June 2018)	-	-	-	-	-	-	19.9
	786.4	281.2	954.2	74.8	189.5	2,286.1	1,797.0

Directors' emoluments represent amounts charged to the profit & loss account during the period rather than amounts paid. During the year, three Executive Directors were members of a defined contribution pension scheme.

* Other benefits comprise mainly employer contributions to Executive Directors' pension schemes and Company car benefits.

** The decision to sell Newable's investment property portfolio during FY2020, to free up capital to invest in higher returning asset classes, triggered the realisation of significant unrealised property valuation gains that had been previously reported in Newable's profit & loss account, as required by International Financial Reporting Standards, over the last twelve financial years. This has generated significant one off bonus payments to all staff, including the Executive Directors.

The sale of the investment property portfolio realised some £16.6 million of previously reported unrealised property valuation gains on the portfolio, in addition, the sale process also generated £5.8 million of gains, which has been reported in the FY2020 Group financial statements.

Under the rules of Newable's bonus schemes, unrealised property valuation movements are excluded from bonus payment calculations and therefore no bonus payments had been previously paid in relation to the £16.6 million of historic unrealised valuation gains. Valuation movements only become subject to possible bonus payments when they are realised through the sale of an investment property.

Historically, Newable has usually sold one, or possibly two, investment properties in any one financial year but due to the strategic decision to exit from holding investment properties, the whole portfolio (ten properties) was sold in FY2020.

In accordance with Newable's bonus scheme rules, realised property valuation gains are subject to bonus payments. As a result, the £16.6 million of realised property gains, as reported above, were included for bonus calculation purposes and which has triggered the significant and one off bonus payments disclosed in the above table. This will not be repeated next year.

Independent Auditor's Report to the Members of Newable Limited

Opinion

We have audited the financial statements of Newable Limited (“the Parent Company”) and its subsidiaries (“the Group”) for the year ended 31 March 2020 which comprise the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of financial position and company statement of financial position, the consolidated statement of changes in equity and the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 March 2020 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit

evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tim Neathercoat (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU

24 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated and Company Financial Statements

Consolidated Statement of Profit and Loss

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Revenue	5	36,580	23,491
Cost of sales		(5,880)	(1,111)
Gross profit		30,700	22,380
Other income	6	1,522	-
Administrative expenses		(40,992)	(24,784)
Gain/(loss) on disposal/impairment of owned assets		1,582	(147)
Gain on the disposal of investment properties		5,785	994
Increase in fair value of investment properties	15	6,359	4,869
Decrease in fair value of development properties	22	(606)	-
Operating profit	7	4,350	3,312
Finance income	9	128	133
Finance expense	9	(2,033)	(855)
Share of post-tax profit of equity accounted joint ventures	19	94	2,003
Profit before tax		2,539	4,593
Tax expense	10	(1,972)	(47)
Profit from continuing operations		567	4,546
Loss on discontinued operations, net of tax	11	-	(255)
Profit for the year		567	4,291
Attributable to:			
- Equity holders of the parent		578	4,291
- Non-controlling interest		(11)	-
		567	4,291

The notes on pages 36 to 95 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Profit for the year		567	4,291
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension scheme (net of deferred taxation)		(183)	791
Other comprehensive income for the year (net of tax)		(183)	791
Total comprehensive income for the year		384	5,082
Attributable to:			
- Equity holders of the parent		395	5,082
- Non-controlling interest		(11)	-
		<u>384</u>	<u>5,082</u>

The notes on pages 36 to 95 form part of these consolidated financial statements.

Consolidated Statement of Financial Position As At 31 March 2020

Company Number: 1653116

	Note	2020 £000	2019 £000
Non-Current Assets			
Property, plant & equipment	12	3,752	2,928
Right-of-use assets	13	13,298	-
Investment property	15	16,700	47,280
Intangible assets	16	38,898	14,940
Investments in equity-accounted joint ventures	19	2,527	3,935
Fair value through profit or loss investments	21	790	590
Loan receivables	23	11,284	380
Deferred tax asset	29	2,113	1,089
		89,362	71,142
Current Assets			
Development properties	22	9,718	17,172
Trade and other receivables	23	20,666	11,119
Cash & cash equivalents	38	4,590	2,926
		34,974	31,217
Total Assets		124,336	102,359
Current Liabilities			
Trade and other payables	24	16,847	14,217
Loans and borrowings	25	12,263	1,725
Lease liabilities	13	2,587	-
Provisions	28	378	497
		32,075	16,439
Non-Current Liabilities			
Loans and borrowings	25	4,631	17,526
Lease liabilities	13	11,789	-
Other payables	26	8,156	11
Provisions	28	443	1,007
Deferred tax liability	29	1,750	2,133
Employee benefit liabilities	27	4,745	3,664
		31,514	24,341
Total Liabilities		63,589	40,780
Net Assets		60,747	61,579
Capital and reserves			
Members contribution	30	1,300	1,300
Other reserves	31	(1,252)	-
Retained earnings		60,347	60,279
		60,395	61,579
Non-controlling interest		352	-
Total Members' Funds		60,747	61,579

The financial statements on pages 28 to 95 were approved and authorised for issue by the Board of Directors on 24 July 2020 and were signed on its behalf by:

M B Walsh, Director

The notes on pages 36 to 95 form part of these consolidated financial statements.

Company Statement of Financial Position As At 31 March 2020

Company Number: 1653116

	Note	2020 £000	2019 £000
Fixed Assets			
Property, plant & equipment	12	20	-
Investments	14	15,690	17,852
Right-of-use assets	13	3,275	-
		18,985	17,852
Current Assets			
Trade and other receivables	23	430	3,147
Cash at bank	38	21	33
		451	3,180
Creditors: amounts falling due within one year			
Trade and other payables	24	(753)	(6,744)
Lease liabilities	13	(532)	-
		(1,285)	(6,744)
Net current liabilities		(834)	(3,564)
Net assets less current liabilities		18,151	14,288
Lease liabilities	13	(3,514)	-
Net employee benefit liability		(3,337)	(2,522)
		(6,851)	(2,522)
Net Assets		11,300	11,766
Capital and reserves			
Members contribution	30	1,300	1,300
Retained earnings		10,000	10,466
Total Members' Funds		11,300	11,766

The financial statements on pages 28 to 95 were approved and authorised for issue by the Board of Directors on 24 July 2020 and were signed on its behalf by:

M B Walsh
Director

The Company is not publishing a separate statement of financial performance as permitted by section 408 of the Companies Act 2006. The profit for the year dealt within the Group financial statements was £29,429 (2019: £310,107).

The notes on pages 36 to 95 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020	2019
	£000	£000
Cash flows from operating activities		
Profit for the year	567	4,291
Adjustments for non-cash movements:		
Depreciation of tangible fixed assets	862	567
Amortisation of right-of-use assets	2,840	-
Amortisation of intangible fixed assets	607	153
Impairment losses of intangible fixed assets	1,042	-
Increase in the fair value of investment properties	(6,359)	(4,869)
Decrease in the fair value of development properties	606	-
Finance income	(128)	(133)
Finance costs	2,585	855
Share of profit in equity accounted joint venture	(94)	(2,003)
Loss on sale of discontinued operations, net of tax	-	255
(Gain)/impairment of fair value through profit or loss financial assets	(103)	206
Gain on disposal of joint venture interest	(2,518)	-
Gain on sale of investment properties	(5,786)	(1,300)
Taxation expense	1,973	47
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(21,027)	5,500
Increase in development properties	(3,493)	(7,870)
Increase/(decrease) in trade and other payables	7,522	(6,356)
(Decrease)/increase in provisions and employee benefits	(104)	1,366
Cash used in operations	(21,008)	(9,291)
Net interest paid	(1,825)	(627)
Corporation tax paid	(1,687)	(91)
Net cash flows used in operating activities	(24,520)	(10,009)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2020

	2020	2019
	£000	£000
Net cash flows used in operating activities brought forward	(24,520)	(10,009)
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,520)	(522)
Disposals of property, plant and equipment	111	94
Disposal of discontinued operations, net of tax	-	(255)
Additions to investment properties	(9)	(3,429)
Disposal of investment properties	53,075	22,000
Purchases of fair value through profit or loss financial assets	(272)	(171)
Proceeds on fair value through profit or loss financial assets	175	392
Purchase of intangibles	(804)	(25)
Acquisition of subsidiaries (net of cash)	(18,225)	(14,036)
Net cash generated from investing activities	32,531	4,048
Cash flows from financing activities		
(Repayments)/increase of bank borrowings	(13,357)	500
New bank loans raised	11,000	7,000
Principal paid on lease liabilities	(3,437)	-
Interest paid on lease liabilities	(552)	-
Provision of financing to joint venture	-	(1,991)
Net cash (used in)/generated from financing activities	(6,346)	5,509
Increase/(decrease) in cash and cash equivalents	1,665	(452)
Cash and cash equivalents (including overdrafts) at 1 April	2,925	3,377
Cash and cash equivalents at 31 March (see note 38)	4,590	2,925

The notes on pages 36 to 95 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Members Contribution	Retained Earnings	Total	Other Reserves	Non-controlling Interest	Total Equity
		£000	£000	£000		£000	£000
Balance at 31 March 2018		1,300	55,159	56,459	-	157	56,616
Comprehensive Income for the year							
Actuarial gain on defined benefit plans	34	-	913	913	-	-	913
Deferred tax effect of gains recognised directly in equity	29	-	(122)	(122)	-	-	(122)
Other comprehensive income		-	791	791	-	-	791
Profit for the year		-	4,291	4,291	-	-	4,291
Total comprehensive income for the year		-	5,082	5,082	-	-	5,082
Purchase of remaining equity in subsidiary	17	-	(119)	(119)	-	-	(119)
Change in ownership	17	-	157	157	-	(157)	-
Total contributions by and distributions to owners		-	38	38	-	(157)	(119)
Balance at 31 March 2019		1,300	60,279	61,579	-	-	61,579
Impact of change in accounting policy on adoption of IFRS 16	39	-	(327)	(327)	-	-	(327)
Restated balance at 31 March 2019		1,300	59,952	61,252	-	-	61,252
Comprehensive Income for the year							
Actuarial loss on defined benefit plans	34	-	(449)	(449)	-	-	(449)
Deferred tax effect of gains recognised directly in equity	29	-	266	266	-	-	266
Other comprehensive income		-	(183)	(183)	-	-	(183)
Profit of the year		-	578	578	-	(11)	567
Total comprehensive income for the year		-	395	395	-	(11)	384
Other reserves	31	-	-	-	(1,252)	-	(1,252)
Non-controlling interest from business acquisition		-	-	-	-	363	363
Balance at 31 March 2020		1,300	60,347	61,647	(1,252)	352	60,747

The notes on pages 36 to 95 form part of these consolidated financial statements.

Company Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Members Contribution £000	Retained Earnings £000	Total Equity £000
Balance at 31 March 2018		1,300	9,365	10,665
Comprehensive Income for the year				
Actuarial gain on defined benefit plans	34	-	913	913
Deferred tax effect of losses recognised directly in equity	29	-	(122)	(122)
Other comprehensive income		-	477	477
Profit for the year		-	310	310
Total comprehensive income for the year		-	1,101	1,101
Balance at 31 March 2019		1,300	10,466	11,766
Impact of change in accounting policy on adoption of IFRS 16	39	-	(254)	(254)
Restated balance at 31 March 2019		1,300	10,212	11,512
Comprehensive Income for the year				
Actuarial gain on defined benefit plans	34	-	(449)	(449)
Deferred tax effect of gains recognised directly in equity	29	-	266	266
Other comprehensive income		-	(183)	(183)
Loss for the year		-	(29)	(29)
Total comprehensive income for the year		-	(212)	(212)
Balance at 31 March 2020		1,300	10,000	11,300

The notes on pages 36 to 95 form part of these consolidated financial statements.

Notes to the Financial Statements

1. Introduction and operations

Newable Limited is incorporated and domiciled in England and Wales as a private company limited by guarantee. The registered address is 140 Aldersgate Street, London, EC1A 4HY. The principal activity of the Company is that of a holding company for its subsidiaries. The activities of the Company and its subsidiaries (“the Group”) are described in note 2 of the Strategic Report.

2. Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements and company financial statements are set out in note 3. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in sterling, which is also the functional currency of the Group and Company. Amounts are rounded to the nearest £1,000, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board as adopted by the EU (IFRS).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgements in applying the Group’s accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

The company financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The financial statements of Newable Limited as a standalone entity have been prepared on the going concern basis following receipt of confirmation from the entity’s subsidiary undertaking to whom it owes money that they will not seek repayment until the company is in a financial position to repay such amounts.

In preparing the company financial statements, Newable Limited has taken advantage of all disclosure exemptions conferred by FRS 101.

