

Fedcap UK

Financial Statements

Fedcap UK

For the year ending 30 September 2020

Registered number: 10466370

Charity number: 1175737

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Reference and Administrative Details**Company Information**

Directors	Lorrie Lee Lutz Kenneth Samuel Brezenoff Jeffries Richard Briginshaw Michael Friedman (Appointed 24 April 2020)
Charity Registered number	1175737
Registered number	10466370
Registered office	Cleveland Business Centre, Oak Street, Middlesbrough, United Kingdom, TS1 2RQ
Independent auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
Bankers	HSBC 60 Queen Street Victoria London EC4N 4TR
Solicitors	Shepherd and Wedderburn 1 Exchange Crescent Conference Square Edinburgh EH3 8UL

Chair's report

As chair of Fedcap UK, I am very aware of the great strides forward made in the provision of services in the UK employability market throughout 2019/20. During this period, Fedcap UK has extended its services in pursuit of its charitable goals whilst successfully responding to a global pandemic ensuring that our vital services continued to be delivered, uninterrupted, ensuring that those impacted most by the pandemic were given support. We continued to grow our footprint whilst successfully delivering our contracts which activities, fulfil our charitable goals within the UK.

Fedcap UK is a subsidiary of the Fedcap Group, a New York based charity. The Fedcap Group has an 86-year history, of delivering innovative solutions to some of society's most pressing needs. Serving over 250,000 people each year, the Fedcap Group provides educational services to every age group, vocational training in high-growth industries, behavioural health services, work readiness skills building and jobs – all targeted to help people achieve long term self-sufficiency. Its aim in the UK is to serve UK people, providing services and a wealth of experience which has made us a large successful charity.

At the beginning of the reporting year, we continued to successfully deliver our contracts across England and Scotland firmly embedding our ESF contracts and Fair Start Scotland contracts and building strong relationships with our funders. Fedcap Employment's newly awarded contract, the Intensive Personalised Employment Support (IPES) went live in December 2019 following a robust and successful implementation. This contract is aimed at supporting people with a disability or health condition, on a one-to-one basis, find sustainable employment. In addition, Fedcap Employment Limited successfully novated an employability contract with G4S, Journey to Work, welcoming new employees and customers into Fedcap in the UK. A further employment contract, Enterprise M3 went live, funded by the Department of Working Pensions and the European Social Fund, offering employability support to voluntary participants in South and West Surrey and the majority of Hampshire.

The contracts within Fedcap Employment Limited successfully deliver services to 1,319 participants and supported 670 people into employment. In January 2020, Fedcap Employment's five Links to Work ESF contracts came to an end, after a successful 3 year period.

Within Kennedy Scott Limited, a full business review was undertaken in light of a number of contracts coming to an end. At this time, there was insufficient pipeline opportunities to replace the lost revenue streams and it was clear that Kennedy Scott Limited required a significant restructure to ensure it remained a going concern. In October 2019, the day-to-day management of Kennedy Scott Limited transitioned to the Fedcap Employment Limited management team with all support services combining to provide a holistic service to the full UK group. The restructure was completed in January 2020 and a revised forecast introduced which confirmed Kennedy Scott Limited's future stability.

In Scotland, Start Scotland Limited continued to successfully deliver the Fair Start Scotland contract across their two allocated lots, East and South West. At the start of the year, a formal subcontracting agreement was established between the majority shareholder Fedcap Employment Scotland Limited and Start Scotland Limited effectively, providing Fedcap Employment Scotland limited with a revenue stream based on performance. Start Scotland Limited continues to be a subsidiary of Fedcap Employment Scotland Limited, with no changes to the shareholding.

After a successful start to the year, the external events surrounding the COVID-19 pandemic led to a transfer from traditional funding mechanisms, based on payment by results to cost payment models. These arrangements were quickly enacted by all funders to ensure that the key services delivered through their range of employability contracts could continue and the welfare to work market within the UK was stabilised. As at year end, the cost payment model remains in place and overall, performance in year had been strong despite the impact of the pandemic.

In addition, in a direct response to the pandemic the Department of Work and Pensions launched the Commercial Agreement for the provision of Employment and Health Related Services (CAEHRS) Framework. Fedcap Employment Limited was successful in securing four tier 1 places on the DWP CAEHRS Framework and three Tier 2 places, giving Fedcap Employment Limited a place on all 7 lots available as well as securing a place on the national lot.

Likewise, as at year end, the cost payment model remains in place for the Fair Start Scotland contracts which has delivered some exceptional results throughout the pandemic, continuing to support people into employment and achieving the highest starts of all providers during the pandemic period. Start Scotland Limited had to quickly adjust their delivery model and ways of working in response to the pandemic and these have been well received by the customers. This success, coupled with the company's response to the pandemic led to the award of a further Fair Start Scotland contract, lot 7 covering the north east of Scotland. In June 20, the contract novated from Momentum Scotland, who withdrew from the Scottish market, to Start Scotland Limited with the transfer of 741 customers and 3 supply chain partners. Customers whose services had been provided by Momentum Scotland were then transferred to Fedcap Employment Scotland Limited who undertook service delivery and transferred 11 people into the organisation.

The impact of COVID-19 on our economic and social structures and in response to the increasing levels of unemployment across the UK, the Board undertook a review of its UK strategy to ensure that our services could scale for demand and deliver high impact and high-quality results. The strategy focused on public benefit, advancing the impact on society through its employability provision's which improved the lifestyle and wellbeing of the people they work with. As part of this strategy review, The Fedcap Group board committed to making the UK a priority for their strategic investment and the UK board embarked on a refreshed 3-year strategy. We will ensure our charitable objectives are met, by continuing to focus on 5 key areas'

Partnerships An organisation stakeholders strive to partner with

People Provide a workplace you would recommend to your peers

Service Providing a service that customers, employees and partners would recommend to others

Innovation leading debate in our marketplace, recognised for thought leadership and bold ideas.

Governance Doing the things we promise to do, right and well

To achieve this Fedcap UK are investing heavily in services, environment, infrastructure and our people to facilitate the achievement of our charitable mission.

A key area of the strategic plan is to grow the UK business and since its inception, the charity through its subsidiaries has pursued several growth opportunities to ensure its long-term stability. In the latter part of the year Fedcap Employment Limited secured prime provider status on the DWP Commercial Agreement for the provision of Employment and Health Related Services (CAEHRS) Framework. This framework valued at £7.5bn will allow Fedcap Employment Limited the opportunity to pursue new business opportunities aligned to our charitable goals.

In closing, myself and the trustees are committed and excited at the future prospects of the UK Charity and the positive impact it can have on our society. We would like to offer a special thank you to everyone who has helped support our mission during the year with a particular thank you to our customers who access our programmes and have decided to make a change, we are here to help you at each step of your journey.



Kenneth Samuel Brezenoff
Chair

Date 14/1/2022

Trustees' Report

The Trustees are pleased to present their annual Trustees report together with the consolidated financial statements of the charity and its subsidiaries for the year ended 30 September 2020 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes. The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019).

Objectives and Activities

Purpose and Activity

The principle objectives and activity for the charity are:

- The advancement of social inclusion, by enabling economic independence, employment and opportunity to participate in society for socially and economically disadvantaged and disabled individuals through various workforce and economic development initiatives and programmes.
- The advancement of educations for all ages including but not limited to, the fields of early education and intervention, vocational training, and adult and youth education programmes.
- The advancement of occupational health, including but not limited to, assisting individuals with physical, mental or emotional health difficulties which may include substance abuse disorders, that create or exacerbate barriers to economic stability or employment.

