

**Trustees Annual Report and Financial
statements for the year ended 31 August 2019**

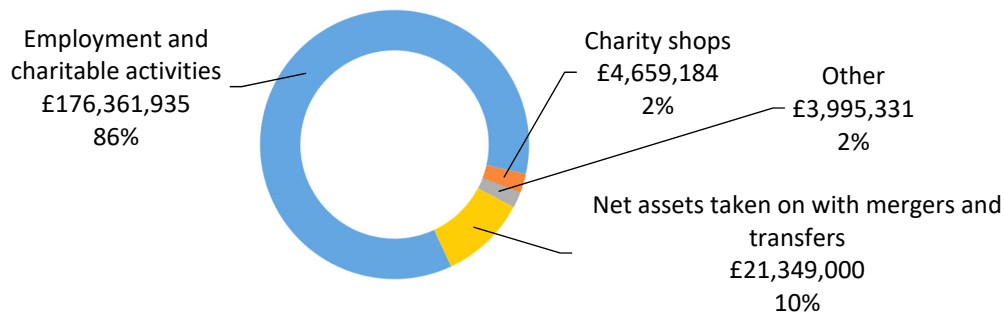
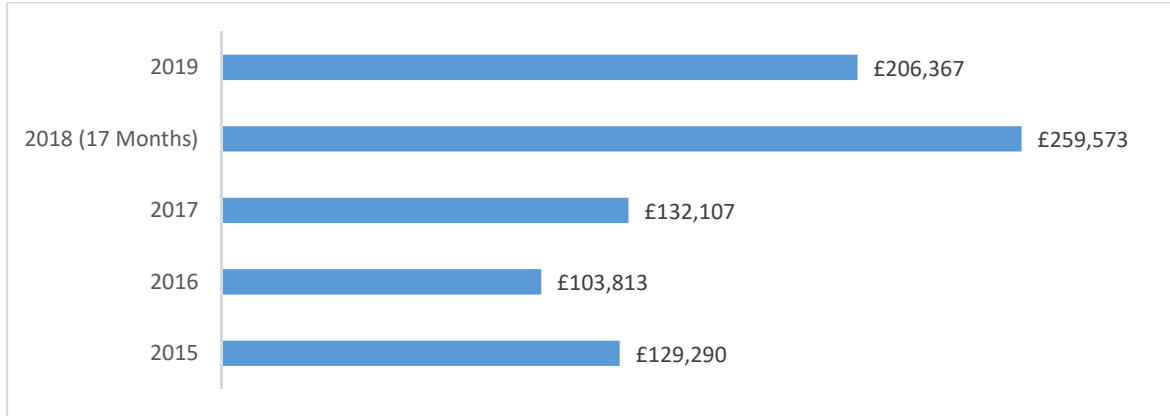
Shaw Trust

Registered Company Number 01744121
Registered Charity Number in England & Wales 287785
Registered Charity Number in Scotland SC039856
A Company Limited by Guarantee

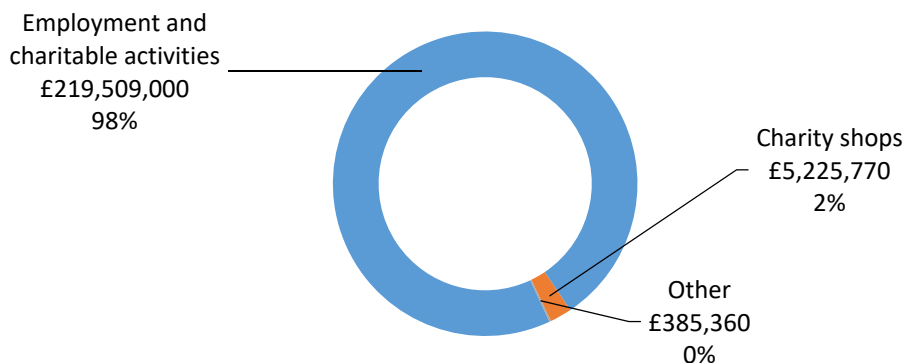
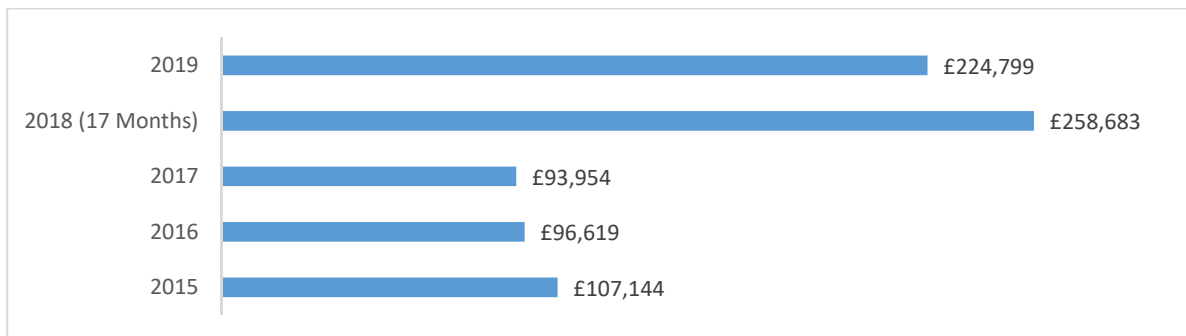
Trustees Report – Strategic report

1. Figures at a glance

Incoming resources



Resources expended



2. Financial review

The Shaw Trust consolidated financial statements for 2018-19 incorporate the full year results of Ixion Holdings (Contracts) Ltd (“Ixion”) and Prospects Group 2011 Limited (“Prospects”) following the acquisition of the organisations by Shaw Trust in May 2017 and November 2017 respectively.