Therefore, the company financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company’s capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Newable UK Holdings Limited.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Newable Limited. These company financial statements do not include certain disclosures in respect of:

- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through profit or loss investments
- Contingent consideration
- Investment property
- Business combinations
- Net defined benefit liability
- Long-term incentive plan (“LTIP”)

2. Basis of preparation (continued)

Going concern

The Consolidated and Company financial statements have been prepared on a going concern basis. This has followed a careful evaluation by the Board of the Group's financial position in the light of the Covid-19 pandemic, the associated lockdown and the economic recession that the United Kingdom is now entering.

The Board's assessment of the Group's going concern status is based on:

- Detailed consolidated cash flow projections which have been prepared for the period through to July 2021, which confirm that the Group will maintain positive cash balances throughout the going concern review period. At the time of approval of the consolidated financial statements, the Group holds immediately available cash balances of approximately £28 million, compared to previously held balances pre Covid-19 in the region of £2-3 million. The Group's cash reserves will be invested in the Group's activities and support the growth of newly acquired entities through the going concern review period.
- Key assumptions within the Group's cash flow forecasts include:
 - The continued support of the Group's lenders through the going concern review period. As a direct result of the impact of the pandemic and associated lockdown, and in common with many other businesses, post the year end the Group breached financial covenants in respect of its two loan facilities. The Directors have received financial covenant waiver letters to September 2020 and the lenders continue to be fully supportive of the Group. The lenders have confirmed their willingness to renegotiate the existing financial covenants to make them fit for purpose in the environment that the Group is now operating in, and which will ensure future compliance through the going concern review period.

Whilst discussions with the Group's lenders remain ongoing, the Directors are confident that existing financial covenants will be satisfactorily re-set and no Event of Default requiring repayment of the facility will occur. If such Event of Default should occur the Directors are satisfied that, given the cash resources available to the Group, bank borrowings amounting to £5.5m could be discharged in full and

the Group would maintain positive cash balances through the going concern review period.

The remaining loan facility is ring fenced within a trading subsidiary, and no other group companies are obligors, as a result, the loan would need to be repaid through cash receipts following collection of the associated debt. If the lender did request repayment of the loan, the trading subsidiary would be unable to repay the debt. However, the Directors believe this scenario to be remote, as discussions to date have considered resolution through a collect out strategy rather than enforcement of security. Given no other Group company is an obligor to this loan, no liability exists to the lender outside of the trading subsidiary.

- The receipt of a Coronavirus Business Interruption Loan Scheme ('CBILS') loan facility totaling c£2.0m from an existing lender of the Group. The Directors are in advanced discussions with the lender, whom already provide finance to the Group, and anticipate receiving funds in July or early August 2020. If the Directors were unable to secure the CBILS facility, the Group would be able to defer or reduce uncommitted expenditure of £4m to £5m to continue to maintain positive cash balances.
- The disposal of an investment property in Q1 FY22 for total consideration of £17.2m. Whilst the Group has no existing purchaser identified, the Directors are confident of the Group's ability to identify and dispose of a property given their recent disposal of Jeffreys Road post year end and the Group's property disposals in the year (refer to note 37). If no purchaser could be identified the Directors are confident that they would be able to finance the property generating sufficient proceeds to maintain positive cash balances.
- The performance of a 'reverse stress test', where if the Covid-19 pandemic was more prolonged than currently envisaged by the Directors, and anticipated cash receipts fell by 15%, the Group would be required to take corrective action to maintain positive cash balances, including but not exhaustively:
 - The Group could reduce or defer significant uncommitted or discretionary cash flows amounting to £5m to £6m presently included in the Group cash

2. Basis of preparation (continued)

flow projections to maintain positive cash balances through the going concern review period.

- The Group could sell or finance assets held on the balance sheet, such as property development sites, if this was required. Assets held at the balance sheet date total £5.1m and the Directors are confident that the fair value on disposal would generate cash proceeds significantly in excess of cost.
- Dependent on the economic impact of any prolonged Covid-19 the Group could further seek to reduce its cost base through reduction in expenditures.

Based upon the actions initiated by the Directors in response to Covid-19 and the forecast cash flow projections provided, including assumptions, the Board is satisfied that it is appropriate to adopt the going concern basis of preparation for these consolidated and parent financial statements. In addition, the Board has been reassured by the resilience of Newable's range of businesses during the current lockdown. Taking each of Newable's businesses in turn:

Advice

Newable's Advice business providing consulting services is largely funded by a significant number of largely Government or Government Agency funded contracts. These have continued to operate fully during the lockdown. Indeed, significant additional contracts have been won which has expanded our consulting services. The Government has continued to pay promptly for our services.

Workspace

Our office services business has been impacted by the lockdown with most of our office centres closing with staff in these centres working from home. However, Newable has been reassured by the fact that rental payments/cash collections have performed significantly better than was initially feared and there have only been a limited number of termination of contracts.

Newable's recently acquired office broking business – Ask Officio – saw a near total termination of enquiries and business activity in the initial phase of the lockdown. However, business activity levels are now increasing and staff have now returned to the office.

In the medium term, given Newable's focus on competitively priced flexible office space, with customers able to easily/rapidly increase and down size their office needs, rather than

entering into long term traditional leases, our view is that Newable is well placed to take advantage of the growing move towards flexible office space which should accelerate as a result of changes in working patterns brought about by the impact of the pandemic.

Newable's property development business has continued throughout the lockdown with little if any impact arising from the pandemic. Building work at Newable's Dartford development has not been interrupted by the lockdown with completion of building still due to take place, as planned, in December 2020.

Money

Turning to our equity investing and lending businesses, Newable Capital's recent acquisition, ARC Solutions, ceased production in late March for some six weeks due to a number of suppliers ceasing production. Return to work took place in mid-May and turnover in June has now reached some 70% of normal levels, which has been a more rapid recovery than originally anticipated. We are expecting this trend of increasing orders and turnover to continue into the second half of the year.

Newable Capital will continue to progress its programme of planned acquisitions and indeed expects there will be attractive buying opportunities arising from the lockdown.

The fund raising activity of Newable's early stage investing business, Newable Ventures, was adversely impacted with reduced funds raised. In addition, its planned capital deployment with planned investments in some six companies was delayed into the new financial year. This delayed capital deployment has now commenced and should complete during the summer of 2020 and fund-raising will continue throughout the new financial year.

Finally, our lending business, particularly Newable Business Finance ('NBF'), has, of Newable's businesses, probably been the most adversely impacted by the pandemic. Newable Business Finance provides loans of between £26,000 to £150,000 to SMEs, particularly to SMEs who find it difficult to access finance from high street banks.

2. Basis of preparation (continued)

The introduction by the Government of its Coronavirus Business Interruption Loan Scheme ('CBILS') and Bounce Back Loan Scheme ('BBLs'), with no arrangement fees, no interest in the first year of the loan and in many cases without the need for personal guarantees, has seriously disrupted NBF's market for the foreseeable future. In addition, NBF's loans have fallen into arrears as SMEs struggle to cope with the pandemic. While this situation continues, NBF will be focusing on helping its customers through the lockdown and maintaining agreed payment schedules.

The CBILS and the BBLs are due to come to an end later this year and Newable expects that the lending market will gradually return to normal. As this develops NBF will look to restart its lending programme.

Newable's vehicle leasing business – Synergy also largely ceased operations from late March to end April. However, it is pleasing to report that since then, Synergy has been experiencing very high order volumes, now reaching near record levels. Most staff have now come off furlough to support this increasing level of activity.

In summary, Newable's range of products and services to smaller businesses has helped Newable to come through the crisis with a number of businesses performing extremely well - Advice and Properties Development – which has helped offset the impact suffered by some of Newable's other activities such as Lending. However, the pandemic and associated lockdown have undoubtedly been damaging with Newable being likely to post reduced results for the new financial year compared to what the Board had been expecting.

Finally, the Board has also been reassured by the Government's proactive stance to support business and people through the pandemic. The Government has provided very significant financial support to businesses through its various loan schemes, deferral of tax liabilities, the furlough scheme and grant payments.

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2019

There were a number of new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019 that had an effect on the Group's financial statements. The most significant of these is IFRS 16 Leases; please refer to note 39 for the impact on transition to this new accounting standard.

IFRIC 23 Uncertainty over Income Tax Treatments also became effective from 1

January 2019 but this did not have a material effect on the Group's financial statements.

Other

There were no other new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019 that had a material effect on the Group's financial statements.

New standards, interpretations and amendments effective from 1 January 2020

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Newable is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument, and therefore does not affect the classification of its convertible debt as a non-current liability.

2. Basis of preparation (continued)

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In these instances, the investee is classified as an associate. In determining whether de-facto control exists, the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

3. Summary of significant accounting policies

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Non-controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January

2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree, which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value.

The group has not elected to take the option to use fair value in acquisitions completed to date. From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

Interests in joint ventures and associates are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group. The carrying amount of equity-accounted investments is tested for impairment.

3. Summary of significant accounting policies (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of profit and loss as a single line, which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the statement of profit and loss.

Revenue recognition

The Group adopted IFRS 15 from 1 April 2018. The standard sets out the requirements for recognising revenue from contracts with customers. Companies are required to apportion revenue earned from contracts to performance obligations and determine the appropriate timing method of revenue recognition, using a five-step model.

A proportion of Group income is outside the scope of IFRS 15 – this includes rental income, interest income and arrangement fees from the provision of finance, and publicly funded grant contracts.

Revenue is stated exclusive of intra-group transactions, VAT and other taxes. Where not detailed below, revenue is recognised when performance obligations specified in client contracts are met, or the agreed service of advice has been delivered.

Money

Interest income is recognised when it is probable that the economic benefits will flow

to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Arrangement fees associated with loans are amortised over the life of the loan.

Client fee and broker fee revenues are earned when the service has been provided to our client, and so recognised at a point in time.

Investment revenues can be recognised at a point in time - when investments are received or made - or over a period of time to which they relate - for management and monitoring of investments.

Revenues from the newly acquired car leasing business, Synergy Automotive Limited, are recognised on delivery of vehicles at a point in time.

Advice

The core revenues from the provision of international trade advice are recognised when costs in delivering the service are incurred in the year. Incentive income is recognised for meeting additional performance targets by the end of the financial year and clawback is provided for if core performance targets are not met by the end of the financial year.

Where advice is funded via grants from governing bodies, these contracts often have performance targets attached to the contract yet the contract value is based on costs incurred in delivering the contract. Revenue is recognised when costs are incurred, subject to confidence that performance targets will be met. Should performance targets not be met by some margin there is a potential reduction in contract value. For contracts that span a financial year-end, management reviews target performance to assess the likelihood of performance targets being met. Should management believe there is a material risk they would not be met by a level sufficient to trigger a potential reduction in contract value, a contract reduction plan would be implemented.

Workspace

Rent receivable is recognised on a straight-line basis over the period of the lease.

Revenue from the sale of a development property is recognised at a point in time when control of the property passes to the customer, on completion of the sale. The gain or loss on the disposal is recognised in revenue in the Statement of Profit and Loss and is calculated as the difference between the net disposal

3. Summary of significant accounting policies (continued)

proceeds and carrying amount of the property.

Revenues from managed service offices are recognised over time in the period to which they relate.

Revenue from the newly acquired business, Arc Building Solutions Limited, is recognised on the dispatch of goods at a point in time.

Employee benefits

The Group introduced a long-term incentive plan ("LTIP") during the 2018 financial year for eligible senior employees. The LTIP is a scheme that can award up to 15% of the issued share capital of the Company's subsidiary Newable UK Holdings Limited in the form of A ordinary shares and B ordinary shares. These A and B ordinary shares have no voting rights and no entitlement to dividend or capital distribution (including on winding up).

The LTIP will operate over a six-year period from 1 April 2017 to 31 March 2023. Under the rules of the LTIP, Newable Limited will repurchase 50% of the ordinary shares repurchased held by participants as at 31 March 2022, with the remaining 50% of ordinary shares repurchased, that are still held by participating members of staff, as at 31 March 2023.

The projected valuation of the LTIP is calculated annually, with the related gain or loss being recognised in profit or loss each year, until the full liability is recorded at each repurchase date. The calculation is discounted using yields available on high quality corporate bonds that have maturity dates approximating the expected remaining period of the plan.

Property, plant and equipment

Items of plant and equipment are initially recognised at cost. Costs comprise purchase cost and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on all items of property, plant and equipment and the cost is written off over their expected useful economic lives.

It is applied at the following rates:

Fixtures and fittings	-	13-33% per annum straight line
Computer equipment	-	25-33% per annum straight line

Leasehold improvements - straight line over lease term

Investment in subsidiary undertakings

Investments by the Company in the shares of subsidiary undertakings are stated at cost less any provisions where, in the opinion of the Directors, there has been impairment in the value of any such investment.

Investment properties

Investment properties are those properties owned by the Group that are either held to earn rental income or for capital appreciation or both. Investment properties are initially recognised at cost plus transactions costs. Subsequently, the Group's investment properties are revalued annually to open market value, with changes in the carrying value recognised in the Statement of Profit and Loss.

Investment properties are not depreciated.

Where revenue is obtained from the sale of the investment properties, it is recognised when the recipient gains control of the investment property when the performance obligation is satisfied.