Main activities of the charity and activities undertaken to further the charitable purpose

Through our subsidiary entities we further our charitable purpose through the delivery of targeted and large scale employment programmes whose main aims are to support people to move into long term sustainable employment. This allows them to participate in society, provide economic stability to them and their families and improve their standards of living. Our customers range from those people who are diagnosed with a disability and need very specialist support to achieve their employment aims, through to working with individuals who are subject to generational unemployment and providing the tools, confidence, individual support and guidance to break the cycle and improve the lives of themselves and their families. More recently our customer base has extended in response to the impact of the COVID-19 pandemic, as we work with individuals who have been directly impacted by the pandemic and whose employment has ceased or their sector has been significantly affected. As a charity, we are committed to advancement of individuals whatever their barrier may be, and this is realised through the initiatives and contracts we run.

Our funders are the UK government, governments of the devolved nations and leading employability providers with whom we work closely in partnership to deliver key public services. These services tackle unemployment and provide health and wellbeing support for those people whose barriers to unemployment are ill health. To the 30th September 2020, the subsidiaries of the charity had provided services to 6,382 individuals and moved 1,966 people into employment.

It is our long-term aim to continue to successfully deliver our obligations through the 9 employability contracts that we hold. With the continued support of our parent, the Fedcap Group, a large US based charity, we are committed to growing our services to £25m in the next year and 100% growth year on year to a £100m business by 2023. This will allow us to expand the impact of our services, continuing to develop our relationships with our funders, apply for new contracts which align with our charitable purpose and measuring our success through achievement of key contract KPI's, such as number of people accessing the programmes and moving into long term sustainable work.

Public Benefit

The charity's aims and achievements are set out in this report. The activities in this report have been undertaken to further the Charity's charitable purposes for the public benefit. The directors have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charities Commission and the Directors have paid due regard to this guidance in deciding what activities the charity should undertake.

Strategic Report

Achievements & Performance

During the year the charity, through its subsidiaries Fedcap Employment Limited, Fedcap Employment Scotland Limited, Kennedy Scott Limited and Start Scotland Limited has secured the future delivery of services of 9 employability contracts. The objectives of these contracts are to move people into long term sustainable employment by removing their personal barriers to employers. This objective is aligned to the charities purpose and main activities.

The services are underpinned by contractual obligations which we are committed to deliver. We have in the period, achieved the following.

- Continued to successfully deliver 9 contracts across our subsidiaries
- Started 6,382 people onto our employability programmes
- Moved 1,966 people into employment during this time
- Continued to deliver vital employability services to our customers throughout the pandemic including transitioning all our contracts from a payment by results funding basis to a cost recovery basis
- Successfully implemented two new contracts, Intensive Personalised Employment Support (IPES) and Enterprise M3, which enables us to work with 2,660 people over the life of these contracts.
- Successfully novated the employability contract, Journey to Work, in partnership with G4S into the Fedcap Employment Limited business.
- Successfully novated an additional Fair Start Scotland contract, Lot 7 into the Start Scotland Limited business which delivery in this area undertaken by Fedcap Employment Scotland limited.
- Fedcap Employment Limited secured four tier 1 and three tier 2 positions on the DWP Commercial Agreement for the provision of Employment and Health Related Services (CAEHRS) Framework
- Achieved ISO 27001 accreditation and renewals of cyber essentials and cyber essentials plus
- Fedcap Employment Limited and Fedcap Employment Scotland achieved Disability Confident Leader Award.
- Continued to invest in our IT infrastructure and our office environments which will ensure that the services we deliver are efficient and continuous and that our environments make our customers feel welcome and these things enhance our service offers which will ensure that we maximise the impact of our service provisions on customers, their families and the wider community

During the period, as well as our significant achievements we have faced many challenges, from continuing to build and stabilise our business, responding successfully to the pandemic and ensuring our services continued under new funding regulations and stringent auditing requirements, bidding for new growth opportunities to expand our good work, gaining the necessary accreditations to enhance our offer and implementing new contracts. Whilst we have done well, we have reviewed our performance and tried to reflect necessary improvements through our strategic plan ensuring we had a solid base to continue and grow our services. We also received excellent feedback from our customers during the period as well as undertaking a people satisfaction survey which indicated what our strategic plan should focus on, our success in responding to the pandemic with regards to supporting our people, what is important to individuals in terms of role and job satisfaction and also how people feel about Fedcap UK as a charity and an employer.

For the period our main tool for performance measurement was the annual budget. The budget framework captures our financial and non-financial targets and indicators such as numbers into employment, number of interventions per advisor and headcount ratio's. With regards to performance the results were mixed during the period. Fedcap Employment Limited and Start Scotland Limited exceeded their financial targets. Fedcap Employment Scotland Limited, Kennedy Scott Limited and Fedcap UK were under their financial targets but performed well against their contractual targets.

Financial Review

Key Financial Performance Indicators

The majority of the group's income is obtained from employment contracts held with the Department of Work and Pension and Scottish Government. These contracts are aligned to the Charity's principle objectives, in particular the advancement of social inclusion through employment. During the year ended 30 September 2020, these contracts generated income from activities which amounted to £15,936,972. Total expenditure, for the same period, of £16,674,144 led to a deficit of expenditure over income of £202,525. These results demonstrate a significant improvement on performance in the previous financial year, as the group completed the restructuring of the Kennedy Scott entity and some contracts benefitted from a novation to cost-plus terms for a period following the onset of the COVID-19 pandemic. At 30 September 2020, the group reported a net liability of £2,017,711 with the book value of fixed assets at £536,421 and a net current liability position of £2,352,546. All of the expenditure shown in the Statement of Financial Activities is in furtherance of the UK Charity's objectives.

The Charity held a net deficit fund of £2,017,711 at 30 September 2020 (2019 £1,837,615) comprising of minority interest £117,707 (2019 £95,381) and the cumulative deficit in Income and Expenditure of £2,135,522. (2019 £1,932,996). Given the position of the group balance sheet, Fedcap UK has been provided with letter of support from The Fedcap Group, the Charity's US

parent. This letter confirms the parent's intentions to continue to provide financial and working capital support as and when required for the 12 month period following the date of signing of this report to ensure that the Charity and its subsidiaries can continue as a going concern. This is outlined further in the going concern section of these accounts.

Reserves policy

As part of our not for profit status, our board of directors are keen to ensure that any surplus generated from contracts is used to further our non-profit mission, which is to improve the long term self-sufficiency and social well-being of the people we work with. As a relatively new enterprise, Fedcap UK and its subsidiaries need to ensure that assets and any surplus remain available in the event that there is a need to access reserves to bridge the gap between receiving contract income and incurring costs. In addition, our reserves are used to fund growth and/or reallocate resources across the business where there is an additional support requirement or underperformance. Maintaining liquidity enhances our flexibility and ability to deliver high quality results across our operations and enables decision making to underpin our strategic and continuous improvement objectives and our commitment to providing a quality service.