The financial statements also include the results of the Disabled Living Foundation (DLF) following a merger in November 2014, CDG-WISE Ability Limited (CDGWA), Forth Sector and the results of Shaw Education Trust, which was established by Shaw Trust in June 2014 as a multi-academy trust.

Strategically these acquisitions are important to Shaw Trust as it enabled the Trust to grow in existing markets. It has also facilitated opportunities to optimise the cost base across the group by maximising the opportunities to integrate property, systems, processes and people, particularly within the areas of central support services. More recently the organisation has seen a period of integration and consolidation in anticipation of future opportunities within a rapidly shifting public sector marketplace.

The Trust has had a challenging year, however, with the ending of certain contracts and poor performance in others. The organisation had been slow to manage and integrate the recent acquisitions and adjust the cost base accordingly. The introduction of a new management team in the middle of 2019 began the restructure programme for the business, including the approval and implementation of a three year turnaround plan. This business plan has been approved by the Trustees and has the full support of funders and other stakeholders.

The second half of 2019 has seen a period of reorganisation and consolidation and identification of efficiencies within the business. A restructuring exercise during this period has significantly reduced the cost base, reducing the losses incurred during the year. Detailed operational reviews are driving better margin performance, and repositioning the Trust for its future development.

Economic conditions in the main UK market remain challenging but the group is now delivering strong performance across the majority of its contracts. During the prior period client referrals to the Trust’s main welfare to work programmes (Work Choice and Work Programme) ceased but Shaw Trust saw significant success in being awarded two of the Governments six new flagship employability contracts, Work and Health Programme, which commenced in January 2018 and a further contract in London, commissioned by the West London Alliance.

Current challenges remain, more recently the impact of the Covid-19 virus. Extensive modelling has been undertaken to assess the impact on our business plan and contingency planning and actions undertaken. This has included renegotiation of income streams on major contracts, furloughing certain employees where necessary, particularly in our retail and enterprise operations, and mitigating cash flow through deferral of certain payments under the Government scheme as appropriate. The underlying business remains robust and we are confident that we will be able to manage the Trust through this crisis.

2. Financial review (continued)

The results of each main activity may be summarised as follows:

	£m
Shaw Trust UK operations <i>(excluding business combinations and amortisation in period)</i>	(18.3)
Shaw Education Trust	20.7
Other	(0.6)
Ixion	1.2
Prospects	0.9
Goodwill amortisation and impairment	(27.0)
Actuarial (losses) and Net finance return on defined benefit pension scheme	(27.7)
Net movement in funds	<u>(50.8)</u>

The net movement in funds for Shaw Education Trust includes the value of assets acquired at the date that new schools joined the Shaw Education Trust amounting to £21.3m (further details are included in note 25 – Business Combinations).

The prior year end was extended to 31 August 2018 and with the exception of Shaw Education Trust comparisons with the prior period are against a 17 month period. The prior period results of Prospects are for a 10 month period and for Ixion, 16 months, reflecting the period of time after their acquisition. The change in turnover is a reflection of this change and reduction in number of contracts especially Employment Contracts. The incoming resources from the activity of the group decreased by £53.2m to £206.4m from the previous year of £259.6m. The net deficit after the effect of unrealised gains on the investment portfolio, unrealised gains on foreign currency net assets and actuarial gains/ (losses) on the pension fund was £50.8m (2018: surplus of £18.3m).

Net cash and current asset investments decreased by £4.5m in the year (2018: decrease of £2.6m). Capital expenditure incurred of £31.2m was primarily in respect of the costs of building work and improvements undertaken at the Shaw Education Trust's Academies, largely funded by successful grant applications.

A large portion of the Trust's investment portfolio was liquidated during the year in order to fund working capital requirements, with the remainder of the portfolio realised post year end. The portfolio recorded a net gain of £2k in the period (2018: gain of £2.7m) as a result of favourable movement in the world financial markets.

The market value as at 31 August 2019 was £213k (31 August 2018: £17.5m).

2. *Financial review (continued)*

Investment powers, policy and performance

Investment powers are governed by the Trust's Memorandum and Articles of Association and permit the Trust's funds to be invested in a wide range of assets. Shaw Trust's investment policy for its UK reserves is to balance the security of its funds available for investment with the need for liquidity to meet its obligations as they fall due, while obtaining the best yield that can be generated given the Trust's risk appetite.

The remainder of the Trust's UK reserves were invested by the Trust's Investment Manager, Quilter Cheviot, in a balanced portfolio of listed UK and overseas equities and bonds and alternative investments. The investment policy with regard to the funds held by Quilter Cheviot were to obtain the best financial return within an acceptable degree of risk in order to generate over the long term a total return of RPI plus 4% on sums invested. The majority of these were liquidated during the year to satisfy working capital requirements of the business, with the final funds liquidated and transferred out after the year end.

Reserves policy

The Trust's free reserves are held in order to manage the risks to which the charity is exposed in the course of its activities. The Trustees ensure that the charity is in a responsible and secure financial position to provide reliable services for our beneficiaries, to absorb unforeseen setbacks in the event of a significant financial downturn and to take advantage of opportunities that are in line with our charitable mission.

The reserves policy is reviewed annually by the Trustees, to take account of changes to the environment in which the Trust operates, and any other internal or external risk factors that might impact on the level of reserves required.

The reserves policy is based on the level of free reserves. The Trustees have considered whether the definition of free reserves, being the total unrestricted funds less any designated funds, revaluation reserves and pension scheme surpluses or deficits, was appropriate due to the significant pension deficit arising from the acquisition of Prospects.