The gain or loss on the disposal of investment properties is recognised on the face of the Consolidated Statement of Profit and Loss, and is calculated as the difference between the net disposal proceeds and carrying amount of the property.

Intangible assets

Intangible assets, with the exception of goodwill, are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets identified and their associated useful economic lives are as follows:

Brand	-	10 years
Customer contracts	-	10 years
Customer relations	-	10 years
Client relations	-	10 years
Software	-	10 years

Goodwill is subject to an annual impairment review.

Amortisation is included within administrative expenses in the Statement of Profit and Loss.

3. Summary of significant accounting policies (continued)

Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the consolidated statement of profit and loss on the acquisition date.

Impairment of non-financial assets

Non-financial assets are subject to annual impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell) the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Investment in associates

When the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-

acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Development properties

Development properties are initially recognised at cost and subsequently at the lower of cost and net realisable value. Cost includes materials, labour, directly attributable fees and expenses, finance costs (see accounting policy for borrowing costs) and relevant overheads incurred in bringing the development property to its present location and condition. Provisions for all known or expected losses to completion are deducted in arriving at the valuation of development properties.

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Amortised cost: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables and loan receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During the process the probability of the non-payment of the receivable is assessed. This probability is then multiplied by the amount of the expected loss resulting from default to determine the lifetime expected credit loss for the receivables.

On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Impairment provisions are shown net of any insurance or guarantees in place in respect of the loans made to third party customers.

Impairment provisions for receivables from related parties and loans to related parties

3. Summary of significant accounting policies (continued)

are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in the credit risk since the initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which the credit risk has increased significantly, lifetime expected credit losses along with gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost consist of trade and other receivables, loans and receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Fair value through profit or loss: These include non-derivative financial assets not included in the above categories and comprise principally the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit and loss in the increase in fair value/impairment of owned assets line.

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in profit or loss.

On sale, any cumulative gain or loss is recognised in profit or loss.

Financial liabilities

The Group only has financial liabilities that are recognised at amortised cost, these include:

- Trade payables and other monetary liabilities, which are recognised at amortised cost using

the effective interest rate method.

- Bank borrowings, including floating rate bank loans, which initially are recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. 'Interest expense' in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Retirement benefits: Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of scheme assets at the statement of financial position date; less
- scheme liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Re-measurements of the net defined obligation are recognised directly within equity. The re-measurements include:

- actuarial gains and losses
- return on plan assets (interest exclusive)
- any asset ceiling effects (interest exclusive)

Service costs are recognised in profit or loss and include current and past service costs as well as gains and losses on curtailments.

Net interest expense/income is recognised in profit or loss and is calculated by applying the discount rate used to measure the defined benefit obligation/(asset) at the beginning of the annual period to the balance of the net defined benefit obligation/(asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

3. Summary of significant accounting policies (continued)

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the Statement of Profit and Loss in the year to which they relate.

Provisions

The Group has recognised provisions for liabilities of uncertain timing, onerous leases and dilapidations. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group Company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Leased assets

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for its lease obligations.

4. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of investment property and freehold land and buildings

Information in relation to the valuation of investment property is disclosed in note 15. The valuation is based upon assumptions including future rental income, anticipated occupation rates, future development costs and the appropriate discount rate. The valuers and Directors also make reference to market evidence of transaction prices for similar properties.

(b) Pension assumptions

The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the statement of profit and loss and the statement of financial position.

(c) Impairment of loan and other receivables

The Group regularly assesses the recoverability of its loan and other receivables for evidence of impairment. This assessment involves judgement in respect of the credit quality of counterparties and the quality of security provided to the Group.

(d) Impairment of goodwill

The Group carries out an annual review to assess whether goodwill has suffered any impairment. The recoverability amount is determined based on value in use calculations, which requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of cash flows (see note 17). Assumptions used in arriving at these estimates can be highly judgemental based on prior performance.

(e) Employee benefits

Following an agreed methodology management exercises judgement in assessing the fair value of the long-term incentive plan scheme, available to eligible senior employees, during the vesting period.

This projects forecast earnings and asset values to March 2023 (the end of the LTIP period) and then applies the LTIP's valuation metrics (discounted to a net present value) to give an estimated value of the liability relating to potential LTIP payments to participants. These forward-looking projections are prepared annually with the estimated liability adjusted as required.

(f) Investment in associates and joint ventures

The Group is required to demonstrate significant influence to demonstrate its accounting treatment of its interests in its associate and joint ventures, Barnsley Business and Innovation Centre Limited, Newable Avitus Limited and Newable Exemplas Trade Services Limited.

The Group owns 70% of Arc Building Solutions Limited ("ARC") with a commitment to acquire the remaining 30% over the next three years. It is management's judgement that the other shareholders of ARC do not have stakeholder rights so the entity has been accounted for as a wholly owned subsidiary.

(g) Coronavirus pandemic

Management exercises judgement in assessing the potential impact of the coronavirus pandemic on its business including the careful monitoring of cash flow, review of Government initiatives and the UK economy.

5. Revenue

The Group's revenue is disaggregated in to the three key business activities provided, as illustrated in the table below, with key revenue streams, which we believe best depicts the nature of our revenue.

Group	2020			
	Money	Advice	Workspace	Total
	£000	£000	£000	£000
Revenues subject to IFRS15				
International trade advice	-	8,171	-	8,171
Brokerage fees	217	-	729	946
Investment revenues	307	-	-	307
Managed serviced office revenues	-	-	15,050	15,050
IT and administrative services	-	169	-	169
Provision of building supplies	3,176	-	-	3,176
	3,700	8,340	15,779	27,819
Other revenues				
Advice funded by government body grants	-	3,431	-	3,431
Finance income – provision of loans	3,807	-	-	3,807
Rental income	-	-	1,523	1,523
	3,807	3,431	1,523	8,761
	7,507	11,771	17,302	36,580
Timing of IFRS15 revenues				
Point in time	3,588	8,171	-	11,759
Over time	112	169	15,779	16,060
	3,700	8,340	15,779	27,819
Group	2019			
	Money	Advice	Workspace	Total
	£000	£000	£000	£000
Revenues subject to IFRS15				
International trade advice	-	8,148	-	8,148
Credit brokerage fees	299	-	-	299
Investment revenues	661	-	-	661
Sale of development properties	-	-	-	-
Managed serviced office revenues	-	-	5,585	5,585
IT and administrative services	-	562	-	562
Recovery of historic invoice factoring debt	129	-	-	129
	1,089	8,710	5,585	15,384
Other revenues				
Advice funded by government body grants	-	4,204	-	4,204
Finance income – provision of loans	180	-	-	180
Rental income	-	-	3,723	3,723
	180	4,204	3,723	8,107
	1,269	12,914	9,308	23,491
Timing of IFRS15 revenues				
Point in time	889	8,148	-	9,037
Over time	200	562	5,585	6,347
	1,089	8,710	5,585	15,384

5. Revenue (continued)

All revenue has arisen in the United Kingdom.

Revenues for advice funded by government body grants is calculated on a cost-recovery basis and is principally from government contracts relating to the support and promotion of UK exporting services.

6. Other income

During the year, Newable acquired 70% of the share capital of Arc Building Solutions Limited (“ARC”) with a commitment to purchase the remaining 30% at a future date. At the date of acquisition, 11 December 2019, management valued the deferred consideration for this future purchase at £4,448,000.

As at 31 March 2020, management, having considered events such as the potential financial impact of the coronavirus pandemic, valued this initially at £2,926,000. The resulting gain of £1,522,000 is reported in other income. The deferred consideration was subsequently valued at £2,165,000, a decrease of £761,000, which reduced the associated goodwill by the same amount (see note 35).

	2020	2019
	£000	£000
Fair value gain on deferred consideration	1,522	-

7. Expenses by nature

Group	2020	2019
	£000	£000
Staff costs (note 8)	22,848	15,321
Amortisation of right-of-use assets (note 13)	2,840	-
Amortisation of intangible assets (note 16)	607	153
Depreciation (note 12)	862	567
Impairment of intangible assets – customer relations (note 16)	310	-
Impairment of intangible assets – goodwill (note 16)	732	-
Operating lease charges	-	1,509
Auditors' remuneration – for the audit of the Company	10	6
Auditors' remuneration – for the audit of subsidiaries	335	195
Auditors' remuneration – for non-audit services	257	243

8. Employee benefit expenses

Group	2020	2019
	£000	£000
Wages and salaries	19,562	13,205
Social security costs	2,145	1,191
Long-term incentive plan	-	298
Pension costs		
- defined contribution schemes	1,114	588
- defined benefit scheme contributions (note 34)	27	39
Total staff costs	22,848	15,321

8. Employee benefit expenses (continued)

Average numbers of staff during the year were as follows:

Group	2020	2019
	£000	£000
Advice	113	121
Lending	30	22
Properties	4	6
Equities	25	4
Management Services	39	37
Office Space	174	157
	<u>385</u>	<u>347</u>

Staff employed by Newable Limited total 186 (2019: 190) which recharges employee costs to its subsidiaries. Therefore, there are no employee expenses in the company.

Other staff are employed by, and the associated costs expensed in, the company's other subsidiaries, including all office space staff.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and have been identified as the Directors of the company listed on page 11.

	2020	2019
	£000	£000
Salary and bonuses	2,233	1,746
Defined contribution pension cost	53	51
	<u>2,286</u>	<u>1,797</u>

Directors' emoluments represent amounts due during the period.

As at 31 March 2020 there were no Directors in the Group's defined benefit scheme (2019: Nil). There were 3 Directors in the Group's defined contribution scheme (2019: 3).

The highest paid Director emoluments receivable were £791,000 during the year (2019: £590,400). The statutory Directors' remuneration for the year was £2,286,100 (2019: £1,797,000).

9. Finance income and expense

Recognised in profit or loss

Group	2020	2019
	£000	£000
Finance income		
Interest received on bank deposits	128	133
	<u>128</u>	<u>133</u>
	2020	2019
	£000	£000
Finance income		
Interest payable on borrowings and similar costs	1,401	760
Interest expense on lease liabilities	552	-
Net interest expense from defined benefit scheme (note 34)	80	95
	<u>2,033</u>	<u>855</u>
Net finance expense recognised in profit or loss	<u>1,905</u>	<u>722</u>

Finance income relates to financial assets classified as loans and receivables. Finance expense relate to financial liabilities classified as financial liabilities measured at amortised cost.

10. Taxation

Analysis of taxation expense in the year:

	2020	2019
	£000	£000
Current tax expense/(credit)		
UK corporation tax on profits for the year	3,694	630
Adjustments in respect of prior years	(273)	(383)
Total current taxation expense	<u>3,421</u>	<u>247</u>
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(1,661)	(341)
Adjustments in respect of previous periods	30	141
Effect of tax rate change	182	-
Total deferred tax credit	<u>(1,449)</u>	<u>(200)</u>
Total taxation expense	<u>1,972</u>	<u>47</u>

10. Taxation (continued)

The reasons for the difference between the actual tax expense for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2020	2019
	£000	£000
Profit on ordinary activities before taxation	2,539	4,593
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	482	872
Income not allowable for tax purposes	(549)	(685)
Unprovided deferred tax movement	19	43
Adjustment in respect of prior years	(253)	(242)
Capital gains	3,513	1,056
Permanent differences	(956)	(394)
Other timing differences	(284)	(603)
Total taxation expense	1,972	47

11. Loss on discontinued operations

During the prior year, the Group launched a pilot programme, as part of its professional services offering, to deliver enhanced export services to medium sized business. Although there was some interest, it decided not to pursue this activity in the future. There are no discontinued operations in the current year.

Discontinued operations

Group	2020	2019
	£000	£000
Cash consideration received	-	-
Non-cash consideration received	-	-
Total consideration received	-	-
Net cash inflow on disposal of discontinued operation	-	-
Net assets disposed of: intangibles	-	-
Profit on disposal of discontinued operation	-	-
Group	2020	2019
	£000	£000
Revenue	-	11
Expenses other than finance costs	-	(266)
Profit on disposal of discontinued operations	-	-
Loss for the year	-	(255)

11. Loss on discontinued operations (continued)

The Group Cash Flow statement includes the following amounts relating to discontinued operations:

Group	2020	2019
	£000	£000
Operating activities	-	(255)
Investing activities	-	-
Net cash from discontinued operations	-	(255)

12. Property, plant and equipment

Group	Leasehold Improvements	Fixtures and fittings	Computer equipment	Total
	£000	£000	£000	£000
Cost				
At 1 April 2018	927	147	441	1,515
Additions	145	269	108	522
Acquisitions through business combinations	3,058	1,460	29	4,547
Disposals	(772)	(266)	(75)	(1,113)
At 31 March 2019	3,358	1,610	503	5,471
Additions	1,100	366	54	1,520
Acquisitions through business combinations	14	473	76	563
Disposals	(541)	(177)	(75)	(793)
Transfers	-	(541)	63	(478)
At 31 March 2020	3,931	1,731	621	6,283
Accumulated depreciation				
At 1 April 2018	104	38	229	371
Charge for the year	250	203	114	567
Acquisitions through business combinations	2,016	583	25	2,624
Disposals	(763)	(181)	(75)	(1,019)
At 31 March 2019	1,607	643	293	2,543
Charge for the year	529	204	129	862
Acquisitions through business combinations	5	-	-	5
Disposals	(500)	(107)	(75)	(682)
Transfers	-	(219)	22	(197)
At 31 March 2020	1,641	521	369	2,531
Net book value				
At 31 March 2020	2,290	1,210	252	3,752
At 31 March 2019	1,751	967	210	2,928

The transfers represent items of software reclassified as intangible assets during the year (see note 16). These items were purchased in a prior year acquisition and identified as part of a detailed review of fixed assets.