At the end of 30 September 2020, the charity had no free reserves held as the overall fund position was a net deficit of £2,135,521. This situation is attributable to the need to finance the operations of its subsidiaries in the employability services in paying suppliers and subcontractors during the reported period. There are no material amounts which have been designated or otherwise committed as at the end of the reporting period. The charity is confident the future expansion of business and operations will generate enough income to bring the funds to a positive position over the next 3 years. It is our intention to stabilise the charity position in the next 12 months to a positive position, then based on the three year plan projections, to continue to build reserves to the equivalent of 3% of revenue for reinvestment in projects undertaken by the charity or reinvestment into the subsidiary organisations to improve the service to customer and funders.

Investment Policy

The company currently holds all cash in its entity's current accounts. The decision to approve its use for investment is delegated to those entities management teams in accordance with their Treasury Management and Reinvestment Policies. The only investment made by the company is its acquisition of Kennedy Scott by its ultimate parent Fedcap US Group in December 2018, which was classified as creditor loan to Fedcap UK and is repayable. Trading forecasts for the Kennedy Scott entity at this point demonstrate future profits expected and attributable to on-going contracts - supporting the initial valuation of the investment. Subsequently, the investment has Kennedy Scott has been revalued to £510k (2019: £nil) in the accounts of the parent company.

Going Concern & Deficits

The consolidated financial performance of the charity is reporting a net deficit of £202,525 (2019: net deficit £1,932,996) over income for the reporting period. The group deficit was driven by underlying performance from Kennedy Scott (£541,541 deficit). The Kennedy Scott deficit has been reviewed by the Board and the subsidiary has subsequently been provided with a letter of support for the reporting period from its ultimate parent the Fedcap Group. This letter confirms the parent's intentions to continue to provide financial and working capital support as and when required for the following 12 months to ensure that the subsidiary can continue as a going concern. All assets, liabilities and existing commitments in relation to these ongoing contracts will be transferred over to the Fedcap Employment Limited at carrying value. The remaining liabilities in Kennedy Scott Limited will be settled over the next 72 months with the entity then becoming dormant. Accordingly, these financial statements do not include any adjustments resulting from the application on a basis other than going concern.

The Fedcap UK made a surplus for 2020 of £93,827, however it's net liability position is also subject to a parent company guarantee and based on this and the overall consolidated position of the charity the board considered and agreed a 3-year projection of the current business which includes the strategic plan investments. The three-year plan has been assessed for its impact on the overall financial position of the entity and the working capital and capital investment requirement to deliver our contractual obligations, implement two new contracts, and in addition successfully implement two new Restart Contracts by June 2021 and roll out the new Fair Start Scotland extension. The board has identified that the forward-looking estimates carry risk around the achievement of trading outcomes and the working capital requirements of a implementing a large scale employment contracts, such as the Restart contract. As part of the due diligence process of the contract, the entity undertook a number of scenarios as to the sensitivity of the financials of the contract to establish the breakeven point, assessing impact, for example of reduced contractual flows or underperformance. Management identified a number of performance measures which could be levered and which costs could be varied to realise the full benefit of the contract and agree that the forecast is a produced on a prudent basis. In the final analysis, the board is satisfied that the company remains a going concern for the foreseeable future. Furthermore, the Fedcap Group has pledged its commitment to providing ongoing financial support, over the life of the three-year plan, if required.

Principal Risks and Uncertainties

The charity has a comprehensive risk management process and major risks are reviewed by the Executive Team and the board on a regular basis. A Risk and Audit Committee is currently being established, which will meet monthly to discuss systematic and non-systematic risks. A risk register process is fully embedded into the organisation where risks are identified and categorised, actions are identified and taken where necessary to mitigate risks. All areas of risk are evaluated in the business including operational, financial, IT, governance and compliance, people, and development.

As part of our 3-year strategy and investment programme we have appointed a Project Management office, who in conjunction with the appropriate Executive Sponsor and project strand business owner will manage the day to day risks of the programme. The following notes outline the principal risks and uncertainties facing the Fedcap Group:

The top three risks identified by the charity going forwards are as follows:

Resource and ability to delivery key contract deliverable and grow business

There is a risk to ensure that we have required levels of skilled people to deliver all business objectives over the next 12 months which range from Restart implementation, roll-out and delivery, business development and expanding the corporate infrastructure to ensure corporate services are scalable and suitable to meet business objectives. As part of our 3-year strategy and investment programme we have appointed a Project Management office and we are reviewing our People and Talent strategy which has a clear focus on succession planning, resource planning and skills development. In addition, we have a robust recruitment and onboarding policy to be able to attract, onboard and retain talent in key roles.

Sustainable growth

As most of the company's income is from DWP, Scottish Government and European Social Funds, there is a level of reliance on these streams of funding to cover financial requirements of the company and its entities. In addition, as we roll out major contracts we need to ensure that we have sufficient resource to continue to build our business development pipeline, whose primary focus will be nurturing opportunities in Scotland and building opportunities around our current operations in England. An Interim Business Development Director has been appointed to monitor the funding landscape to mitigate these risks around losing key contracts. Pipeline's of opportunities are regularly reviewed and discussed at exec and board level.

Service delivery - Restart

DWP have given indicative volumes on which revenue will be paid on, this assumes unemployment will increase in line with their underlying assumptions, and the management team have based budgets and cashflow on these volumes, however these volumes are not guaranteed. If volumes fluctuate, an increase could result in a requirement for increased funding, however a reduction in flows would result in a reduced contract value and failure to meet the minimum level of return originally forecast. This risk has been considered and a risk premium was included in the pricing proposal based on a number of scenarios and sensitivity tests. Performance will be continually monitored by our Executive Team who will undertake continual dialogue with DWP to understand the flows and how we can respond to demand whilst delivering contractual obligations.

Risk of Fraud/Mismanagement

The charity has a set of financial controls to minimise the risk of fraud and mismanagement by using expertise of key management teams within its entities.

Cash Flow Risk

The charity and its subsidiary entities have developed a full cashflow forecast in relation to the 3-year plan. This forecast takes into account the required working capital to successfully deliver our contracts and the investment requirement for the Restart contract. We have identified the maximum level of cash required for Restart implementation and have agreed a short term loan with the parent to facilitate this. We are forecasting a very short payback period and the risk is that there are delays to the first payments due under the contract however we consider this unlikely. Due to the size and scale of Restart we are forecasting that we will build cash reserve initially which will then be utilised over the next 12 months of trading. However, the charity considers it has enough cash reserves for normal day to day operations over this period and, if necessary, it is able to secure cash injections as a repayable loan from its ultimate parent Fedcap Group US.

Future Developments

The Charity's plans have been reviewed during the year in response to the worldwide pandemic and the UK Government's planned response. Our charitable aims and objectives remain the same, it is our intention to over the next 5 years, we aim to be the fastest growing employability charity in the UK and a trusted partner to governments, employers and most of all to our customers. To achieve this ambition our revised strategy will continue to focus on 5 key areas, our delivery assets of:

Partnerships	An organisation stakeholders strive to partner with
People	Provide a workplace you would recommend to your peers
Service	Providing a service that customers, employees and partners would recommend to others
Innovation	Leading debate in our marketplace, recognised for thought leadership and bold ideas
Governance	Doing the things we promise to do, right and well

A key area of the strategic plan is to grow the UK charitable activities to deliver employability services to an annual revenue of £100m by 2025. Since its inception, Fedcap UK Group has pursued several growth opportunities to ensure its long-term stability across all of its subsidiaries. As an enabler of growth, Fedcap Employment Limited has secured prime provider status on the DWP CAERHS Framework. The company was successful in securing four tier 1 places on and three Tier 2 places, giving Fedcap Employment Limited a place on all 7 lots available as well as securing a place on the national lot.