The conclusion of the Trustees was that there was not a significant risk that the pension liability would crystallise in the short to medium term and that due to the relative stability of income through the long term nature of contracts undertaken, any reductions can be reasonably foreseen and actions taken before there is a significant impact on the Trust's reserves.

As at 31 August 2019 the Trust had free reserves of £35.4m (31 August 2018: £75.8m) as follows:

	At 31 Aug 19 £m	At 31 Aug 18 £m
Total unrestricted reserves	(23.4)	39.0
Less: Designated funds	(1.7)	(2.4)
Less: revaluation reserve	-	(2.8)
Add: Pension liability	60.5	42.0
Free reserves	<u>35.4</u>	<u>75.8</u>

2. Financial review (continued)

The decrease in Free Reserves is as a result of losses incurred during the year and amortisation and write-down of goodwill created from the acquisition of Prospects.

In addition to a suggested level of free reserves, the Trust's policy stipulates a minimum level of cash holding requirement to meet the following scenarios, including:

- A delay in collection of receipts
- Exceptional payments of costs
- A significant loss of business

The Trustees have considered the level of cash reserve required and consider it appropriate given the current resources and activities of the Trust.

3. Risks and uncertainties

This subject matter is referred to in depth in the Risk Management section of Structure, Governance and Management, below.

4. Plans for the future

The Trust continues to focus on maximising performance on its key contracts and as part of its strategic vision to significantly increase the number of individuals supported, is looking at growing activity in existing and new markets.

Following the acquisitions of Ixion and Prospects the Trust reorganised its internal structure into seven specialised operational divisions, each with individual targets to grow and develop in their own markets, with the benefit of being able to draw upon the breadth of experience from across the group in order to provide an enhanced range of services to commissioners and clients.

The Trust continues to outperform against its Three Year Business plan and business performance is reviewed on a monthly basis. As part of the restructuring of the Trust under new management and with the agreement of its funders the Trust embarked on a divestment programme, to sell non-core assets and business in order to enable the Trust to focus on its core activities. This programme is progressing in line with expectations, with funds being realised for working capital and future development.

In addition the impact and challenges as a result of the Covid-19 have been extensively investigated. Financial modelling and scenario analysis has indicated that the Trust has the resources to sustain a period of operational disruption and financial loss during the period of this crisis. Further details can be found in note 28, Post Balance Sheet Events.

5. Objectives and activities of the Trust

The main strategic goal of the Trust is helping to transform the lives of young people and adults across the UK. To achieve this main strategy, Trustees have agreed on different objectives which include Organisational growth, winning new business, organisation's financial and operational stability, Compliance and stakeholder's relationships.

The objectives of the Trust are:

to relieve any person who is in need because of any disability or because of any other disadvantage resulting from unemployment, youth, age, financial hardship, ill-health or because they are offenders, ex-offenders or are at risk of offending;

2. Financial review (continued)

- the promotion of the health, equality and independence of disabled people; and
- the prevention and relief of poverty.

The Trust aims to further its objectives in particular by providing education, training, rehabilitation, support, employment opportunities and personal development opportunities.

The company will be non-party in politics and non-sectarian in religion.

6. Achievements and performance

The Trust operates across a number of sectors to achieve its aims and objectives.

The key achievements from 2018-19 are:

Employment contracts: The Trust helped 42,000 people to gain skills to help them towards and or into employment. Nearly 5,000 of these clients went on to then find work. During the period the Trust was awarded three new Work and Health Programme contracts and successfully retendered for two prime National Careers Service contracts.

Learning: The Trust supported 101,000 people to receive careers information, advice and guidance and helped 27,000 people of all different attainment levels to gain qualifications through Apprenticeships, Higher Apprenticeships and Traineeships, and with qualifications to support those who want to progress within work, or those who want to enter work.

Of these, 85% of those learners progressed into or within a range of employment, education and Apprenticeship opportunities within the Construction, Leadership and Management, Education and Training, Health and Social Care, and Digital and IT sectors

Children's Services: The trust supported 102,000 children, young people not in education, employment or training, young offenders and those in care/care leavers to progress with life skills.

The Trust operates 7 of the 18 HM Prison and Probation Service CFO3 contracts and through these has helped over 8,000 new offenders, providing specific support, skills and training to clients in prisons and the community, resulting in 3,121 accreditations and more than 669 jobs. During the period the contracts were extended to provide services to August 2023.

Community Health and Wellbeing services supported a total of 29,000 people to receive support for their health conditions working with 40 Supply Chain partners in delivery of our health and wellbeing services. This included almost 5,000 people who accessed our community wellbeing services where 87% of those people demonstrated an improvement in their Wellbeing. Our retention in work services supported 1,100 people to receive support to retain their employment after a period of sickness resulting from their health condition. We trained 220 people in Mental Health First Aid and were awarded the Connect for Health social prescription service in Suffolk, Kent Community Mental Health.

2. Financial review (continued)

Education: at 31 August 2019 the Shaw Education Trust operated fifteen academies and one further education college for over 7,350 pupils aged 2–21 across Staffordshire, Birmingham, Bury, Wigan and Halton.

7. Structure, governance and management governing documents

The company is legally constituted under its Memorandum and Articles of Association dated 3 August 1983 and amendments thereto.

Governance

The Trustees in office during the year, and at the date of signing these financial statements, are set out on page 13. The Trustee Board has overall responsibility for the governance of the Trust which it discharges through three main duties:

1. ensuring there is a strategy in place; the main strategic goal is helping to transform the lives of young people and adults across the UK. To achieve this main strategy, Trustees have agreed on different objectives which include Organisational growth, winning new business, organisation's financial and operational stability, Compliance and stakeholder's relationships.
2. monitoring the implementation of the strategy against agreed plans, ensuring adequate resource is available; and
3. ensuring the Trust complies with all necessary statutory and regulatory obligations.