12. Property, plant and equipment (continued)

Company	Leasehold Improvements £000	Fixtures and fittings £000	Total £000
Cost			
At 1 April 2019	-	-	-
Additions	48	7	55
At 31 March 2020	48	7	55
Accumulated depreciation			
At 1 April 2019	-	-	-
Charge for the year	32	3	35
At 31 March 2020	32	3	35
Net book value			
At 31 March 2020	16	4	20
At 31 March 2019	-	-	-

None of the items in property, plant and equipment has been pledged as security against Group or Company liabilities.

13. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted on 1 January 2019 without restatement of comparative figures.

For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 39. The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised. Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;

13. Leases (continued)

- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 28).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

13. Leases (continued)

Right-of-use assets

Group	Land and buildings £000	Plant, machinery & vehicles £000	Total £000
Cost			
At 1 April 2019	12,366	20	12,386
Additions	1,754	23	1,777
Acquisitions through business combinations	1,794	181	1,975
Amortisation	(2,807)	(33)	(2,840)
At 31 March 2020	13,107	191	13,298
Company	Land and buildings £000	Plant, machinery & vehicles £000	Total £000
Cost			
At 1 April 2019	4,016	20	4,036
Additions	-	23	23
Amortisation	(767)	(17)	(784)
At 31 March 2020	3,249	26	3,275
Lease liabilities			
Group	Land and buildings £000	Plant, machinery & vehicles £000	Total £000
Cost			
At 1 April 2019	13,424	21	13,445
Additions	1,754	23	1,777
Acquisitions through business combinations	1,875	164	2,039
Interest expense	548	4	552
Lease payments	(3,406)	(31)	(3,437)
At 31 March 2020	14,196	181	14,376
Company	Land and buildings £000	Plant, machinery & vehicles £000	Total £000
Cost			
At 1 April 2019	5,001	21	5,022
Additions	-	23	23
Interest expense	177	1	178
Amortisation	(1,163)	(14)	(1,177)
At 31 March 2020	4,015	31	4,046

13. Leases (continued)

Group	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	More than 5 years £000
At 31 March 2020				
Lease liabilities	2,587	2,786	5,423	3,580
Company				
Company	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	More than 5 years £000
At 31 March 2020				
Lease liabilities	532	709	1,665	1,140

14. Investments

Company	2020 £000	2019 £000
Investment in subsidiary undertakings		
Net Book Value at 1 April	17,513	17,513
Additions	-	-
Disposals	-	-
Movement on provision	(2,415)	-
Net Book Value at 31 March	15,098	17,513
Other investments		
Net Book Value at 1 April	339	188
Additions	166	147
Movement on provision	87	4
Net Book Value at 31 March	592	339
Total investments	15,690	17,852
Other investments		
Managed funds (unquoted)	592	339

The Company's principal subsidiaries are listed in note 18 of the Financial Statements.

15. Investment property

Group	Freehold property £000	Leasehold property £000	Total £000
At 1 April 2018	31,520	23,290	54,810
Additions	3,429	-	3,429
Disposals	(5,850)	(14,850)	(20,700)
Transfers from development property (note 22)	4,872	-	4,872
Revaluations	3,849	1,020	4,869
At 31 March 2019	37,820	9,460	47,280
Additions	9	-	9
Disposals	(37,829)	(9,460)	(47,289)
Transfers from development property (note 22)	10,341	-	10,341
Revaluations	6,359	-	6,359
At 31 March 2020	16,700	-	16,700

The investment property portfolio was sold during the year for £53.2 million. The sale was part of Newable's repositioning of its property business ("Workspace") following the acquisition of Citibase (since rebranded as NewFlex) in the previous year. One property transferred from development to investment properties in March 2020, and was subsequently sold in June 2020 (see note 37).

Lambert Smith Hampton, chartered surveyors, valued the Group's investment property as at 31 March 2020. The valuation was performed in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. The Directors consider that their valuation is an accurate reflection of fair value at the year-end.

A fair value hierarchy of 3 is attributed to the investment property, as there are a significant number of unobservable inputs used to determine the fair value of property. Fair value is determined by applying the income approach based on the estimated rental value of the property, and rental growth rates as estimated by the external valuer based on comparable transactions and industry data. The estimated rental value per square foot ranges from £13.50 to £13.75 (2019: £11.50 to £19.00). The estimated yield ranges from 4.49% to 5.00% (2019: 3.96% to 7.77%). The property was unoccupied at the year-end (2019 occupancy rates: 83% to 100%).

The historical cost of the properties is £10,340,619 (2019: £31,418,646) comprising one freehold property of £10,340,619 (2019: £26,549,843) and no leasehold properties (2019: £4,868,803).

During the year, £484,000 (2019: £3,723,000) was recognised in the Statement of Profit and Loss relating to rental income from investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to £195,000 (2019: £482,000). Operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to £333,000 (2019: £273,000).

At 31 March 2020, there was no restriction on the potential future realisation of investment property or the remittance of income and proceeds of disposal (2019: £Nil). At 31 March 2020, there were no contractual obligations to purchase investment property (2019: £Nil).

There were no changes to the valuation techniques of level 3 fair value measurements in the period. The fair value measurement is based on the above items highest and best use, which does not differ from their actual use.

16. Intangible assets

Group	Customer Contracts £000	Customer Relations £000	Client Relations £000	Brand £000	Software £000	Goodwill (note 17) £000	Total £000
Cost or valuation							
At 1 April 2018	103	385	-	-	-	40	528
Additions acquired through business combinations	-	582	1,909	-	33	11,968	14,492
Additions	-	-	-	-	25	110	135
Disposals	-	-	-	-	-	-	-
At 31 March 2019	103	967	1,909	-	58	12,118	15,155
Accumulated amortisation and impairment							
At 1 April 2018	24	38	-	-	-	-	62
Amortisation charge	10	62	77	-	4	-	153
Disposals	-	-	-	-	-	-	-
At 31 March 2019	34	100	77	-	4	-	215
Group							
Group	Customer Contracts £000	Customer Relations £000	Client Relations £000	Brand £000	Software £000	Goodwill (note 17) £000	Total £000
Cost or valuation							
At 1 April 2019	103	967	1,909	-	58	12,118	15,155
Additions acquired through business combinations	-	1,191	-	415	164	22,752	24,522
Additions	-	-	-	-	766	38	804
Disposals/write-offs	-	(425)	-	-	-	(732)	(1,157)
Transfers	-	-	-	-	492	-	492
At 31 March 2020	103	1,733	1,909	415	1,480	34,176	39,816
Accumulated amortisation and impairment							
At 1 April 2019	34	100	77	-	4	-	215
Amortisation charge	11	138	236	10	212	-	607
Disposals/write-offs	-	(115)	-	-	-	-	(115)
Transfers	-	-	-	-	211	-	211
At 31 March 2020	45	123	313	10	427	-	918
Net book value							
At 31 March 2020	58	1,610	1,596	405	1,053	34,176	38,898
At 31 March 2019	69	867	1,832	-	54	12,118	14,940

16. Intangible assets (continued)

During the year, the Group acquired a number of businesses for total consideration of £25.3 million of which £22.8 million has been attributed to goodwill (see note 35).

Additional costs of £38,000 were paid during the year, in relation to NewFlex Holdings Limited (formerly Citibase Holdings Limited), a business acquired in the previous year. This has been attributed to goodwill.

The amortisation period for intangible assets, excluding goodwill, is 10 years. For those balances brought forward at the start of the year, the remaining amortisation periods are as follows:

- Client Relations – 9 years
- Customer Contracts – 7 years
- Customer Relations – 8 years

The impairment review carried out on 31 March 2020 determined that the intangible asset (Customer Relations) associated with Newable Private Investing Limited (“NPI”), a business acquired in the previous year, required full impairment.

The customer relations intangible value was based on a multiple of revenues at acquisition but revenues have fallen this year and are likely to remain lower than planned for the foreseeable future, mostly caused by NPI’s Fund Administrator entering administration during the year and the resulting inability to invest funds. Consequently, the remaining customer relations intangible value of £310,000 was impaired. Goodwill of £150,000 associated with the acquisition of NPI was also impaired.

The impairment review of goodwill carried out on 31 March 2020 determined that the amount of £582,000, associated with Newable Commercial Finance Limited, a credit broking business acquired in the previous year required impairment. Although forecast revenues for this business are strong they are substantially down on pre-acquisition estimates, and consequently this goodwill has been impaired during the year.

17. Goodwill and impairment

Newable is required to test whether goodwill has suffered any impairment, which it calculates at the end of its financial year.

This test involves estimating future annual cash flows and discounting them at a suitable rate to determine their present value.

The calculations performed are based on the pre-tax cash flow projections derived from financial budgets approved by Directors and forecasts projected over 10 years.

During the year, Newable made the following acquisitions:

Company	Business	% Acquired
Ask Officio Holdings Limited	Office space broker	100
Arc Building Solutions Limited	Provision of building supplies	70
Bold Tech Ventures limited	Provision of rented office space	60
Synergy Automotive Limited	Car leasing	51
Newable Business Finance Limited	Lending	50

The goodwill associated with these acquisitions is £22,752,000 (see note 35).

17. Goodwill and impairment (continued)

The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

Group Company	CGU	2020 £000
Ask Officio Holdings Limited	Office space broking	6,514
Arc Building Solutions Limited	Manufacture of specialist cavity fire barriers and closures for UK building industry	9,990
Bold Tech Ventures Limited	Provision of rented office space	2
Synergy Automotive Limited	Provision of vehicle leasing and broking services	1,211
Newable Business Finance Limited	Lending	5,035
Total (note 16)		<u>22,752</u>

The recoverable amounts on the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets and longer-term forecasts. Other major assumptions are as follows:

Ask Officio Holdings Limited	Office space broking %
2020	
Discount rate	12
Growth rate	2

The discount rate of 12% for the CGU is considered a prudent estimate based on knowledge of the business sector, and market rates.

The growth rate of 2% is used as it is in line with those adopted by UK corporates. The growth rate applies only to the period beyond the formal budgeted period, with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

It is management's view there is no impairment of goodwill at 31 March 2020. Although profitability is expected to fall in FY 2021 due to the impact of Covid-19, management anticipate profitability will return to normal levels in subsequent years.

Arc Building Solutions Limited	Manufacture of specialist building products %
2020	
Discount rate	15
Growth rate	2

The discount rate of 15% for the CGU is considered a prudent estimate based on knowledge of the business sector, and market rates.

The growth rate of 2% is used as it is in line with those adopted by UK corporates. The growth rate applies only to the period beyond the formal budgeted period, with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

It is management's view there is no impairment of goodwill at 31 March 2020. Although production was halted for a short period, due to the impact of Covid-19, it has now re-commenced at reduced levels and is gradually returning to normal production levels.

17. Goodwill and impairment (continued)

	Provision of rented office space
Bold Tech Ventures Limited	%

2020

Discount rate	15
Growth rate	2

The discount rate of 15% for the CGU is considered a prudent estimate based on knowledge of the business sector, and market rates.

The growth rate of 2% is used as it is in line with those adopted by UK corporates. The growth rate applies only to the period beyond the formal budgeted period, with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

It is management's view there is no impairment of goodwill at 31 March 2020. Although not revenue generating in the period to 31 March 2020, the company plans to open 25+ locations in the UK over the next three years.

	Vehicle leasing and broking services
Synergy Automotive Limited	%

2020

Discount rate	19
Growth rate	2

The discount rate of 19% for the CGU is considered a prudent estimate based on knowledge of the business sector, and market rates.

The growth rate of 2% is used as it is in line with those adopted by UK corporates. The growth rate applies only to the period beyond the formal budgeted period, with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

It is management's view there is no impairment of goodwill at 31 March 2020. Although profitability will be negatively impacted in FY 2021, due to the suspension of vehicle deliveries in the first 2-3 months of the financial year caused by the Covid-19 pandemic, the demand for the vehicles remains strong. Management anticipates the total market for new car sales to be reduced over the next 1-2 years, however, this is expected to be offset by increased online purchases because of changing customer attitudes to lockdown.