The CAERHS framework covering England, Scotland and Wales will allow bidding for employability opportunities to a value of £7.5bn. Following the announcement of the successful framework providers, the Department for Work and Pensions quickly came to market with a procurement targeted at the Scotland area. The Job Entry Targeted Support programme was worth £25m over 18 months and Fedcap Employment Limited submitted a bid, however on this occasion the company was unsuccessful. However, the opportunity allowed the entity to review its customer offer and introduce a number of new products which would enhance the customer journey across all its contracts. In particular as a direct result, the entity launched a new customer portal, the Fedcap Hub, across its Scottish contracts, which provided customers access to a hub with a range of employability activities aimed at enhancing their skills, their CV's and providing additional job search activities.

Closely following this procurement, DWP launched the commissioning of the Restart contract as a tier 1 opportunity on the CAERHS framework. The contracts, which will run for a total of 4.5 years have a total contract value of £3.6bn and is at supporting the long-term unemployed in England and Wales. Fedcap Employment Limited submitted bids in three areas, Wales, South Central and Greater Manchester and in April 2021 were awarded preferred supplier status for the South Central area with a contract value of £240m over 4.5 years. In addition, Fedcap Employment Limited successfully submitted and secured a sub-contract in the North West area with G4S with a

total contract value of £30m. The contracts went live in June 2021 after a short period of implementation.

In Scotland, The Fair Start Scotland contract extensions were confirmed by Scottish Government in July 2020 allowing further starts onto the programme for two years from 1st April 2021. In addition, Scottish Government recently confirmed the novation of the Lot 7 North East Scotland contract into Lot 5 will also bring an extension in that area too.

In revising our strategic plan and the impact of the charity of the society and our wider communities, we have assessed our resources to ensure that we are fully prepared to meet the challenges ahead. Our parent the US Charity, the Fedcap Group has identified the UK as the priority for strategic investment and are fully committed to supporting the achievement of our goals. The Fedcap Group is committed to supporting our UK business with a top-talent, international growth team comprised of a deep bench of experience in areas such as project management, talent acquisition, data collection and analysis and quality improvement. The Fedcap Group Board is committed to providing the resources (financial and otherwise) required for Fedcap UK to successfully launch major new initiatives.

In addition, we have planned to lever the Fedcap group infrastructure, retaining a lean, agile UK core with best in class employability capability. Implementing an integration project, it is our aim to lever from our parent corporate support functions such as finance, HR, marketing, project management capabilities, plus implementing the groups leading-edge big business core systems such as Oracle. From a financial perspective, we will leverage our parent company guarantee to access financial and non-financial resources of The Fedcap Group, an entity with out-turn of \$300m pa and a strong net asset balance sheet position.

Structure, Governance and Management

Constitution

Fedcap UK is a company limited by guarantee. The charitable company's memorandum and articles of association are the primary governing documents of the group.

The trustees of Fedcap UK (a company limited by guarantee) are also the directors of the charitable company for the purposes of company law. Its subsidiaries Fedcap Employment Limited, Fedcap Scotland Limited (whom has a majority shareholding in Start Scotland Limited), and Kennedy Scott Limited all operate in the UK employment services industry.

Members' Liability

The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of charity in the event of it being wound up while it has a member or within 1 year it ceases to be a member for.

Indemnity

Without prejudice to any indemnity to which a Trustee may otherwise be entitled, every Trustee of the charity shall be indemnified out of the assets of the charity in relation to any liability incurred by him or her in that capacity but only to the extent permitted by the Companies Act, and every other officer of the charity may be indemnified out of the assets of the charity in relation to any liability incurred by him or her in that capacity, but only to the extent permitted by the Companies Acts.

Method of Recruitment and Appointment for Election of Trustees

The current arrangement for the appointment of Trustees, they are as follows:

- Up to 4 Trustees appointed by Members by ordinary resolution
- The Chief Executive Officer and directors of Fedcap Group US
- All Trustees appointed in accordance with Articles of Association

Policies and Procedures Adopted for the Induction and Training of Directors

The training and induction for new directors depends on their existing experience. Where necessary induction and training is provided on charity, educational, legal and financial matters. All Directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Directors.

Organisational Structure

The Trustees are responsible for setting general policy, adopting a strategic delivery plan and budget, monitoring performance and assessing potential opportunities and making major decisions about the strategic direction of the company, capital expenditure and senior staff appointments.

A management team has been established to oversee all entities and undertake day to day management of key operations and are accountable to the Directors of those entities who in turn are accountable to the Board of the UK Charity.

Arrangement of setting Pay and Remuneration of Key Management Personnel

The Board of Trustees for the UK charity hold unpaid positions within the charity and consist of members from the US.

The arrangements for each entity of Fedcap UK are set locally between management and Human Resource department. This includes annual performance review of staff at all levels, including specific performance objectives and monitoring progress towards them and their achievement in accordance with legal and regulatory requirements. The entities use discretion to recommend a performance bonus and review salaries from time to time without being obliged to increase it.

Related Parties and their Connected Charities and Organisations

Fedcap UK is parent of Fedcap Employment, Fedcap Scotland and Kennedy Scott. Fedcap Scotland has 51% shareholding in Start Scotland whom they co own with The Lennox Partnership that has a minority interest shareholding of 49%. Its ultimate parent is Fedcap Group based in New York, USA.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

This Strategic and trustees report was approved by the board on 14/1/2022 and signed on its behalf by:



Kenneth Samuel Brezenoff
Chair and Director

Statement of Trustees' Directors' Responsibilities

The trustees (who are the Directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under the company law the trustees must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the charitable company and group of the incoming resources and application of resources, including its income and expenditure of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP (FRS 102)
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business.

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

The trustees confirm that:

- So far as each trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- The trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included in the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 14/1/2022 and signed on its behalf by:



Kenneth Samuel Brezenoff
Chair of Trustees

Independent auditor's report to the members of Fedcap UK Limited

Opinion

We have audited the financial statements of Fedcap UK (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 30 September 2020, which comprise the Consolidated and Parent Statements of Financial Activities, the Consolidated and Parent Statement of Financial Activities, the Statement of Consolidated Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 30 September 2020 and of the group's and the parent charitable company's incoming resources and application of resources including, the group's and the parent income and expenditure for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. 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 parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid 19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the trustees and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and parent charitable company's future prospects and performance.