As part of this, the Trustees ensure that there is a robust system of internal control and risk management, as well as an appropriate reporting and oversight structure to ensure that the senior executives to whom the Trustees have delegated the daily management of the Trust are performing to the standards expected.

The Board meets quarterly and, while the matters discussed at those meetings will vary, the general themes of discussions are:

- strategy;
- review of performance;
- developments in the Trust's external operating environment; and
- major internal change programmes.

During the year, the following subcommittees of the Trustees discharged specific aspects of their responsibilities:

- The Audit & Risk Committee has a key responsibility for financial and corporate governance, including ensuring effective liaison with external audit, considering major findings of internal audit reports and matters of risk management, and receiving updates on the Trust's strategic risk register.

The HR Committee is responsible for determining the Trust's overall HR strategy and approving major changes to the Trust's structure, employees' terms and conditions and the pay and reward for senior executives.

2. **Financial review (continued)**

- Shaw Trust uses external consultants and comparison tools available to set the salary level for its key management. Salary and benchmarks are reviewed regularly to make sure the Trust can attract and retain the best talent.
- The Performance and Investment Committee is responsible for reviewing in detail the operational and financial performance of the Trust and scrutinising major new business opportunities.

The Trustees have delegated the daily management of the Trust to the Group Chief Executive and the Executive Management Team. The current Chief Executive, Chris Luck CB MBE, was appointed in May 2019 following the departure of the interim chief executive Nick Bell. Chris joined the Trust after a distinguished career in the armed forces and he brings a wealth of experience, expertise and clear sense of purpose to the organisation. Prior to joining Shaw Trust Chris was CEO of the Defence Academy of the UK and the Commandant of the Joint Services Command and Staff College.

The Trust manages its activities through seven operational divisions and service delivery within each is managed by dedicated business unit teams.

Our operational staff are supported by Business Development, Communications, Information Services, People & performance and Finance teams. As part of their succession planning, the Trustees have a system of Trustee evaluation to identify potential gaps in their individual skills and of the Board as a whole. Evaluation is carried out annually by the Trustees. Trustees are recruited in an open process, targeted towards any skills needs identified by the Trustee evaluation process, ensuring that we obtain the right balance of experience and expertise.

New Trustees can be co-opted by the members to fill a vacancy at any time during the period. Co-opted Trustees, if they wish to continue, seek re-election at the first Annual General Meeting after their appointment.

Every new Trustee receives a copy of Shaw Trust's Memorandum and Articles of Association; a summary of how it operates to achieve its charitable objects, with particular attention to its core areas of operations; a copy of Shaw Trust's latest reports and financial statements; a copy of the Code of Practice adopted by the Trustees; details of Shaw Trust's senior executives and their respective roles, terms of reference and reporting lines; details of Board meetings; and the Board papers made available for meetings.

As well as induction, Trustees are able to undertake training in specific areas of Shaw Trust's operations through visits and presentations.

2. *Financial review (continued)*

Risk management

Trustees are responsible for setting the tone and influencing the culture of risk management within the Trust, including the attitude to risk. Through the Executive Management Team and Audit Committee, which consists of Trustees with a financial and risk management background, Trustees discharge their responsibilities toward risk management by:

- The adoption of a range of policies and procedures to enable effective risk management including a risk management policy, an anti-fraud policy, a whistleblowing policy and a registration of interests' policy.
- The maintenance of a corporate risk register, which is used to monitor the risk environment of the Trust and to inform audit plans.
- The establishment and maintenance of the 'three lines of defence' model of internal control:
 - *line one*: Management controls to prevent, detect and respond to exposure to risk. These include organisational structures that enable segregation of duties, the implementation of security protocols in respect of assets and information, pre-employment checks and ongoing training, supplemented by management supervision and checking arrangements;
 - *line two*: Risk management through the development, implementation, testing and maintenance of an effective control and governance environment. In addition, an internal Commercial Assurance Team (CAT) provides assurance in respect of the quality of service provision and compliance with legislation, contractual requirements and relevant standards. The Trust's Line Two reports into senior management and the Trustee Board, through the Audit Committee; and
 - *line three*: Internal Audit which is performed by an outsourced provider. Reporting primarily to the Audit Committee, the internal auditors provide assurance over the effectiveness of corporate governance and the overall control environment including the Line 2 defences. All reports identify areas of strength and good practice along with areas for improvement. In the case of the latter the Audit Committee monitors a time based log of improvement actions, agreed by the management and the auditors, to ensure that they are implemented.

The identification, evaluation and monitoring of significant risks is a continuous process. Emerging risks and changes to the risk profile are identified by the Executive Management Team and reported to the Audit & Risk Committee and main Trustee Board through a Corporate Risk Register. The Trustee Board reviews new and existing risks, challenges risk ratings and assesses the effectiveness of mitigating actions and controls in the context of its risk appetite.

2. Financial review (continued)

The assessment of risk is linked to the Shaw Trust strategy and the following have been identified as key risks and the Trust is taking appropriate steps to monitor and mitigate them:

- Failure to finance the business.
- Failure to improve operational performance throughout the business, through margin improvement, cost control and synergies of acquisitions.
- Physical, mental or emotional harm caused to our service users. The need to constantly safeguard vulnerable clients from harm.
- Ineffective protection of the confidentiality, integrity or availability of the Trust's records and information assets.
- Inability to anticipate and respond to changes in the political, social and economic climate, including the need to innovate new service delivery models and funding streams.
- Breakdown of relationships with key commissioners and suppliers as a result of poor performance or breach of contract and the consequent impact on contract renewals and new business.
- Inability to grow and develop the Trust both culturally and commercially to enable its long term viability.
- Loss of ability to deliver services and mission arising from unexpected business interruption.
- Financial and reputational damage caused by theft, fraud or poor governance.