Further, our expectation is that the lease product will gain in popularity as people seek an additional vehicle to use for their commutes as a substitute for public transport. Consequently, management are confident that the FY2022 and onwards performance of the business will be in line with previous estimations.

	Lending
Newable Business Finance Limited	%

2020

Discount rate	10
Growth rate	2

The discount rate of 10% for the CGU is considered a prudent estimate based on knowledge of the business sector, and market rates.

The growth rate of 2% is used as it is in line with those adopted by UK corporates. The growth rate applies only to the period beyond the formal budgeted period, with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

17. Goodwill and impairment (continued)

It is management's view there is no impairment of goodwill at 31 March 2020. Although profitability is expected to fall in FY 2021 due to the impact of Covid-19, management anticipate profitability will return to normal levels in subsequent years.

The carrying amount of goodwill brought forward is allocated to the following cash generating units (CGUs):

Group	2020	2019
	£000	£000
Managed service properties	8,380	8,380
Leasehold properties	2,801	2,801
Other	937	937
Total brought forward (note 16)	<u>12,118</u>	<u>12,118</u>

The recoverable amounts on the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets and longer-term forecasts. Other major assumptions are as follows:

	Managed Service Properties	Leasehold properties	Other
	%	%	%
2020			
Discount rate	18	18	15
Growth rate	2	2	2
	Managed Service Properties	Leasehold properties	Other
	%	%	%
2019			
Discount rate	18	18	15
Growth rate	2	2	2

The discount rate of 18% used for managed service and leasehold properties was an adjusted estimate based on contributory asset charge (CAC) rates of 12% for fixed assets (in line with rates used in the asset finance market) and 16% for working capital (an average market rate used for unsecured short-term loans).

The discount rate of 15% for other CGUs is a prudent estimate based on knowledge of the business sector, and market rates.

The growth rate of 2% is used as it is in line with those adopted by UK corporates. The growth rate applies only to the period beyond the formal budgeted period, with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

Additional costs of £38,000 were paid during the year, in relation to NewFlex Holdings Limited (formerly Citibase Holdings Limited), a business acquired in the previous year. This has been attributed to goodwill.

The Directors believe that if any of the following changes were made to the key assumptions used to assess the value in use, the recoverable amount would be greater than the carrying amount, and no impairment would be required.

17. Goodwill and impairment (continued)

	Managed Service Properties	Leasehold properties	Other
	%	%	%
Discount rate	Increase by 1%	Increase by 1%	Increase by 1%
Growth rate	Reduce by 1%	Reduce by 1%	Reduce by 1%
Operating Margin	Reduce by 1%	Reduce by 1%	Reduce by 1%

The recoverable amount of CGUs allocated to properties that hold a significant proportion of the Group's overall goodwill balance include:

- Managed Service Properties: recoverable amount of £13,280,000 (2019: £9,185,000) exceeds its carrying amount by £373,000 (2019: £805,000).
- Leasehold Properties: recoverable amount of £4,081,000 (2019: £3,070,000) exceeds its carrying amount by £114,000 (2019: £269,000).

The recoverable amount of other CGUs that hold a significant proportion of the Group's overall goodwill balance include:

	Recoverable Amount	Excess above Carrying Amount
	£000	£000
31 March 2020		
Ask Officio Holdings Limited	10,684	4,201
Arc Building Solutions Limited	12,540	2,550
Synergy Automotive Limited	1,659	421
Newable Business Finance Limited	14,092	9,057

The Directors have carried out a sensitivity analysis of the key assumptions (a 1% increase to the discount rate or a 1% reduction to the growth rate and operating margin) applied to the CGUs of these new acquisitions which resulted in no impairment.

18. Subsidiaries

The subsidiaries and joint ventures of Newable Limited, all of which are incorporated and registered in England and Wales and have been included in these consolidated financial statements, are as follows:

Name of company	Nature of business	Percentage of ownership interest at 31 March	
		2020	2019
Newable Trade (London) Limited	Administrative company	100	100
Newable Trade (South East) Limited	Administrative company	100	100
Newable Avitus Limited	Consultancy services company	50*	50*
Newable Enterprise Partners Limited	Consultancy services company	100	100
Newable International Consulting Limited	Consultancy services company	100	100
Newable Commercial Finance Limited	Credit brokerage services company	100	100
Batavia Road 1 Limited	Development property company	100	100
Newable Alfreds Way Limited	Development property company	100	-
Newable Commercial Property Limited	Development property company	100	-
Newable Developments Limited	Development property company	100	100
Newable Property Developments Limited	Development property company	100	100
Newable Victoria Road Limited	Development property company	75*	-
Newable LLF Limited	Enterprise agency	100	100
Newable RGF Limited	Enterprise agency	100	100
Leeds North East GP Limited	General partner	100	100
London GP Limited	General partner	100	100
PIF GP No 1 Limited	General partner	100	100
PIF GP No 2 Limited	General partner	100	100
PIF GP No 3 Limited	General partner	100	100
PIF GP No 4 Limited	General partner	100	100
PIF GP No 7 Limited	General partner	100	100
SMH GP Limited	General partner	100	100
South West GP Limited	General partner	100	100
YVF GP (Development) Limited	General partner	100	100
YVF GP (Investment) Limited	General partner	100	100
Ask Officio Holdings Limited	Holding company	100	-
Newable Capital Group Limited	Holding company	100	100
Newable Contracts Holdings Limited	Holding company	100	100
Newable Equity Limited	Holding company	100	100
Newable Lending Limited	Holding company	100	100
Newable Niagara Limited	Holding company	100	-
Newable Office Space Limited	Holding company	100	100
Newable UK Holdings Limited	Holding company	100	100
NewFlex Holdings Limited	Holding company	100	100
PW Group Holdings Limited	Holding company	100	100
PW Growth Finance Limited	Holding company	100	100
Leeds Enterprise Limited	Investment company	100	100
Leeds North East Investments Limited	Investment company	100	100
London Seed Capital Limited	Investment company	100	100
Newable Capital Limited	Investment company	100	100

18. Subsidiaries (continued)

Name of company	Nature of business	Percentage of ownership interest at 31 March	
		2020	2019
Newable Investments Limited	Investment company	100	100
Newable Private Equity Limited	Investment company	100	100
Newable Private Investing Limited	Investment company	100	100
Newable Ventures Limited	Investment company	100	100
Newable Yorkshire (Holdings) Limited	Investment company	100	100
SMH Venture Finance Limited	Investment company	100	100
GLE Growth Capital Limited	Investment management company	100	100
Newable Properties Limited	Investment property company	100	100
Waterfront Studios Limited	Investment property company	100	100
PW Asset Finance Limited	Invoice discounting company	100	100
Newable Digital Limited	IT services company	100	100
Newable Business Finance Limited	Loans company	100	50
Newable Business Loans Limited	Loans company	100	50
Newable Lending for Growth Limited	Loans company	100	100
Newable Lending for Growth 2 Limited	Loans company	100	-
Bold Tech Ventures Limited	Managed business centres	60*	-
NewFlex Leases Limited	Managed business centres	100	100
NewFlex Special Leases Limited	Managed business centres	100	100
NewFlex Workspace Limited	Managed business centres	100	100
Newable Events Limited	Management services company	100	100
Newable Management Services Limited	Management services company	100	100
Official Space Limited	Property agency	100	-
Ask Officio UK Limited	Property rental broker	100	-
Ask Officio Group Limited	Property services	100	-
Synergy Automotive Limited	Vehicle leasing	51*	-
Arc Building Solutions Limited	Manufacture of specialist building supplies	70*	-
Angels in Medcity Limited	Dormant company	100	100
Citib@se Limited	Dormant company	100	100
Citibase Limited	Dormant company	100	-
Citybase Limited	Dormant company	100	100
East London Property Investment Fund Ltd	Dormant company	100	100
Enterprise London Limited	Dormant company	100	100
FLHAV Limited	Dormant company	100	100
FLHLG Limited	Dormant company	100	100
Freedom Business Centres Limited	Dormant company	100	100
London Business Angels Limited	Dormant company	100	100
Newable Baird Road Limited	Dormant company	100	-
Newable Business Villages Limited	Dormant company	100	100
Newable Exemplas Trade Services Limited	Dormant company	50*	-
Newable Trust Limited	Dormant company	100	100
Pop-Up Business Centres Limited	Dormant company	100	100
Pop-Up Serviced Offices Limited	Dormant company	100	100

18. Subsidiaries (continued)

The registered address of Arc Building Solutions Limited is Bank House, Broad Street, Spalding, Lincolnshire, PE11 1TB; Official Space Limited is 109 Cannock Road, Burntwood, Staffordshire., WS7 0BB.

Ask Officio Holdings Limited, Ask Officio Group Limited and Ask Officio UK Limited have a registered address of Pacific House, Relay Point, Wilncote, Tamworth, Staffordshire, B77 5PA. All other entities listed above have a registered address of 140 Aldersgate Street, London, EC1A 4HY.

All subsidiaries and joint ventures, except for Newable UK Holdings Limited, are indirect shareholdings of Newable Limited.

* Newable Avitus Limited and Newable Exemplas Trade Services Limited each have a non-controlling interest of 50%, which represents 50% voting rights. Synergy Automotive Limited has a non-controlling interest of 49%, which represents 49% voting rights, Bold Tech Ventures Limited 40%, which represents 40% voting rights, Arc Building Solutions Limited 30%, which represents 30% voting rights and Newable Victoria Road Limited 25%, which represents 25% voting rights.

Newable Enterprise Partners Limited is one of two members of Barnsley Business and Innovation Centre Limited, a company limited by guarantee.

19. Joint ventures

Group share of net assets	2020	2019
	£000	£000
Newable Business Finance Limited	-	1,502
Barnsley Business and Innovation Centre Limited	2,605	2,433
Newable Avitus Limited	(78)	-
Newable Exemplas Trade Services Limited	-	-
Total	2,527	3,935

Group share of total comprehensive income	2020	2019
	£000	£000
Newable Business Finance Limited	-	(430)
Barnsley Business and Innovation Centre Limited	172	2,433
Newable Avitus Limited	(78)	-
Total	94	2,003

Newable Business Finance Limited

The Group had a 50% interest in joint venture, Newable Business Finance Limited, a company incorporated and operating in the United Kingdom until 30 May 2019, when it acquired the remaining 50% interest from its joint venture partner Liberis. From 30 May 2019, Newable Business Finance Limited has been a wholly owned subsidiary.

19. Joint ventures (continued)

As at 31 March

Group	2020	2019
	£000	£000
Current assets	-	17,886
Non-current assets	-	146
Current liabilities	-	(10,085)
Non-current liabilities	-	(4,943)
Net assets (100%)	-	3,004
Joint venture net assets (50%)	-	1,502
Revenue	-	2,342
Loss from continuing operations	-	(859)
Total comprehensive expense (100%)	-	(859)
Group share of total comprehensive expense (50%)	-	(430)

As at 31 March

Group	2020	2019
	£000	£000
Included in the above amounts are:		
Depreciation and amortisation	-	21
Impairment	-	1,225
Interest income	-	2,107
Interest expense	-	860

Barnsley Business and Innovation Centre Limited

The Group also has a 50% interest in joint venture, Barnsley Business and Innovation Centre Limited, a company incorporated and operating in the United Kingdom. Significant influence was demonstrated from 1 April 2018 so only the current year's results can be included, rather than net assets. Barnsley Business and Innovation Centre Limited owns a property, which was revalued to its fair value at 31 March 2020, which can also be included.

As at 31 March

Group	2020	2019
	£000	£000
Current assets	323	391
Non-current assets	5,466	4,982
Current liabilities	(110)	(131)
Non-current liabilities	(469)	(375)
Net assets (100%)	5,210	4,867
Joint venture net assets (50%)	2,605	2,433

19. Joint ventures (continued)

	2020	2019
	£000	£000
Revenue	931	841
Profit from continuing operations	140	105
Total comprehensive income (100%)	345	4,867
Group share of total comprehensive income (50%)	172	2,433
Included in the above amounts are:		
Depreciation	46	21
Staff costs	415	413

Newable Avitus Limited

The Group has a 50% interest in joint venture, Newable Avitus Limited, a company incorporated and operating in the United Kingdom.

As at 31 March

Group	2020	2019
	£000	£000
Current assets	101	-
Non-current assets	-	-
Current liabilities	(257)	-
Non-current liabilities	-	-
Net liabilities (100%)	(156)	-
Joint venture net liabilities (50%)	(78)	-
Revenue	95	-
Loss from continuing operations	(156)	-
Total comprehensive expense (100%)	(156)	-
Group share of total comprehensive expense (50%)	(78)	-
Included in the above amounts are:		
Staff costs	105	-

Newable Exemplas Trade Services Limited

The Group also has a 50% interest in joint venture, Newable Exemplas Trade Services Limited, a company incorporated in the United Kingdom, which is has not yet commenced trading.

20. Non-controlling interests

Synergy Automotive Limited, a 51% owned subsidiary of the Company and Newable Victoria Road Limited, a 75% owned subsidiary of the Company, have material non-controlling interests (NCI). The NCI of all other subsidiaries that are not 100% owned by the group are not considered material.