Covid 19 and Brexit are amongst the most significant economic events for the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and parent charitable

company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group and charitable company associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the trustees' conclusions, we considered the risks associated with the group's and parent charitable company's business, including effects arising from macro-economic uncertainties such as Covid 19 and Brexit, and analysed how those risks might affect the group's and parent charitable company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent charitable company will continue in operation.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the 'Trustees' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report, prepared for the purposes of company law, included in the 'Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities set out on page 18, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Grant Thornton UK LLP

Stephen Dean

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

30 Finsbury Square, London, EC2A 1AG

Date: 14/1/2022

Consolidated Statement of Financial Activities
(including consolidated income and expenditure account)
for the year 30 September 2020

	Group			Parent Only	
	Unrestricted funds £	TOTAL 2020 £	TOTAL 2019 £	TOTAL 2020 £	TOTAL 2019 £
Income and endowments from:					
Charitable activities (Note 4)	15,936,972	15,936,972	8,497,278	-	-
Total	15,936,972	15,936,972	8,497,278	-	-
Expenditure on:					
Charitable activities (Notes 5 to 7)	16,674,144	16,674,144	10,430,274	416,173	1,202,586
Total	16,674,144	16,674,144	10,430,274	416,173	1,202,586
Net expenditure before investment gains	(737,172)	(737,172)	(1,932,996)	(416,173)	(1,202,586)
Net gains on investments	534,647	534,647	-	510,000	-
Net expenditure	(202,525)	(202,525)	(1,932,996)	93,827	(1,202,586)
Net movement in funds	(202,525)	(202,525)	(1,932,996)	93,827	(1,202,586)
Reconciliation of funds:					
Total funds brought forward	(1,932,996)	(1,932,996)	-	(1,202,586)	-
Total funds carried forward	(2,135,521)	(2,135,521)	(1,932,996)	(1,108,759)	(1,202,586)

There were no gains and losses other than those included in the Statement of Financial Activities.
All activities are continuing.

All activities are unrestricted and consequently there are no restricted or endowment funds to report. The notes on pages 27 to 48 form part of these financial statements.

Consolidated Balance Sheet as at 30 September 2020**Company number: 10466370**

	Group			Parent Only	
	Unrestricted funds £	TOTAL 2020 £	TOTAL 2019 £	TOTAL 2020 £	TOTAL 2019 £
Fixed assets					
Intangible assets (Note 10)	-	-	-	-	-
Goodwill	406,332	406,332	-	-	-
Negative Goodwill	(100,922)	(100,922)	(130,462)	-	-
Net Goodwill	305,410	305,410	(130,462)	-	-
Tangible assets (Note 8)	172,528	172,528	115,170	-	-
Intangible assets (Note 8)	58,483	58,483	-	-	-
Investments	-	-	-	510,000	-
Total fixed assets	536,421	536,421	(15,292)	510,000	-
Current assets					
Debtors (Note 12)	1,826,523	1,826,523	1,805,342	-	-
Cash at bank and in hand (Note 13)	1,350,892	1,350,892	1,191,318	17	-
Total current assets	3,177,415	3,177,415	2,996,660	17	-
Creditors: amounts falling due within one year (Note 12)	(5,529,961)	(5,529,961)	(4,608,463)	(1,552,777)	(1,102,586)
Net current liabilities	(2,352,546)	(2,352,546)	(1,611,803)	(1,552,759)	(1,102,586)
Total assets less current liabilities	(1,816,125)	(1,816,125)	(1,627,095)	(1,042,759)	(1,102,586)
Provisions for liabilities	(179,500)	(179,500)	(210,520)	(66,000)	(100,000)
Pension liability	(22,086)	(22,086)			
Total net liabilities	(2,017,711)	(2,017,711)	(1,837,615)	(1,108,759)	(1,202,586)
Funds of the Charity					
Share Capital	104	104	100	-	-
Unrestricted funds	(2,135,522)	(2,135,522)	(1,932,996)	(1,108,759)	(1,202,586)
Minority Interest	117,707	117,707	95,281	-	-
Total funds	(2,017,711)	(2,017,711)	(1,837,615)	(1,108,759)	(1,202,586)

These financial statements are approved by the Board of Trustees and authorised for issue on 14/1/2022

Kenneth Brezenoff

Kenneth Samuel Brezenoff

Chair of trustees on behalf of the trustees

Approved by the trustees on

Statement of Consolidated Group Cash Flows for the year ended 30 September 2020

	GROUP		PARENT	
	2020	2019	2020	2019
	£	£	£	£
Cash generated from operating activities				
Profit / (Loss) in the financial year	(202,525)	(1,932,996)	93,827	(1,202,586)
Adjustments for:				
Depreciation of tangible assets	110,419	76,543	-	-
Amortisation of Intangible assets	98,776	89,699	-	-
Impairment of Goodwill	(534,647)	534,647	-	-
Profit on disposal of Fixed Assets	(10,460)	-	-	-
Write off Investment	-	-	(510,000)	510,000
Interest Paid	6,726	122	-	-
Interest Received	-	(2,123)	-	-
Taxation Charge	(10,816)	66,654	-	-
Increase in Debtors	(777,392)	(751,841)	-	-
Decrease / (Increase) in Prepayments and Accrued Income	756,211	(1,053,501)	-	-
Decrease/(increase) in Amounts owed by groups	-	-	-	-
Increase in Creditors	242,190	892,876	416,190	1,202,586
Increase in Amounts owed to group	501,674	1,579,585	-	-
Provisions / Other	177,633	2,375,250	-	-
Net cash generated from operating activities	357,791	1,874,915	17	510,000
Cash flows from investing activities:				
Purchase of tangible fixed assets	(148,434)	(191,713)	-	-
Gains arising from acquisition	-	16,116	-	-
Purchase of Intangible Fixed Assets	(63,800)	-	-	-
Proceeds from disposal of Tangible Fixed Assets	20,743	-	-	-
Purchase of Subsidiary	-	(510,000)	-	-
Investment	-	(1)	-	(510,000)
Interest Paid	(6,726)	(122)	-	-
Interest Received	-	2,123	-	-
Other investments	-	-	-	-
Total investing	(198,217)	(683,597)	-	(510,000)
Net increase in cash and cash equivalents	159,574	1,191,318	17	-
Cash and cash equivalents - brought forward	1,191,318			
Movement of cash and cash equivalents during year	159,574			
Cash and cash equivalents - carried forward	1,350,892	1,191,318	17	-

The notes on pages 27 to 48 form part of these financial statements.

Notes to the Financial Statements

For the period ending on 30 September 2020

1. General information

Fedcap UK (the Company) is a private company limited by shares and incorporated in the UK. Its registered head office is located at Cleveland Business Centre, Oak Street, Middlesbrough, United Kingdom, TS1 2RQ.

2. Accounting policies

2.1. Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) - (Charities SORP (FRS 102)), and the Companies Act 2006. Fedcap UK meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements are presented in Sterling (£).

2.2. Going Concern

The consolidated financial performance of the charity is reporting a net deficit of £202,525 (2019: net deficit £1,932,996) over income for the reporting period. The group deficit was driven by underlying performance from Kennedy Scott (£541,541 deficit). The Kennedy Scott deficit has been reviewed by the Board and the subsidiary has subsequently been provided with a letter of support for the reporting period from its ultimate parent the Fedcap Group. This letter confirms the parent's intentions to continue to provide financial and working capital support as and when required for the following 12 months to ensure that the subsidiary can continue as a going concern. All assets, liabilities and existing commitments in relation to these ongoing contracts will be transferred over to the Fedcap Employment Limited at carrying value. The remaining liabilities in Kennedy Scott Limited will be settled over the next 72 months with the entity then becoming dormant. Accordingly, these financial statements do not include any adjustments resulting from the application on a basis other than going concern.