- Inability to attract / retain / deploy staff (including volunteers) of a suitable calibre.

The group's financial risk management objectives and policies are to:

- Maintain a strong balance sheet so as to instil confidence of stakeholders and to sustain the future development of the business.
- Invest surplus funds where applicable so as to return a yield consistent with the Group's risk appetite and ensuring sufficient liquidity to meet obligations as they fall due.

The Trust currently has no material investments.

Liquidity risk is managed by carefully forecasting and monitoring the short term and long term cash flows and ensuring the Trust has sufficient reserves and liquid investments to cover foreseeable requirements.

Credit risk on amounts owed to the Trust by its customers is low. Credit risk also arises from cash deposits with banks, and only independently rated parties with a minimum rating of 'A' are accepted.

Interest rate cash flow control risks are mitigated as the Trust is able to place surplus funds on short term deposits.

2. Financial review (continued)

The group has to date financed the majority of its operations through its reserves and has not required significant external funding. During the year a Revolving Credit Facility was agreed with the Trust's principal bank, and £5m had been drawn down by year end. The companies acquired in the previous period included an amount of external financing which has been refinanced internally during the year. The balance of external funding is in relation to Forth Sector.

The group does have a foreign exchange risk arising from investments in charities operating in Poland and Romania and the Trust's international activities. However, this risk is not material and as such has not been hedged.

While the group does have significant concentrations of debt due from the UK central and local Government, the risk is not considered to be significant because of the credit rating of the institutions.

Disabled employees

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of age, religion, sex, race, colour, disability, sexuality or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. To this end, the Trust was delighted to be awarded Disability Confident Leader Status in 2018.

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group.

If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee involvement

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests.

Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining and growing its position.

The group encourages the involvement of employees through a forum where employees are represented by elected colleagues on a regional basis who meet regularly with the Executive Management Team.

2. Financial review (continued)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement on going concern

The Trust prepares a detailed annual budget and three year business plan which indicates a positive cash position and return to operational profitability during the period. This plan has been approved by the Trustees and the Trust's principal lenders

In light of recent events as a result of the Covid-19 pandemic The Trust has performed extensive contingency planning and mitigated against the risks of a potential reduction in income as a result of closure of key offices and outlets. This has been through renegotiating income streams from its major contracts, furloughing employees where there is no income stream currently present, and using Government initiatives, predominantly the deferral of PAYE and VAT, to aid cash flow in the medium term. The asset divestment programme as detailed in the Business Plan is still on track although with some delays to completion dates due to Covid-19. Note 28 Post Balance Sheet Events have more details. The Trust's principal funder has shown continued support during this crisis.

After reviewing the charity's forecasts, sensitivity analysis and projections and its reserves, the Trustees have a reasonable expectation that the charity can manage these risks and has adequate resources to continue in operation for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

Having previously mitigated the risk identified relating to the cessation of the Trust's two main welfare to work contracts through a strategy of diversification and growth in existing and other similar sectors through its acquisitions of Ixion and Prospects, the Trust continues to look for further opportunities to develop and seeks to mitigate any ongoing risk by:

- Driving performance. Further engaging with commissioners and clients.
- Ensuring that the Trust continues to be lean and fit for purpose and responds to the changing environments and markets in which it operates.

3. Statutory and administrative details of the charity, the Trustees and advisers

President

Tim Papé OBE, DL

Richard Clifton

Chief Commercial Officer

Patrons

John Bush OBE, LL

Mark Daymond

Dame Evelyn Glennie OBE

Sir Derek Hornby Kt

Baroness Kinnock

Professor Sir Mansel Aylward CB

Richard M Mansell-Jones

Rt Hon Sir Richard Needham

Clive Richards OBE, DL

Oliver Stocken

Mark Earl

Chief People Officer

Austin Hardie

*Operational Managing Director –
Employability*

Jo Morgan

*Chief Executive Officer – Shaw Education
Trust*

Victoria Blakeman

*Operational Managing Director – Justice,
Community Health & Wellbeing, Charitable
Services and Enterprise*

Andrew Thraves

Managing Director – Optimus Education

Paul Cook

Managing Director – Children’s Services

Trustees

Paul Baldwin * ♦

Stephanie Cutler (appointed 29 July 2019)

Chanelle Grey (appointed 29 July 2019)

Annamarie Hassall (Hiscox) MBE
(appointed 29 July 2019)

Mike Hawker *

Peter Holmes •

Paul McGee (appointed 7 February 2019)

Jeremy Moore CB* •

John Norman ♦

Dr Mike Nussbaum ♦ •

Marie-Claire O’Brien (appointed 1 August
2019)

Sir Kenneth Olisa OBE, Chairman

Christina Patterson (resigned 29 July 2019) ♦

Rebecca Sudworth (resigned 17 April 2019)

•

* Member of the Audit Committee

♦ Member of the HR Committee

• Member of the Performance and Finance
Committee

Company Secretary

Nick Carey (resigned 5 July 2019)

Stephen King (appointed 29 October 2019)

Registered Office

Black Country House, Rounds Green Road,
Oldbury, West Midlands, B69 2DG

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory
Auditors

2 Glass Wharf, Bristol BS2 0RF

Bankers

The Royal Bank of Scotland

9th Floor, 280 Bishopsgate, London EC2M
4RB

Investment Managers

Quilter Cheviot

One Kingsway, London WC2B 6AN

Solicitors

Brabner Chaffe Street Solicitors

55 King Street, Manchester M2 4

Executive Management Team

Chris Luck CB MBE

Group Chief Executive Officer

Jacqui Oughton

Chief Operating Officer

Stephen King

Chief Financial Officer

A Company Limited by Guarantee Registered Number 01744121

Registered Charity Number in England & Wales 287785

Registered Charity Number in Scotland SC039856

The Shaw Trust Limited is a private company limited by guarantee without share capital and incorporated in England.