Summarised financial information in relation to Synergy Automotive Limited, before intra-group eliminations, is presented below together with amounts attributable to NCI:

Group	31 March	On acquisition
	2020	24 January
	£000	£000
Current assets	1,154	902
Non-current assets	168	181
Current liabilities	(689)	(131)
Non-current liabilities	(29)	(473)
Net assets	604	609
Non-controlling interest (49%)	296	298
Revenue	506	-
Cost of sales	(53)	-
Administrative expenses	(443)	-
Profit before taxation	10	-
Taxation	(15)	-
Profit after taxation	(5)	-
Non-controlling interest (49%)	(2)	-

Summarised financial information in relation to Newable Victoria Road Limited, before intra-group eliminations, is presented below together with amounts attributable to NCI:

Group	31 March
	2020
	£000
Current assets	5,628
Current liabilities	(5,320)
Net assets	308
Non-controlling interest (25%)	77

21. Fair value through profit or loss investments

Group

	£000	
At 1 April 2018	1,017	
Additions	171	
Disposals	(392)	
Impairment	(206)	
At 31 March 2019	590	
Additions	272	
Disposals	(175)	
Revaluation	103	
At 31 March 2020	790	
	2020	2019
	£000	£000
Equity securities (quoted)	90	249
Managed funds (unquoted)	700	341
	790	590

The fair value of quoted securities is based on published market prices at year-end. The fair values of the unquoted securities are valued in accordance with valuations where available. Where market valuations are not available, an alternative valuation methodology is used.

For example, in accordance with the European Venture Capital Association Guidelines, where the range of fair values derived by applying a valuation model is significant and the probabilities of the various estimates cannot be reasonably assessed, the investment is carried at cost.

A fair value hierarchy of 1 is attributed to the quoted securities. A fair value hierarchy of 3 is attributed to the unquoted managed funds, as there are a significant number of unobservable inputs used to determine the fair value of unquoted securities. Changes in levels are analysed at each reporting date by the Board of Directors.

22. Development properties

Group

	2020	2019
	£000	£000
As at 1 April	17,172	14,174
Additions	3,493	7,870
Revaluation	(606)	-
Transfer to investment properties (note 15)	(10,341)	(4,872)
As at 31 March	9,718	17,172

Included within the carrying value of development properties is capitalised interest of £58,707 (2019: £220,958). The capitalisation rate used for the current and prior year was 2.63%.

None of the properties under development have been pledged as security against Group liabilities.

23. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Loan receivables	26,636	3,152	-	-
Amounts due from subsidiary undertakings	-	-	4,495	11,003
Trade receivables	3,476	1,502	-	-
Less: provision for impairment on receivables	(7,200)	(2,526)	(4,495)	(8,184)
Total financial assets other than cash and cash equivalents classified as loans and receivables	22,912	2,128	-	2,819
Other receivables	3,235	3,779	406	328
Corporation tax receivable	-	139	-	-
Prepayments	2,970	3,971	9	-
Contract assets	2,833	1,482	15	-
Total trade and other receivables	31,950	11,499	430	3,147
Less: non-current portion	(11,284)	(380)	-	-
Current portion	20,666	11,119	430	3,147

At 31 March 2020, the lifetime expected loss provision for loan, trade and other receivables is as follows:

Group	Current	More than	More than	Total £000
		90 days past due	180 days past due	
Expected loss rate	5%	21%	80%	24%
Gross carrying amount	21,801	1,023	7,288	30,112
Loss provision	1,141	215	5,844	7,200

As at 31 March 2020, loan receivables of £4,432,000 (2019: £2,445,000) were past due and fully impaired.

Group	Current	More than	More than	Total £000
		90 days past due	180 days past due	
Expected loss rate	100%	0%	0%	100%
Gross carrying amount	4,495	-	-	4,495
Loss provision	4,495	-	-	4,495

Management considers both qualitative and quantitative data when assessing if a receivable balance is impaired, such as due diligence, credit reference, agency reports, financial information, credit scores, payment history and underwriting analysis.

In assessing loan receivables management use specific information in relation to the loan (such as borrower's status and credit quality), historical credit loss experience, credit loss experience of other similar lenders, and macro-economic factors. A 'backstop' position ensures loans are considered credit-impaired when amounts due are 2 months or more past due.

All non-current receivables are due within three years of 31 March 2020.

23. Trade and other receivables (continued)

Movements in the impairment allowance for loan, trade and other receivables are as follows:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Opening provision for impairment of loan receivables	2,526	3,697	8,184	8,696
Acquisitions through business combinations	2,472	-	-	-
Increase/(decrease) during the year	2,202	(136)	(3,689)	(512)
Unused amounts due to disposal of loan receivables	-	(1,035)	-	-
Current portion	7,200	2,526	4,495	8,184

Receivables from related parties and loans to related parties are considered to be a low credit risk. Credit risk for these assets has not increased significantly since their initial recognition.

The movement in the impairment allowance for loan trade and other receivables has been included in the administrative line in the consolidated statement of profit or loss.

24. Trade and other payables

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade payables	4,890	1,308	2	-
Other payables	5,363	1,643	-	23
Other payables to the joint venture	-	2,180	-	-
Amounts due to subsidiaries	-	-	198	6,205
Accruals	3,335	6,848	553	516
Total financial liabilities, excluding loan and borrowings, classified as financial liabilities measure at amortised cost	13,588	11,979	753	6,744
Corporation tax payable	2,283	-	-	-
Income and other taxes	643	733	-	-
Deferred income	333	1,505	-	-
Total trade and other payables	16,847	14,217	753	6,744

Other payables include an amount of £Nil (2019: £23,000) which represents funding received from the London Boroughs of Wandsworth and Merton. The purpose of this funding is to assist the Group's Business Loans' activities to advance loans to SMEs based in Wandsworth and Merton of £800,000 and £600,000 respectively.

25. Loans and borrowings

Group	Current 2020	Non-current 2020	Current 2019	Non-current 2019
	£000	£000	£000	£000
Overdrafts	-	-	1	-
Bank loans	12,263	4,631	1,724	17,526
	12,263	4,631	1,725	17,526

A bank loan for £7,000,000 commenced in November 2018 for a period of five years, and is due for repayment in quarterly instalments until November 2023. The balance outstanding at 31 March 2020 was £5,894,000. The borrowing is interest bearing at 3.25% above LIBOR on all balances.

A new revolving credit facility of £17,500,000 with Shawbrook Bank commenced in May 2019 for a period of three years. It is interest bearing at between 4.75% and 5.75% above LIBOR on all balances and as at 31 March 2020, £11,000,000 of the facility was utilised.

Borrowings mature as follows:

Group	2020	2019
	£000	£000
Less than one year	12,263	1,725
Two to five years	4,631	17,526
	16,894	19,251

26. Other payables

Group	2020	2019
	£000	£000
Other payables	8,156	11

Other payables comprise deferred consideration on businesses part acquired during the year and accrued expenses.

27. Employee benefit liabilities

Liabilities for employee benefits comprise:

Group	2020	2019
	£000	£000
Defined benefit pension scheme (note 34)	4,118	3,037
Long term incentive plan scheme	627	627
	4,745	3,664

Categorised as follows:

Group	2020	2019
	£000	£000
Current	-	-
Non-current	4,725	3,664
	4,745	3,664

27. Employee benefit liabilities (continued)

During the year, no amount (2019: £298,000) was expensed to the consolidated statement of profit and loss in relation to the long-term incentive plan scheme.

In 2018, loans totalling £102,648 were advanced to employees participating in the long-term incentive plan scheme. The amount unpaid at 31 March 2020 totalled £98,314, due for repayment on 31 March 2022 and 31 March 2023, in accordance with the terms of the scheme.

Estimates and assumptions

The defined benefit scheme operated by the Group is determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 34. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position.

The Long-term incentive plan scheme follows an agreed methodology in which management exercises judgement in assessing the fair value of the scheme during the vesting period.

This projects forecast earnings and asset values to March 2023 (the end of the LTIP period) and then applies the LTIP's valuation metrics (discounted to a net present value) to give an estimated value of the liability relating to potential LTIP payments to participants. These forward-looking projections are prepared annually with the estimated liability adjusted as required.

28. Provisions

The movement on provisions is as shown below:

Group	2020	2019
	£000	£000
At 1 April	1,504	612
Increase in the year	403	260
Release in the year	(357)	-
Utilisation in the year	(509)	(245)
Offset against right-of-use asset	(220)	-
Acquired through business combinations	-	877
At 31 March	821	1,504
Group	2020	2019
	£000	£000
Provisions due in less than one year	378	497
Provisions due in more than one year	443	1,007
Total	821	1,504

Amounts provided for at 31 March 2020 comprised a dilapidations provision of £821,000 (2019: £50,000), no lease provision (2019: £1,265,000) and no loss provision (2019: £189,000). During the year, there was a charge of £403,000 for the dilapidations, a release of £168,000 for leases and £189,000 for losses, and utilisation of £509,000 relating to a lease provision. An amount of £220,000 from the dilapidations and lease provisions was offset against right-of-use assets in accordance with IFRS 16.

29. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019: 19%). The movement on the deferred tax account is as shown below:

	2020	2019
	£000	£000
Deferred tax asset at 1 April	(1,089)	(1,107)
Deferred tax liability at 1 April	2,133	2,174
At 1 April	1,044	1,067
Profit and loss credit	(1,449)	(200)
Other comprehensive income	(266)	122
Other balance sheet movement	308	55
At 31 March	(363)	1,044
	2020	2019
	£000	£000
Deferred tax asset at 31 March	(2,113)	(1,089)
Deferred tax liability at 31 March	1,750	2,133
At 31 March	(363)	1,044

Deferred tax assets have been recognised in respect of all such tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered.

Details of the deferred tax liability, amounts charged/(credited) to the Statement of Profit and Loss and amounts charged/(credited) to Reserves are as follows:

Group	Liability/ (Asset)	Balance sheet	Charged/ (credited) to	Credited to
			Income	Reserves
	2020	2020	2020	2020
	£000	£000	£000	£000
Property, plant and equipment and intangible assets	327	307	20	-
Other temporary differences	434	-	(633)	(266)
Provision	(1,124)	1	(836)	-
Total deferred taxation	(363)	308	(1,449)	(266)

Group	Liability/ (Asset)	Balance sheet	Charged/ (credited) to	Charged to
			Income	Reserves
	2019	2019	2019	2019
	£000	£000	£000	£000
Property, plant and equipment and intangible assets	-	-	(169)	-
Other temporary differences	1,333	55	(372)	122
Provision	(289)	-	141	-
Total deferred taxation	1,044	55	(400)	122

29. Deferred taxation (continued)

Deferred tax assets are only recognised in relation to tax losses and other temporary differences, which would give rise to deferred tax assets where it is considered probable that the losses will be utilised in the foreseeable future, and therefore the asset is recoverable. No deferred tax is recognised in relation to unused brought forward tax losses totaling £92,912 (2019: £92,912).

30. Members' contribution

The Company is limited by guarantee and has no share capital. The £1,300,000 Members' contributions represent amounts received from the original 13 London borough councils, being the original ordinary members. These contributions are repayable only out of the assets of the Company available on a winding-up. In the event of a winding-up, the first £13,000,000 (plus 5% compound interest thereon from 13 November 1997, being the date of adoption of the new Memorandum and Articles of Association) is to be shared equally amongst the original ordinary members. Any surplus above this amount is to be shared equally amongst the original ordinary members and the new ordinary members.

Private members have no right to participate in the income and assets of the Company.

31. Other reserves

In January 2020, Newable acquired 51% of Synergy Automotive Limited, a car leasing business, with put options being issued to acquire the remaining 49% at a future date. The present value of the contingent consideration in relation to these options being exercised is £1,252,000, which has been expensed to Other Reserves with the other side being recognised as a liability at year-end.

32. Financial instruments - risk management

The principal financial instruments used by the Group, from which the key potential risks and uncertainties on financial instruments arise, include trade receivables, loan receivables, cash and cash equivalents, investments in quoted and unquoted equity securities, trade and other payables, bank overdrafts, and floating-rate bank loans – see below table which shows financial instruments by category:

Financial assets Group	Amortised cost		Fair value through profit or loss	
	2020 £000	2019 £000	2020 £000	2019 £000
Cash and cash equivalents	4,590	2,925	-	-
Trade and other receivables	3,476	1,502	-	-
Loan receivables	19,436	607	-	-
Equity investments	-	-	790	590
Total financial assets	27,502	5,034	790	590

Financial liabilities Group

	Amortised cost	
	2020 £000	2019 £000
Cash and cash equivalents	25,003	14,228
Trade and other receivables	16,894	19,251
Total financial assets	41,897	33,479

There have been no substantive changes in the Group's exposure to financial instruments risks from previous periods unless otherwise stated in this note.