The Fedcap UK deficit is also subject to a parent company guarantee and based on this and the overall consolidated position of the charity the board considered and agreed a 3-year projection of the current business which includes the strategic plan investments. The three-year plan has been assessed for its impact on the overall financial position of the entity and the working capital and capital investment requirement to deliver our contractual obligations, implement two new contracts, and in addition successfully implement two new Restart Contracts by June 2021 and roll out the new Fair Start Scotland extension. The board has identified that the forward-looking estimates carry risk around the achievement of trading outcomes and the working capital requirements of a implementing a large scale employment contracts, such as the Restart contract. As part of the due diligence process of the contract, the entity undertook a number of scenarios as to the sensitivity of the financials of the contract to establish the breakeven point, assessing impact, for example of reduced contractual flows or underperformance. Management identified a number of performance measures which could be levered and which costs could be varied to realise the full benefit of the contract and agree that the forecast is a produced on a prudent basis. In the final analysis, the board is satisfied that the company remains a going concern for the foreseeable future Furthermore, The Fedcap Group has pledged its commitment to providing ongoing financial support, over the life of the three-year plan, if required.

2.3. Accounting for the consolidation of non-charitable subsidiaries

The income and expenditure of Fedcap UK's subsidiaries are included in the consolidated accounts for the full reporting period. The income and expenditure of subsidiaries are only included in the consolidated accounts until the date on which the parent charity ceases to control the subsidiary. As at the reporting date all subsidiaries continue to be controlled. Within the combination Fedcap Employment Scotland limited owns a shareholding in Start Scotland Limited of 51%. The minority interest in Start Scotland Limited of 49% (The Lennox Partnership) has been accounted for by reducing their share of the income and expenditure within the financial statements produced.

2.4. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Rendering of Services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5. Tangible Fixed Assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Any individual item purchased below £1,000 is not capitalised and expensed through the Income and Expenditure in the reported period, however if grouped to other items and exceeds £1,000 will be capitalised.

All depreciation is charged over the life of the relevant contract, or over three years if the asset is not directly attributable to a particular contract, as follows:

- IT Equipment – between 2 and 6 years
- Leasehold Improvements - between 1 and 6 years
- Office Equipment – between 1 and 6 years
- Furniture and Fittings– between 1 and 6 years

For each of the above, depreciation is calculated and applied on a straight-line basis.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Financial Activities.

2.6. Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Trust's work or for specific employability projects being undertaken by the Trust.

2.7. Expenditure

Expenditure is recognised on an accruals basis as a liability incurred. It is recognised once there is a legal obligation to transfer economic benefit to a third part, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total direct costs and allocated support costs in undertaking each activity. Trading activities represents the costs associated with commercial trading operations relating to the income and expenditure incurred by the trading subsidiaries of the entity and its investment within the subsidiaries.

2.8. Allocation of Support Costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office functions, audit fees, legal and professional, and external consultancy costs etc which support the Charity's Employability programmes and activities. These costs have been allocated between cost of generating income and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 5.

2.9. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10. Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11. Operating Leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

2.12. Tax

Tax has been prepared as per FRS 102 which requires current tax for the period to be recognised in the profit and loss account except to the extent that it relates to gains or losses that have been recognised directly in the statement of total recognised gains and losses. Such tax should also be recognised in the statement of total recognised gains and losses.

2.13. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14. Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares. Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the

payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost

2.15. Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

Whereas a defined benefit pension plan is a type of workplace pension that pays a retirement income based on final salary and number of years' work, rather than the amount of money has been contributed to the pension.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

3.1. Judgements in applying accounting policies and key sources of estimation uncertainty

The following are significant management judgements in applying the accounting policies of the company that have the most significant effect on the financial statements.

3.2. Taxes

Determining income tax provisions involves judgement on the tax treatment of certain transactions. Deferred tax is recognized on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management is satisfied that on the balance of probability future taxable revenues will be generated against which tax losses will be available to offset. This note is only representative of the group.

3.3. Extrapolation provision

A provision has been estimated within the ESF Links to Work and Cost to Capital contracts in respect of the results of validation work carried out on the DWP outcomes which are yet to be finalized. The value of the provisions is based on higher than industry and historical average from work undertaken on historical contracts, which proved to be prudent and accurate, for this reason this approach has not been changed.

3.4 Defined benefit pension scheme

Actuarial assumptions are made in determining the value of the future defined benefit obligations and are updated periodically. The principal assumptions are based on the rate of inflation and discount rates. The assumed rate of inflation affects the growth of salaries and therefore the size of the pensions that employees will receive on their retirement, as a result, there is uncertainty that these assumptions will continue in the future.

Management have considered the valuation undertaken as at 31 December 2019 and judged that the value reported in the balance sheet is materially correct.

4. Analysis of Income

		Group			Parent Only	
		Unrestricted	TOTAL 2020	TOTAL 2019	TOTAL	TOTAL
		funds			2020	2019
		£	£	£	£	£
Other trading activities:	UK and Scottish Government funding relating to provision of employability services	15,936,972	15,936,972	8,497,278	-	-
Total Income		15,936,972	15,936,972	8,497,278	-	-

5. Analysis of expenditure on charitable activities

Expenditure	Employability	2020	2019
	Services		
	£	£	£
Support Costs	1,449,891	1,449,891	3,347,134
Direct Staff Costs	6,626,228	6,626,228	3,806,186
Direct Staff Expenses	351,241	351,241	303,971
Technology Costs	272,979	272,979	277,741
Customer Participation	118,650	118,650	161,765
Subcontractors	7,344,840	7,344,840	2,278,073
Office Expenses	487,889	487,889	302,024
Other	22,426	22,426	(46,620)
Totals	16,674,144	16,674,144	10,430,274

All expenditure reported is unrestricted.

	2020	2019
	Total	Total
	£	£
Support staff costs	-	603,971
Support staff expenses	-	85,463
Depreciation	96,276	76,544
Amortisation	98,777	89,698
Profit on disposal of Fixed Asset	(10,460)	-
Impairment	-	534,647
Rent	382,436	341,523
Water Rates	6,666	2,357
Rates	99,377	59,682
Service Charges & Premises Insurance	46,001	15,811
Health & Safety	5,091	166
Cleaning	24,094	14,335
Relocation & Fit Out Costs	3,585	670
Dilapidations	30,230	110,520
Other Property Costs	44,068	27,195
Electricity	17,617	6,369
Events	1,994	6,310
Corporate Communications	4,556	6,338
Branded Materials	16,956	19,679
Other Marketing Costs	21,290	15,007
Audit Fees	125,017	116,577
Legal and professional fees	191,244	188,159
External consultancy	245,076	1,026,113
Total Support Costs	1,449,891	3,347,134

6. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after	2020 £000s	2019 £000s
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts.	31,486	13,000
Fees payable to the Company's auditor and its associates for other services:		
Audit of accounts of subsidiaries	83,600	67,000
Tax compliance and advisory service	9,070	19,000
Other operating lease rentals	386,000	363,000
Totals	510,156	462,000

7. Paid Employees

	Group		Parent Only	
	TOTAL	TOTAL	TOTAL	TOTAL
	2020	2019	2020	2019
	£	£	£	£
Salaries and wages	5,945,966	3,960,240	-	-
Social security costs	481,471	335,061	-	-
Pension costs (defined contribution scheme)	198,791	114,856	-	-
Total staff costs	6,626,228	4,410,157	-	-

Total expenditure on staff salaries and associated costs during the year was as follows:

Staff Numbers

The average monthly number of full-time equivalents (including casual and part-time staff) during the year were as follows:

	2020	2019
	No.	No.
Directors	3	6
All other staff	181	217
	184	223

Salary Banding	2020	2019
	No.	No.
£60,000 - £70,000	1	1
£80,000 - £90,000	2	1
£100,000 - £130,000	1	1
	4	3

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The key management personnel of the parent charity, Fedcap UK, comprises of the Chief Finance Officer, Commercial Director and Senior Operational Managers, the total benefits paid to the key management personnel of the Charity were £586,450 in 2020, (2019: £424,749).