4. Statement of Trustees' responsibilities

The Trustees (who are also directors of The Shaw Trust Limited for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the 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 Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company 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 charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

4. *Statement of Trustees' responsibilities (continued)*

Disclosure of information to auditors

In so far as the Trustees are aware:

- (a) there is no relevant audit information of which the charitable company's auditor is unaware; and
- (b) the trustees have taken all the steps that they ought to have taken as a trustee in order to make them aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

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

The Trustees confirm that they have complied with the duty in Section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission.

5. Section 172(1) Statement

General confirmation of Trustees and Directors' duties:

The Trust'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.

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

The Directors completely understand the importance of Charity and long term impact of its decision on beneficiaries and communities. The Board has developed proper strategies and process to follow for any decision which can have long term impacts.

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

The Directors recognise that Shaw Trust 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, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

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, governments and commissioners. Shaw Trust seeks the promotion and application of certain general principles in such relationships. The Trust supports the government strategy to support SMEs via doing business with them and paying promptly. The Trust recognises the importance of its supply chain partners to deliver its targets and achieves strategic goals. Certain rules and procedures have been developed to maintain the good relationship with them.

Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged.


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

The Board receives information on these topics to both provide relevant information for specific Board decisions e.g. working from home, green energy and carbon footprint policies.

**5. Section 172(1) Statement
(continued)**

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

The Board periodically reviews and approves clear frameworks to ensure that its high standards are maintained both within its businesses and the business relationships we maintain. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards, help assure its decisions are taken.



Sir Kenneth Olisa, Chairman
26th June, 2020

6. Independent auditors' report to the members and Trustees of The Shaw Trust Limited

Report on the audit of the financial statements

Opinion

In our opinion, The Shaw Trust Limited's group financial statements and parent charitable company financial statements (the financial statements):

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 August 2019 and of the group's and parent charitable company's incoming resources and application of resources, including its income and expenditure, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Trustees Annual Report and Financial statements for the year ended 31 August 2019 (the "Annual Report"), which comprise: the group and company balance sheets as at 31 August 2019; the group statement of financial activities and the group statement of cash flows for the year then ended; the principal accounting policies; and the notes to the financial accounts.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

Report on the audit of the financial statements (Continued)

- 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 and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent charitable company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Trustees' Annual Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Trustees' Annual Report. We have nothing to report in this respect.

Report on the audit of the financial statements (Continued)

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the *Statement of Trustees' responsibilities* set out on page 14, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they 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's and 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 and parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditors under section 44(1) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members and trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and regulations made under those Acts (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Chapter 3 of Part 16 of the Companies Act 2006) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on the audit of the financial statements (Continued)

Other required reporting

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
3rd August 2020

The Shaw Trust Limited Group statement of financial activities

For the year ended 31 August 2019 (including Group income and expenditure account, 2018 total for a period of 17 months)

	Note	Unrestricted Funds	Restricted Funds	Year ended 31 August 2019	17 Months ended 31 August 2018
		£'000	£'000	£'000	£'000
Income and endowments from:					
Donations and Legacies		3,637	52	3,689	298
Charitable activities		128,561	49,629	178,190	237,172
Other Trading Activities	1a	3,899	761	4,660	7,952
Income on investments, interests and dividends		285	-	285	927
Other Income		22	-	22	82
Net assets taken on with mergers and transfers	25	-	21,349	21,349	17,037
Incoming resources including share of joint ventures	1	136,404	71,791	208,195	263,468
Less share of gross incoming resources of joint ventures		-	(1,828)	(1,828)	(3,895)
Group incoming resources		136,404	69,963	206,367	259,573
Expenditure on:					
Raising funds	2	(5,290)	-	(5,290)	(7,086)
Goodwill Impairment	7	(15,859)	-	(15,859)	-
Charitable activities	2	(154,029)	(49,621)	(203,650)	(251,597)
Total resources expended		(175,178)	(49,621)	(224,799)	(258,683)
Net (expenditure) / income		(38,774)	20,342	(18,432)	890
Transfers between funds	18	(62)	62	-	-
Group Net Income		(38,836)	20,404	(18,432)	890
Share of net outgoing resources of joint ventures	9	-	(80)	(80)	196
Net (outgoing)/ incoming resources including joint ventures		(38,836)	20,324	(18,512)	1,086
Net (losses) / gains on Fixed Asset investments	10	(583)	-	(583)	2,679
Actuarial (losses) / gains on defined benefit pension schemes	24	(22,955)	(8,703)	(31,658)	14,554
Other Losses		-	(3)	(3)	(4)
Net movement in funds		(62,374)	11,618	(50,756)	18,316
Fund balances brought forward		39,000	93,837	132,837	114,493
Fund balances carried forward		(23,374)	105,455	82,081	132,809