32. Financial instruments - risk management (continued)

i. Market risk

Market risk is the risk that market changes adversely impact the Group.

a) Fair value risk

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, loan receivables, and trade and other payables, and loans and borrowings approximates their fair value and are therefore not measured at fair value.

The following table provides an analysis of financial assets and liabilities held on the consolidated statement of financial position at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. There were no transfers between levels during the period.

	Level 1		Level 3	
	2020 £000	2019 £000	2020 £000	2019 £000
Equity investments (quoted)	90	249	-	-
Equity investments (unquoted)	-	-	700	341
At 31 March	90	249	700	341

The sensitivity analysis of a reasonably possible change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

	Profit or loss	
	Increase £000	Decrease £000
Movement in Fund value of 5%	35	(35)

The reconciliation of the opening and closing fair value balance of financial instruments is provided below:

	£000
At 1 April 2018	1,017
Additions	171
Disposals	(392)
Impairment	(206)
At 31 March 2019	590
Additions	272
Disposals	(175)
Revaluation	103
At 31 March 2020	790

b) Interest rate risk

The Group's borrowings are principally at a margin over LIBOR thus exposing the Group to cash flow interest rate risk. The Group has a natural hedge against interest rate increases on £11.0m of its borrowings, which reduces the impact of any market interest rate rises.

The Group has used a sensitivity analysis technique that measures the estimated change in fair value of the Group's financial instruments to both the Consolidated Statement of Profit and Loss and equity of an instantaneous increase or decrease of 2% in market interest rates. This exercise has been performed purely for illustrative purposes as, in practice, these changes rarely occur in isolation. In preparing this analysis, it has been assumed that changes in market interest rates affect the interest payable or

32. Financial instruments - risk management (continued)

receivable on floating rate financial instruments, any potential impact on the Group's retirement benefit obligations has been excluded.

	Profit or loss	
	Increase	Decrease
	£000	£000
Movement in LIBOR of 2%	(118)	118

Financial assets receivable by the Group are disclosed in note 23, which illustrates the amount receivable within 12 months and over 12 months.

Newable is exposed to fluctuations in the commercial property market through its investments in commercial property space in London. This risk is mitigated by management regularly reviewing market conditions and taking appropriate action, such as property disposals, if market conditions suggest a possible fall in valuations and occupancy levels.

ii. Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group operates strong risk governance utilising the "three lines of defence" principle, separating risk origination from risk oversight and risk assurance, and helping to support and develop a culture of risk-awareness across the Group.

The first line of defence is through risk management and control by business managers who identify, assess, monitor and manage the risks in their respective area of the business, escalating any issues as necessary.

Risk and compliance are the second line of defence and is independent of the business and central functions. It maintains and implements the Risk Management Framework, provides oversight, challenge, and guidance on risks relevant to the Group's strategy and activities, and monitors performance in relation to the Group's risk appetite.

Internal and external audit provide the third line of defence by providing independent assurance of the Board, via the Audit Committee, that the first and second lines of defence are both effective in discharging their respective responsibilities.

iii. Credit risk

Credit risk is the risk of financial loss arising from a customer or counterparty to a financial instrument failing to meet their financial obligations to the Group in accordance with agreed terms. The risk arises from the Group's receivables from customers and clients, primarily in the form of property rentals, invoices and loan repayments.

The maximum Group exposure to credit risk at the balance sheet date was £32,950,000 (2019: £11,499,000) being the total of the carrying amount of trade receivables, other receivables, contract assets and amounts due from undertakings in which the Group has a participating interest.

The Group's major credit risk exposure exists in its provision of loans to domestic SMEs. The Group aims to mitigate this credit risk focusing on business sectors where the Group believes it has specific expertise and limits concentrated exposures on larger loans, certain sectors and other factors, which can create higher risk. Moreover, credit risk is assessed through a combination of due diligence, credit reference agency reports, financial information, credit scores and underwriting analysis.

The Group also seeks to obtain security cover, and where appropriate, guarantees from borrowers, and significantly from government sponsored loan guarantee arrangements, all loans written are under the government's Enterprise Finance Guarantee.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further information on credit risk is provided in Note 23.

32. Financial instruments - risk management (continued)

Cash in bank and short-term deposits

Group	2020		2019	
	Cash at Bank	Short-term Deposits	Cash at Bank	Short-term Deposits
UK Bank Rating	£000	£000	£000	£000
AA	3,687	429	1,041	318
A	474	-	1,566	-
Note 38	4,161	429	2,607	318

iv. Capital and liquidity risk

Capital and liquidity risk is the risk that the Group is unable to meet its financial obligations as they arise.

The Group regularly monitors the liquidity position to ensure that sufficient funds are available to meet both current and future requirements. Liquidity management includes managing the Group's working capital and borrowings. The Group's borrowings are the subject of a number of financial covenants, which the Directors regularly monitor to ensure both current and future compliance.

A £7 million loan facility with Santander commenced in November 2018 and, with repayment quarterly in equal instalments, is due to run until November 2023. Interest is charged at LIBOR plus 3.25%.

A new revolving credit facility of £17.5 million with Shawbrook Bank commenced in May 2019 for a period of three years. It is interest bearing at between 4.75% and 5.75% above LIBOR on all balances and as at 31 March 2020, £11 million of the facility was utilised.

The Directors are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future.

The following table sets out contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Group	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£000	£000	£000	£000	£000
Trade and other payables	4,890	11,957	7,020	1,136	-
Bank loans and overdrafts	-	12,263	1,684	2,947	-
At 31 March 2020	4,890	24,220	8,704	4,083	-

Group	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£000	£000	£000	£000	£000
Trade and other payables	1,308	12,909	11	-	-
Bank loans and overdrafts	-	1,725	-	17,526	-
At 31 March 2019	1,308	14,634	11	17,526	-

The Group manages its bank loans and equity as capital. In developing business plans, management consider the likely capital requirements and how to fund them.

Additional capital is funded by using the least cost source at the time of fund raising. At 31 March, the Group's capital can be summarised as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank loans	16,894	19,251	-	-
Members contribution	1,300	1,300	1,300	1,300
	18,194	20,551	1,300	1,300

32. Financial instruments - risk management (continued)

Externally imposed capital requirements are represented by a number of operational and financial covenants on the bank loans, all of which the Group operated within.

Further quantitative information in respect of these risks is presented throughout these financial statements.

33. Capital commitments

The Company has committed to an investment of £1 million in the Seraphim Space Fund (“the Fund”). The Fund is a venture capital fund focusing primarily on space technology related businesses. This capital commitment will be drawn down over a five-year period to, and including, the year ending 31 March 2022. At the end of the year, capital of £471,000 was drawn-down (2019: £341,000).

34. Pension costs - defined benefit scheme

Certain employees of the Group are members of a defined benefit pension scheme operated by the London Pensions Fund Authority, which covers the Group’s obligation to provide pensions to retired employees, and currently eligible members of staff, based on final pensionable salary. The assets of the scheme are held independently from the Group’s finances and are administered by trustee companies.

As administering authority to the Fund, the London Pensions Fund Authority, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund’s performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The latest actuarial valuation of the Fund was carried out as at 31 March 2019 and set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer’s withdrawal from the Fund a cessation, valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013, which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate, by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund’s liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed, a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the London Pension Fund Authority Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets, which eventually are inherited by the remaining employers.

34. Pension costs - defined benefit scheme (continued)

Pension costs are assessed on the advice of Barnett Waddingham, an independent qualified actuary, following triennial valuations using the projected unit method. The latest valuation of the scheme was carried out at 31 March 2019. The valuation assumed that investment returns would be 2.35% per annum (equal to the discount rate), that salary increases would average 2.95% per annum and that future pensions would increase at the rate of 13.40% per annum.

The contribution paid by employees in the scheme ranges from 5.5% to 12.5% of pensionable salaries and the Company's regular cash contribution was 5.5% p.a. of pensionable salaries.

The main financial assumptions used to value the assets and liabilities of the scheme as at 31 March 2020, 2019 and 2018 in accordance with the requirements of IAS 19 are shown in the following table:

	2020	2019	2018
RPI increase	2.75%	3.40%	3.35%
CPI increase	1.95%	2.40%	2.35%
Salary increase	2.95%	3.90%	3.85%
Pension increase	1.95%	2.40%	2.35%
Discount rate for scheme liabilities	2.35%	2.40%	2.55%

Mortality assumptions

The actuaries have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0 and an initial addition to improvements of 0.5% p.a.

The assumed life expectations are unweighted by liability. The resulting average expectation of life for a male pensioner member currently aged 65 is 22.2 years (24.3 years for females) whereas for a male active member currently aged 45 the life expectancy as at the valuation date is assumed to be 23.5 years (25.8 years for females).

The fair value of the assets held by the pension scheme, the long-term expected rate of return on each class of assets and the value of the scheme's liabilities assessed on the assumptions described above are shown in the following tables.

In accordance with IAS 19, the following liability has been recognised in the balance sheet:

	2020	2019
	£000	£000
Group's share of pension fund assets	11,473	12,687
Present value of scheme liabilities	(15,591)	(15,724)
Deficit in the scheme	(4,118)	(3,037)
Related deferred tax asset	781	515
Net pension liability	(3,337)	(2,522)

34. Pension costs - defined benefit scheme (continued)

	Fund value at 31 March 2020 £000	Fund value at 31 March 2019 £000
Equities		
Consumer markets	1,354	1,404
Financial institutions	566	685
Healthcare	324	422
Industrials	695	826
IT and Telecoms	1,027	1,153
Utilities	155	197
	4,121	4,687
Investment funds and unit trusts	1,485	1,689
Cash	495	648
Property	2,127	2,041
Private Equity	1,114	1,243
Fixed Income	579	576
Derivatives		
LDI	589	728
Currency hedge (forward contracts)	(85)	10
Other	1,048	1,065
	1,552	1,803
	11,473	12,687

For accounting periods beginning on or after 1 January 2013, the expected return and the interest cost have been replaced with a single net interest cost that effectively sets the expected return on assets equal to the discount rate of 2.35% (2019: 2.40%).

	2020 £000	2019 £000
Reconciliation of plan assets		
At beginning of year	12,687	11,994
Other actuarial losses	(569)	-
Interest on assets	282	301
Return on assets less interest	(564)	780
Contributions by participants	34	34
Contribution by employers	27	39
Benefits paid	(408)	(445)
Administration expenses	(16)	(16)
	11,473	12,687

34. Pension costs - defined benefit scheme (continued)

	2020	2019
	£000	£000
Reconciliation of plan liabilities		
At beginning of year	15,724	15,746
Interest cost	362	396
Current service cost	192	126
Contribution by plan participants	34	34
Change in financial assumptions	(1,289)	559
Change in demographic assumptions	71	(692)
Experience gain on defined benefit obligation	534	-
Estimated benefits paid net of transfers in	(408)	(445)
Past service cost	371	-
	<u>15,591</u>	<u>15,724</u>

The following disclosures show the amounts that have been included in the statement of profit and loss and the statement of changes in equity under IAS 19:

	2020	2019
	£000	£000
Analysis of the amount charged to operating profit		
Service cost	563	126
Net interest on the defined liability	80	95
Administration expenses	16	16
	<u>659</u>	<u>237</u>

	2020	2019
	£000	£000
Analysis of the amount charged to finance expense		
Expected return on pension scheme assets	-	-
Interest on pension scheme liabilities	80	95
Net gain	-	-
Less deferred taxation	-	-
	<u>80</u>	<u>95</u>

	2020	2019
	£000	£000
Analysis of amount recognised in equity		
Cumulative actuarial losses recognised directly in equity		
Return on plan assets in excess of interest	(564)	780
Other actuarial loss on assets	(569)	-
Change in financial assumptions	1,289	(559)
Change in demographic assumptions	(71)	692
Experience gain on defined benefit obligation	(534)	-
Net (loss)/gain	(449)	913
Less deferred tax credit/(charge)	266	(122)
	<u>(183)</u>	<u>791</u>

34. Pension costs - defined benefit scheme (continued)

	2020	2019
	£000	£000
Movement in deficit during the year		
At 1 April	(564)	780
Movement in year:		
Service cost	(563)	(126)
Contributions	27	39
Net losses	(96)	(111)
Net actuarial (losses)/gains	(449)	913
At 31 March	<u>(4,118)</u>	<u>(3,037)</u>

It has been agreed with the trustees that the contribution rate for the next year will be 13.4%. For the year ended 31 March 2020 the Group made no additional contributions in order to reduce the deficit (2019: £Nil) and have agreed with the London Pension Fund Authority that no additional payments are due for the year ended 31 March 2021.