Defined contribution/benefit scheme

	Group		Parent only	
	2020	2019	2020	2019
	£	£	£	£
Amount of contributions recognised in the SOFA as an expense	198,791	114,856	-	-

Defined benefit scheme

The Company operates a defined benefit pension scheme. The Company will complete a independent review of funding requirements every three years, currently the funding policy is 50% index linked passive and 5-% long dated Corporate Bonds. An independent actuarial valuation was completed as at 31 December 2019, which resulted in a three-year recovery plan with contributions of £9,600 per annum, payable monthly, starting from 1 January 2021.

Management have judged that the value reported in the balance sheet is not materially incorrect.

8. Fixed Assets**Tangible Assets**

	IT Equipment	Office Equipment	Furniture and Fittings	TOTAL 2020
	£	£	£	£
At the beginning of the year	94,994	61,609	35,110	191,713
Additions	87,468		60,967	148,435
Disposals		(10,460)		(10,460)
At end of the year	182,462	51,149	96,077	329,688

Depreciation and impairments

At beginning of the year	(21,083)	(47,515)	(7,945)	(76,543)
Disposals		10,460		10,460
Depreciation	(53,284)	(8,262)	(29,531)	(91,077)
At end of the year	(74,367)	(45,317)	(37,476)	(157,160)

Net book value

NBV at beginning of year	73,911	14,094	27,165	115,170
NBV at year end	108,095	5,832	58,601	172,528

Intangible Assets

	Group	
	IT Software	TOTAL 2020
	£	£
Additions	63,800	63,800
At end of the year	63,800	63,800
Depreciation and impairments		
Disposals	(5,317)	(5,317)
At end of the year	(5,317)	(5,317)

9. Goodwill

Kennedy Scott Limited was acquired on 3rd December 2018 by the charity on behalf of the Fedcap Group. The cost of acquisition was the consideration received in exchange for the net assets of the company at the balance sheet date and their fair value at the date of acquisition. Start Scotland Limited was acquired by Fedcap UK in the same reporting period on 1st March 2019. The 51% shareholding in Start Scotland was acquired by Fedcap Employment Scotland Limited for a consideration of £1. Fedcap Employment Scotland Limited is a wholly owned subsidiary of Fedcap UK.

Goodwill was recognised as the excess of the cost of the business combination over the net amount of the companies identifiable assets and liabilities. It is the policy of the company to treat goodwill as an asset with a finite useful life and therefore the asset is amortised over 10 years as we were not able to determine a reliable estimate of the useful life of goodwill.

Negative goodwill has arisen on the acquisition of Start Scotland limited this is recognised as excess over cost of acquirers interest in the net fair value of acquired assets and liabilities.

In the prior year, the investment in Kennedy Scott by Fedcap UK was assessed for impairment. As the financial forecasts for Kennedy Scott limited, at that time, showed further losses due to restructuring, the investment was considered irrecoverable to the extent of the losses. In 2020, the investment in Kennedy Scott Limited was again assessed for impairment and as the financial forecasts had improved based on new contract wins, the impairment was reversed in full and amortisation for the periods from acquisition recognised in the statement of financial activities.

£

Kennedy Scott - acquisition price	510,000
Kennedy Scott - inherent contribution on acquisition	131,576
Start Scotland - acquisition price	1
Start Scotland - inherent contribution on acquisition	(147,693)
Total	493,884

	Goodwill	Negative Goodwill	TOTAL 2020
	£		£
At the beginning of the year	641,576	(147,692)	493,884
At end of the year	641,576	(147,692)	493,884

Amortisation and impairments

At beginning of the year	(641,576)	17,230	(624,346)
Amortisation	(128,315)	29,539	(98,776)
Impairment - Reversal	534,647		534,647
At end of the year	(235,244)	46,769	(188,475)

Net book value

NBV at beginning of year	-	(130,462)	(130,462)
NBV at year end	406,332	(100,923)	305,409

10. Debtors and Prepayments

	Group		Parent Only	
	TOTAL 2020	TOTAL 2019	TOTAL 2020	TOTAL 2019
	£	£	£	£
Trade debtors	1,529,233	751,841	-	-
Prepayments and accrued income	297,290	1,053,501	-	-
Other debtors	-	-	-	-
Total	1,826,523	1,805,342	-	-

11. Creditors and Accruals

	Group		Parent Only	
	Amounts falling due within one year		Amounts falling due within one year	
	TOTAL 2020	TOTAL 2019	TOTAL 2020	TOTAL 2019
	£	£	£	£
Trade creditors	1,135,066	892,876	158,150	68,653
Amounts owed to Parent undertaking	2,081,259	1,579,585	1,342,540	1,002,933
Accruals	1,471,453	1,238,157	52,086	31,000
Deferred Income	27,527	84,081	-	-
Other Tax & Social Security	505,839	787,228	0	-
Other creditors	308,817	26,536	-	-
Total	5,529,961	4,608,463	1,552,776	1,102,586

12. Deferred Income

The deferred income relates to advance income received by Fedcap Employment Scotland Limited from Start Scotland Limited for work on developing their data observatory and learning academy systems, which was delayed into the following financial year.

Movement in deferred income account:	2020	2019
	£	£
Balance at 1st October 2019	84,081	
Amounts deferred in the current year		84,081
Amounts released to income from pre-	(56,554)	-
Balance at 31 September 2019	27,527	84,081

13. Creditors: amounts falling due after more than one year

Creditors: amounts falling due after more than one year	Group		Parent Only	
	TOTAL 2020	TOTAL 2019	TOTAL 2020	TOTAL 2019
	£	£	£	£
Dilapidations	113,500	110,520	-	-
Other creditors	66,000	100,000	66,000	100,000
Total	179,500	210,520	66,000	100,000

Creditors: amounts falling due after more than one year	Group		Parent Only	
	TOTAL 2020	TOTAL 2019	TOTAL 2020	TOTAL 2019
	£	£	£	£
Pension liability	22,086	-	-	-
Total	22,086	-	-	-

At the end of the period ended 30th September 2020, the outstanding pension contributions was £2,086 (£8,072 for 2019).

14. Cash at Bank and in hand

	Group		Parent Only	
	TOTAL 2020	TOTAL 2019	TOTAL 2020	TOTAL 2019
	£	£	£	£
Cash at bank and on hand	1,350,892	1,191,318	-	-
Total	1,350,892	1,191,318	-	-

15. Reserves and Minority Interest

The reported minority interest has arisen from the Start Scotland Limited entity, which is a subsidiary of the charity, of which Fedcap UK holds a 51% controlling interest.