Group and Company Balance Sheets

as at 31 August 2019

		Group		Company	
	Note	2019	2018	2019	2018
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	7	22,372	49,669	702	1,521
Tangible assets	8	142,824	117,839	3,483	4,155
Investments in subsidiaries	9	-	-	19,355	19,510
Available for sale investments	10	-	17,505	-	17,505
Investments in joint ventures - investment at cost					
<i>Gross assets</i>		1,799	1,866	-	-
<i>Gross liabilities</i>		(736)	(720)	-	-
Net assets	9	1,063	1,146	-	-
Total fixed assets		166,259	186,159	23,540	42,691
Current assets					
Stocks	12	749	524	544	293
Debtors: Due within 1 year	13	26,329	27,238	15,903	7,516
Debtors: Due over 1 year	13	10,613	7,232	-	-
Available for sale investments	10	213	-	213	-
Current asset investments		102	101	102	101
Cash at bank and in hand	15	16,840	21,378	4,956	5,670
Total current assets		54,846	56,473	21,718	13,580
Creditors - amounts falling due within one year	16	(36,425)	(38,699)	(11,700)	(11,186)
Net current assets		18,421	17,774	10,018	2,394
Total assets less current liabilities		184,680	203,933	33,558	45,085
Creditors - amounts falling due after one year	16b	(6,888)	(7,841)	(5,499)	-
Provision for liabilities and charges	17	(2,112)	(2,830)	(2,112)	(2,830)
Net assets before pension liability		175,680	193,262	25,947	42,255
Pension (liability) / surplus	24	(93,599)	(60,453)	14	514
Net assets after pension liability		82,081	132,809	25,961	42,769

Group and company balance sheets (continued)
as at 31 August 2019

	Note	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Funds					
Designated funds	18	1,733	2,462	1,528	2,257
Revaluation reserve	18	-	2,767	-	2,767
General funds	18	35,430	75,796	20,612	33,134
Total unrestricted funds excluding pension liability		37,163	81,025	22,140	38,158
Pension (liability) / surplus		(60,537)	(42,025)	14	514
Total unrestricted funds	18	(23,374)	39,000	22,154	38,672
Restricted funds	19	105,455	93,837	3,807	4,097
Total Funds (including non- controlling interest)		82,081	132,837	25,961	42,769
Non-controlling interest		-	(28)	-	-
Total Funds	20	82,081	132,809	25,961	42,769

The notes on pages 28 to 75 are an integral part of these financial statements. The financial statements on pages 22 to 75 were approved by the board of directors on 26th June 2020 and were signed on its behalf by:



Sir Kenneth Olisa, Chairman

Group statement of cash flows

for the year ended 31 August 2019

	Note	Year ended 31 August 2019 £'000	Year ended 31 August 2019 £'000	17 Months ended 31 August 2018 £'000	17 Months ended 31 August 2018 £'000
Net cash inflow from operating activities	A		(13,766)		1,781
Taxation			-		-
Net cash generated from operating activities			(13,766)		1,781
Cash flow from investing activities					
Capital expenditure and financial investment					
Purchase of tangible assets		(6,204)		(9,690)	
Purchase of intangible assets		(342)		(839)	
Purchase of subsidiaries net of cash acquired		-		(11,632)	
Cash inflow on conversion of academies and business combinations		262		2,151	
Net sales of investments		16,708		15,560	
Investment income received		285		927	
Net cash outflow from capital expenditure and financial investment			10,710		(3,523)
Total Net cash used in investing activities			(3,056)		(1,742)
Cash flow from financing activities					
Interest and charges paid		(1,481)		(916)	
Net cash used in financing activities			(1,481)		(916)
Net Decrease in cash and cash equivalents	B		(4,537)		(2,658)
Cash and cash equivalents at the beginning of the period at 1 September 2018 / 1 April 2017			21,479		24,129
Exchange gains on cash and cash equivalents	B		-		8
Cash and cash equivalents at 31 August 2019	C		16,942		21,479

Group consolidated statement of cash flows (continued)
for the year ended 31 August 2019

a) Reconciliation of net (outgoing) / incoming resources before other recognised gains to net cash inflow from operating activities

	Year ended 31 August 2019	17 Months ended 31 August 2018
	£'000	£'000
Net (Outgoing)/ incoming resources before other recognised gains	(18,512)	891
Donation of net assets arising on acquisition	(21,349)	(17,037)
Pensions - adjustment to net incoming resources	(2,387)	4,147
Investment income received	(285)	(927)
Bank charges and interest paid	1,481	916
Depreciation and fixed asset write offs	5,151	6,945
Amortisation of goodwill	11,533	8,051
Impairment of goodwill	15,859	-
Net loss on write off/disposal of fixed assets	1,275	223
Increase in stock	(225)	(141)
Increase / (decrease) in debtors	(2,472)	(1,525)
Decrease in value of joint ventures	111	-
(Decrease)/Increase in creditors	(8,221)	4,758
Increase / (decrease) in deferred income	4,993	(3,823)
Decrease in provisions for liabilities and charges	(718)	(697)
Net cash (outflow) / inflow from operating activities	(13,766)	1,781

Group consolidated statement of cash flows (continued)
for the year ended 31 August 2019

b) Reconciliation of net cash flow to movement in net funds

	2018	Cash Flow	2019
	£'000	£'000	£'000
Cash held on behalf of third parties	106	(106)	-
Cash pledged as security for guarantee	250	-	250
Unrestricted cash at bank and in hand	21,123	(4,431)	16,692
Total cash at bank and in hand	21,479	(4,537)	16,942

c) Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents consists of:				
Cash at bank and in hand	16,840	21,378	4,956	5,670
Short term deposits	102	101	102	101
Total cash at bank and in hand	16,942	21,479	5,058	5,771

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets and fixed asset investments.

Basis of consolidation

The consolidated financial statements include the activities of the Trust and its joint ventures and subsidiary undertakings (note 9) made up to 31 August 2019. Intra Group transactions and profits are eliminated on consolidation. The results, assets and liabilities of the subsidiary undertakings are combined with those of the Trust in the results of the Group on a line by line basis.