	2020	2019	2018
	£000	£000	£000
History of experience gains and losses			
Experience losses on scheme assets	(564)	-	-
Value of assets	11,473	12,687	11,994
Percentage of scheme assets	-4.91%	0.00%	0.00%
Experience losses on scheme liabilities	(534)	-	-
Present value of liabilities	15,591	15,725	15,746
Percentage of the present value of the scheme liabilities	-3.42%	0.00%	0.00%
	2020	2019	2018
	£000	£000	£000
Sensitivity analysis			
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	15,310	15,591	15,878
Projected service cost	117	120	123
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	15,608	15,591	15,575
Projected service cost	120	120	120
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	15,862	15,591	15,325
Projected service cost	123	120	117
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	16,121	15,591	15,079
Projected service cost	124	120	116

For the adjustment to the life expectancy assumption, we are essentially assuming a member will live a year longer or a year less. For example, under +1 Year we assumed that a member with a 25 year life expectancy is actually expected to live for 26 years.

Defined contribution schemes

The pension charge in respect of this scheme is the actual contributions paid. These amounted to £654,000 (2019: £566,000).

35. Business combinations

On 30 May 2019, Liberis Holdings Limited sold its interest in Newable Business Finance Limited to Newable Limited, and Liberis Loans Limited sold its interest in Newable Business Finance Limited to Newable Lending Limited for consideration of £3,000,000 plus deferred consideration of £1,000,000, should various performance criteria be achieved (£500,000 relating to levels of new lending and £500,000 based on profitability). The acquisition was made to enhance and strengthen the existing lending business.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value	Adjustment	Fair Value
	£000	£000	£000
Fixed assets	162	-	162
Loan receivables	15,625	-	15,625
Debtors	1,736	-	1,736
Cash	22	-	22
Liabilities	(14,580)	-	(14,580)
Total net assets	2,965	-	2,965
Cash consideration paid			3,000
Deferred consideration			1,000
Revaluation to fair value			4,000
Goodwill (note 17)			5,035

Goodwill of £5.035m has been calculated based on cash consideration due of £4m and the Newable's previously recognised 50% being fair valued at £4m giving a total fair value of the acquired group of £8m less identifiable assets of £2.965m.

Cash outflow on acquisition

	£000
Cash consideration paid	3,000
Cash acquired in subsidiary	(22)
Total consideration	2,978

The main factors leading to the recognition of goodwill are:

- Market reputation
- Cutting edge technology platform
- Key employees and their knowledge and experience

Since the acquisition, Newable Business Finance Limited Group has contributed £3.1 million to group revenues and £0.9 million to group losses.

On 11 December 2019, Newable acquired 70% of the share capital of Arc Building Solutions Limited ("ARC") for a consideration of £8,400,000, plus a payment of £681,088 for net assets. There is a commitment to purchase the remaining 30% of share capital at a future date. At the date of acquisition, the deferred consideration for this purchase was valued at £4,448,000.

As at 31 March 2020, management, having considered events such as the potential financial impact of the coronavirus pandemic, valued this at £2,165,000 (see note 6). The consideration payable is contingent on EBITDA achieved during financial years ending March 2021, 2022 and 2023.

The year-end valuation has been based on an estimated range of EBITDA outcomes from £782,000 to £3,000,000. The consideration has been discounted at 10%.

35. Business combinations (continued)

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value	Adjustment	Fair Value
	£000	£000	£000
Fixed assets	2,184	-	2,184
Debtors and other current assets	2,496	-	2,496
Cash	1,580	-	1,580
Liabilities	(4,325)	-	(4,325)
Deferred tax liability	-	(198)	(198)
Brand	-	415	415
Customer relationships	-	626	626
Total net assets	1,935	843	2,778
Cash consideration paid			9,081
Deferred consideration			3,687
Goodwill (note 17)			9,990
Cash outflow on acquisition			£000
Cash consideration paid			9,055
Cash acquired in subsidiary			(1,580)
Total consideration			7,475

Acquisition costs of £190,000 arose from the transaction, which have been recognised as part of administrative expenses in the consolidated statement of profit and loss.

The main factors leading to the recognition of goodwill are:

- Brand value from establishing a strong reputation via its high quality products and promotional activity
- Key relationships with customers in the building industry

Since the acquisition, ARC has contributed £3.2 million to group revenues and £0.3 million to group losses.

35. Business combinations (continued)

On 31 December 2019, Newable acquired 100% of the share capital of Ask Officio Holdings Limited (“Officio”) in order to strengthen its property business and expand its managed office space offering to SMEs, for a consideration of £7,000,000, plus a payment of £140,862 for adjusted net assets.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value	Adjustment	Fair Value
	£000	£000	£000
Fixed assets	149	-	149
Debtors	490	-	490
Cash	779	-	779
Liabilities	(1,041)	-	(1,041)
Deferred tax liability	-	(59)	(59)
Customer relationships	-	309	309
Total net assets	377	250	627
Cash consideration paid			7,141
Goodwill (note 17)			6,514
Cash outflow on acquisition			£000
Cash consideration paid			7,141
Cash acquired in subsidiary			(779)
Total consideration			6,362

Acquisition costs of £190,000 arose from the transaction, which have been recognised as part of administrative expenses in the consolidated statement of profit and loss.

The main factors leading to the recognition of goodwill are:

- Key relationships with customers and a high percentage of repeat business

Since the acquisition, Officio has contributed £0.7 million to group revenues and £0.1 million to group profits.

35. Business combinations (continued)

On 24 January 2020, Newable acquired 51% of the share capital of Synergy Automotive Limited (“Synergy”), a car leasing business, in order to broaden its lending offering to SMEs, for initial consideration of £1,050,000, plus a payment of £205,029 for adjusted net assets, with deferred consideration of £450,000.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value	Adjustment	Fair Value
	£000	£000	£000
Fixed assets	184	-	184
Debtors	163	-	163
Cash	296	-	296
Liabilities	(358)	-	(358)
Deferred tax liability	-	(49)	(49)
Customer relationships	-	258	258
Total net assets	285	209	494
Cash consideration paid			1,705
Goodwill (note 17)			1,211

Cash outflow on acquisition

	£000
Cash consideration paid	1,705
Cash acquired in subsidiary	(296)
Total consideration	1,409

Acquisition costs of £50,000 arose from the transaction, which have been recognised as part of administrative expenses in the consolidated statement of profit and loss.

The main factors leading to the recognition of goodwill are:

- Key relationships with customers and a high percentage of repeat business

Since the acquisition, Synergy has contributed £0.5 million to group revenues and has broken even during the period to 31 March 2020.

35. Business combinations (continued)

On 31 October 2019, Newable acquired 60% of the share capital of Bold Tech Ventures Limited (“Bold”) in order to strengthen its property business and expand its managed office space offering to SMEs, for a consideration of £1,395.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value	Adjustment	Fair Value
	£000	£000	£000
Fixed assets	3	-	3
Debtors	1	-	1
Cash	-	-	-
Liabilities	(5)	-	(5)
Deferred tax liability	-	-	-
Customer relationships	-	-	-
Total net assets	(1)	-	(1)
Cash consideration paid			1
Goodwill (note 17)			2
Cash outflow on acquisition			£000
Cash consideration paid			1
Cash acquired in subsidiary			-
Total consideration			1

Acquisition costs of £33,000 arose from the transaction, which have been recognised as part of administrative expenses in the consolidated statement of profit and loss.

The main factors leading to the recognition of goodwill are:

- Key relationships with customers and a high percentage of repeat business

Since the acquisition, Bold has not traded.

These businesses were acquired for total consideration of £25,276,000 of which £22,752,000 has been attributed to goodwill.

36. Related party transactions

Newable Business Finance Limited was a joint venture until 30 May 2019 when it became a wholly owned subsidiary. The other companies listed below are wholly owned subsidiaries of Newable UK Holdings Limited, which is a wholly owned subsidiary of Newable Limited. Balances relate to the provision of services.

During the year, the Group entered into the following related party transactions:

	Services provided		Services received	
	2020	2019	2020	2019
	£000	£000	£000	£000
Newable Business Finance Limited	-	928	-	-

	Services provided		Services received	
	2020	2019	2020	2019
	£000	£000	£000	£000
Newable Business Finance Limited	-	2,183	-	(3)

During the year, the Company entered into the following related party transactions:

	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	2020	2019
	£000	£000	£000	£000
Newable Lending Limited	-	35	-	-
Newable Equity Limited	-	521	-	-
NewFlex Workspace Limited	-	-	(14)	-
Newable International Consulting Limited	-	-	(44)	-
Newable Management Services Limited	-	-	-	(691)
Newable Trade (London) Limited	-	-	-	(1,148)
Newable Trade (South East) Limited	-	286	(49)	-
PW Group Holdings Limited	-	44	-	-
Newable Private Equity Limited	-	-	-	(4,365)
Newable UK Holdings Limited	-	1,933	-	-
	-	2,819	(107)	(6,204)

These balances relate to the provision of working capital.

There are loans totalling £98,314 (2019: £102,648) due from employees participating in the long-term incentive plan, which was introduced in April 2017, and will be repaid on 31 March 2022 or 31 March 2023, in accordance with the terms of the plan.

There are loans totalling £72,805 (2019: £Nil) due from employees participating in a new long-term incentive plan for the Workspace business which was introduced during the year.

37. Post balance sheet events

On 11 June 2020, the Group's investment property located at Jeffreys Road, Enfield was sold for total consideration of £15.8 million. In the financial statements this investment property was included in the consolidated statement of financial position at a cost of £10.3 million and revalued to £16.7 million at 31 March 2020 (see note 15 for further details).

The independent valuers, Lambert Smith Hampton, provided this valuation. The valuation as at 31 March 2020 was considered to reflect fair value as at the balance sheet date. The loss on sale of this property totalling £1.1 million (including transaction costs), will be reported in the consolidated financial statements for the year ending 31 March 2021.

Since the year-end and as a consequence of the Covid-19 pandemic two of the Group's subsidiaries breached financial covenants in respect of two loan facilities held as at 31 March 2020. The Group's lenders continue to be supportive and have provided waiver letters. Discussions are ongoing in relation to restructuring these loan facilities.

38. Notes supporting statement of cash flows

Group	2020	2019
	£000	£000
Short term bank deposits	429	318
Cash at bank	4,161	2,608
Balance as shown on Group Statement of Financial Position	4,590	2,926
Overdrafts	-	(1)
Balance as shown on Group Cash Flow Statement	<u>4,590</u>	<u>2,925</u>
	2020	2019
	£000	£000
Company		
Cash at bank	21	33
Balance as shown on Company Statement of Financial Position	<u>21</u>	<u>33</u>
	Non-current	Current
	loans and	loans and
	borrowings	borrowings
	£000	£000
	(Note 25)	(Note 25)
At 1 April 2019	19,250	-
Cash Flows		
New facility with Shawbrook Bank	11,000	-
Decrease existing facility with Santander Bank	(1,106)	-
Decrease existing facility with Lloyds Bank	(12,000)	-
Decrease existing facility with Unity Bank	(250)	-
Non-cash flows		
Loans and borrowing reclassified during the year		
Existing facility with Santander Bank	(4,631)	4,631
At 31 March 2020	<u>12,263</u>	<u>4,631</u>

38. Notes supporting statement of cash flows (continued)

	Non-current loans and borrowings	Current loans and borrowings
	£000 (Note 25)	£000 (Note 25)
At 1 April 2018	-	11,750
Cash Flows		
New facility with Santander Bank	7,000	-
Increase existing facility with Lloyds Bank	1,500	-
Decrease existing facility with Unity Bank	(1,000)	-
Non-cash flows		
Loans and borrowing reclassified during the year		
Existing facility with Lloyds Bank	10,500	(10,500)
Existing facility with Unity Bank	1,250	(1,250)
At 31 March 2019	<u>19,250</u>	<u>-</u>

During the prior year, the Group provided financing of £1,991,000 to its joint venture, Newable Business Finance Limited.

39. Transition to new accounting standards

The Group adopted IFRS 16 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact this standard has had is given below. Other new and amended standards and Interpretations issued by the IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient not to reassess whether a contract is, or contains a lease at the date of initial application.

Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard.

39. Transition to new accounting standards (continued)

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

The following table presents the impact of adopting IFRS 16 on the statement of financial position at 1 April 2019:

Group	As originally presented	IFRS 16	1 April 2019
	31 March 2019		
	£000	£000	£000
Assets			
Right-of-use assets	-	12,386	12,386
Liabilities			
Lease liabilities	-	(13,445)	(13,445)
Accruals	(6,848)	732	(6,116)
Equity			
Retained earnings	60,279	(327)	59,952
Company			
Company	As originally presented	IFRS 16	1 April 2019
	31 March 2019		
	£000	£000	£000
Assets			
Right-of-use assets	-	4,036	4,036
Liabilities			
Lease liabilities	-	(5,022)	(5,022)
Accruals	(516)	732	216
Equity			
Retained earnings	10,466	(254)	10,212

39. Transition to new accounting standards (continued)

The following table reconciles the minimum lease commitments disclosed in the Group's 31 March 2019 annual financial statements to the amount of lease liabilities recognised on 1 April 2019:

	Group 1 April 2019	Company 1 April 2019
	£000	£000
Minimum operating lease commitment at 31 March 2019	12,714	5,535
Plus: effect of extension options exercised	2,719	-
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(1,988)	(513)
At 1 April 2019	<u>13,445</u>	<u>5,022</u>



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