	Reserves £000s	Minority Interest £000s	2020 £000s
Subsidiary Reserves	(2,135,522)		(2,135,522)
Minority Interest - TLP to 28 February 2019		141,900	141,900
Minority Interest - TLP to 30 September 2019		(46,620)	(46,620)
Minority Interest - TLP to 30 September 2020		22,426	22,426
Total	(2,135,522)	117,706	(2,017,816)

16. Subsidiary Undertakings of Fedcap UK

The trading subsidiary Fedcap Employment Scotland Limited is incorporated in the United Kingdom (company number SC622885). The entity is a wholly owned subsidiary (100%) of Fedcap UK.

It's net loss and net liabilities are consolidated into its parent Fedcap UK's position at the reporting year-end. Fedcap Employment Scotland Limited is a leading provider of employability services within the UK.

The summary financial performance of the subsidiary alone is:

	2020 £000s	2019 £000s
Income	3,558	1,451
Expenditure	(3,639)	(1,481)
Interest receivable	-	-
Interest payable	-	-
Net profit before tax	(81)	(30)
Corporation tax	-	5
Profit after tax	(81)	(25)

The assets and liabilities of the subsidiary were:

Fixed assets	108	31
Current assets	938	456
Current liabilities	(1,152)	(512)
Total net assets	(106)	(25)
Aggregate share capital and reserves	(106)	(25)

Subsidiaries of Fedcap UK - continued

The trading subsidiary Kennedy Scott Limited is incorporated in the United Kingdom (company number 02386247). The entity is a wholly owned subsidiary (100%) of Fedcap UK. It's net loss and net liabilities are consolidated into its parent Fedcap UK's position at the reporting year-end. Fedcap Employment Scotland Limited is a leading provider of employability services within the UK.

The summary financial performance of the subsidiary alone is:

	2020	2019
	£000s	£000s
Income	2,014	3,456
Expenditure	(2,545)	(4,097)
Interest receivable	-	3
Interest payable	(10)	(3)
Net profit before tax	(541)	(641)
Corporation tax	-	-
Profit after tax	<u>(541)</u>	<u>(641)</u>

The assets and liabilities of the subsidiary were:

Fixed assets	1	3
Current assets	934	1,585
Current liabilities	(2,105)	(2,239)
Provisions and Liabilities	(22)	-
Total net assets	<u>(1,192)</u>	<u>(651)</u>
Aggregate share capital and reserves	<u>(1,192)</u>	<u>(651)</u>

Subsidiaries of Fedcap UK - continued

The trading subsidiary Fedcap Employment Limited is incorporated in the United Kingdom (company number 11842787). The entity is a wholly owned subsidiary (100%) of Fedcap UK. It's net loss and net liabilities are consolidated into its parent Fedcap UK's position at the reporting year-end. Fedcap Employment Scotland Limited is a leading provider of employability services within the UK.

The summary financial performance of the subsidiary alone is:

	2020	2019
	£000s	£000s
Income	4,707	3,588
Expenditure	(4,330)	(3,608)
Interest receivable	-	-
Interest payable	-	-
Net profit before tax	<u>377</u>	<u>(20)</u>
Corporation tax	-	(2)
Profit after tax	<u><u>377</u></u>	<u><u>(22)</u></u>

The assets and liabilities of the subsidiary were:

Fixed assets	111	53
Current assets	1,947	1,552
Current liabilities	<u>(1,703)</u>	<u>(1,627)</u>
Total net assets	<u><u>355</u></u>	<u><u>(22)</u></u>
 Aggregate share capital and reserves	 <u><u>355</u></u>	 <u><u>(22)</u></u>

Subsidiaries of Fedcap UK - continued

The trading subsidiary Start Scotland Limited is incorporated in the United Kingdom (company number SC529652). The entity is a subsidiary OF Fedcap Employment Scotland who owns 51%. The ultimate parent is Fedcap UK.

Net profit and net assets of the entity are consolidated into its parent Fedcap UK's position at the reporting year end. Start Scotland Limited is a leading provider of employability services in the UK.

The summary financial performance of the subsidiary alone is:

	2020	2019
	£000s	£000s
Income	5,658	6,348
Expenditure	(5,623)	(6,083)
Interest receivable	-	-
Interest payable	-	-
Net profit before tax	<u>35</u>	<u>265</u>
Corporation tax	<u>11</u>	<u>(71)</u>
Profit after tax	<u><u>46</u></u>	<u><u>194</u></u>

The assets and liabilities of the subsidiary were:

Fixed assets	12	28
Current assets	1,393	891
Current liabilities	<u>(1,165)</u>	<u>(725)</u>
Total net assets	<u><u>240</u></u>	<u><u>194</u></u>
 Aggregate share capital and reserves	 <u><u>240</u></u>	 <u><u>194</u></u>

17. Transactions with Related Parties

During the period ended 30 September 2020 the company entered into the following transactions with related parties, excluding VAT.

The amounts owed to/(by) the following entities at period end were:

Name of the trustee or related party	Relationship to charity	Description of the transaction(s)	Group		Parent Only	
			Amount	Balance at period end	TOTAL 2020	TOTAL 2019
			£	£	£	£
Fedcap Group	Parent	Loan	(501,674)	(2,081,259)	(760,137)	(798,782)
Kennedy Scott Ltd	Subidiary	Loan			(34,000)	-
Fedcap Employment Ltd	Subidiary	Loan			(548,403)	(101,571)

Ultimate parent undertaking and controlling party

Fedcap UK is a Company Limited by Guarantee (CLG) and a charity registered with the Charity Commission. The entity is not currently trading. Fedcap UK has a single member, the Fedcap Group Inc, a company incorporated in the US, with head office based at 633 3rd Avenue, New York, NY, 10017. Information relating to the US group can be obtained from their website (www.Fedcap.org) or the U.S Securities and Exchange Commission website.

18. Operating Leases

At 30 September 2020, the total future minimum lease payments under non-cancellable operating leases were:

	2020	2019
	£'000's	£'000s
Amounts due within one year	249	332
Amounts due between one and five years	413	701
Amounts due after five years	-	73
	<u>662</u>	<u>1,106</u>

The charity classifies the rental fees paid for premises occupied by its staff as operating leases; the title remains with the lessor and renewed either annually or every 5 years.

Subsequent Events – Post Balance Sheet Events

Following the preparation of the financial statements for Fedcap UK 2020 one of its subsidiary companies Fedcap Employment Limited was successful in securing two material long term contracts with the Department for Work and Pensions. Fedcap Employment Limited submitted bids for the Restart contract in three areas, Wales, South Central and Greater Manchester and in April 2021 were awarded preferred supplier status for the South -Central area with a contract value of £240m over 4.5 years. In addition, Fedcap Employment Limited successfully submitted and secured a sub-contract in the North -West area with G4S with a total contract value of £30m. The contracts went live in June 2021 and the company has undertaken a significant programme of investment in people and infrastructure to support the successful delivery of these contracts.

In addition, following the balance sheet date, as part of an internal reorganisation, the Working Health Contract and associated people were novated to Fedcap Employment Limited via a deed of novation which was signed on 11th May 2021, between Kennedy Scott Limited and Fedcap Employment Limited. This novation agreed the transfer of assets and liabilities to Fedcap Employment Limited, leaving sufficient cash on the balance sheet to cover any additional liabilities. It has been agreed that Kennedy Scott will be made dormant until a new line of business can be identified.