Joint ventures are accounted for under the equity method of accounting. In the prior period a decision was taken to align the accounting periods of all companies within the Shaw Trust group. This has resulted in the 2017-18 accounting period covering a total of 17 months (from 1st April 2017 to 31st August 2018) in comparison to the current year of 12 months ending 31 August 2019. The reporting dates for Integracja and Motivation Romania are 31 December.

FRS 102 Exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's Trustees.

The Company has taken advantage of the following exemptions:

- a) from preparing a company statement of cash flows, on the basis that it is a qualifying entity and the consolidated group statement of cash flows, included in these financial statements, includes the company cash flows; and
- b) from preparing a company Statement of Financial Activities (SOFA), on the basis that it is a qualifying entity and the consolidated SOFA, included in these financial statements, includes the company SOFA.

Functional currency

The group financial statements are presented in pound sterling and rounded to thousands. The company's functional and presentation currency is the pound sterling.

Principal accounting policies

The financial statements of the charity, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounting in accordance with the Financial reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 and the Companies Act 2006.

Principal accounting policies (continued)

A summary of the significant accounting policies, which have been applied on a consistent basis, is set out below.

Incoming Resources

All incoming resources are recognised in the Statement of Financial Activities when there is an entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Deferred income

Where income is received for a specific period and that period straddles the Trust's year end, the appropriate portion of income is carried forward to the following year.

Donations and other voluntary income

All donations and other voluntary income are included in the Statement of Financial Activities and accounted for according to the date of receipt.

Sales and trading activities

Income from the Retail trading division (charity shops) and sales made as part of the Trust's other trading operations are recognised on point of sale for both donated and purchased goods.

Donated services from volunteers

Donated services from our volunteers are not included within the financial statements.

The services of volunteers are critical to the Trust, particularly in relation to the operation of our retail shops. These ventures would not be able to continue without the support and time given by our network of volunteers.

Donated goods for resale

The charity receives donated goods for resale in its network of charity shops which it recognises at point of sale as the Trustees consider it to be impractical to recognise such gifts on receipt due to the large number of small value items received.

Grants / fees

All revenue grants and fees receivable principally from the Department of Work and Pensions, other Government agencies and local authorities relating to the period are included in the Statement of Financial Activities. All grants that relate to specific capital expenditure are disclosed as income in the year in which they are receivable and disclosed as restricted funds.

Resources expended

All expenditure is included on an accruals basis and is recognised when:

- there is a legal or constructive obligation to pay at the reporting date as a result of a past event;
- it is more likely than not that a transfer of economic benefit, often cash, will be required in settlement; and
- when the amount of the obligation can be measured or estimated reliably.

Principal accounting policies (continued)

Costs have been attributed to one of the functional categories of resources expended in the Statement of Financial Activities:

- a) costs of raising funds are costs incurred in seeking voluntary contributions; operating charity shops and investment management costs;
- b) charitable activity expenditure relates to the costs of running and supporting the Trust's various charitable activities for furthering its charitable aims for the benefit of its beneficiaries; and
- c) 'other' relates to costs incurred that are neither related to raising funds and nor part of the Trust's expenditure on its charitable activities.

Apportionment of costs

Costs have been allocated directly to a business heading wherever possible using relevant cost drivers for each support cost department. Support costs that have not been directly allocated to a business heading in this way have been attributed to a business heading based on the results of an activity based costing exercise undertaken for the organisation as a whole.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Irrecoverable VAT

Any irrecoverable VAT is charged to the Statement of Financial Activities or capitalised as part of the cost of the related asset, where appropriate.

Tangible fixed assets and depreciation

Tangible fixed assets, excluding freehold and long leasehold properties, are stated at cost less depreciation. Freehold and long leasehold properties, other than at Shaw Education Trust, are revalued every five years with an interim valuation if there has been material change.

Land and buildings transferred as part of the Academies programme to Shaw Education Trust are reflected within freehold or long leasehold fixed assets at the point of transfer. They are recorded at valuation at the point of transfer and are depreciated from that date.

Where freehold land and buildings are purchased for use by specific services, the difference between the cost and estimated residual value is depreciated on a straight line basis over the service contract's life.

Revalued long leasehold properties are amortised over the remaining life of the lease. Short leasehold improvements and charity shop fixed assets are depreciated over a period up to the first break clause on individual leases, or over five years if sooner. Assets under construction are not depreciated until they are completed and brought into use.

Principal accounting policies (continued)

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual values, on a straight-line basis over their expected useful economic life as follows:

- freehold buildings 2% (or over the lifetime of the contract if more appropriate);
- long leasehold buildings 2% (or length of lease if shorter than 50 years);
- fixtures and fittings 20% (or more if first break clause of lease is within 5 years);
- equipment and vehicles 20%;
- computer equipment 25%;
- software 25% (or over the lifetime of the contract if more appropriate)

Assets costing less than £3,000 are not capitalised.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in Intangible assets. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life.

During 2017/18 Shaw Trust acquired Ixion Holdings (Contracts) Ltd and Prospects Group 2011 Limited and the intangible fixed assets include goodwill arising on the purchase. In determining the period of amortisation, management considered the length of the current contracts, the performance of the business and the likelihood of securing additional future business and concluded that five years was a reasonable time over which to amortise the goodwill arising on these acquisitions.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Principal accounting policies (continued)

Available for sale investments

Available for sale investments are investments held in listed companies, government and corporate bonds and other investments. These investments are stated at mid-price market value at the period-end.

Investments that have been liquidated are treated as short term and shown within current assets.

Unrealised gains / (losses) are derived from the movement in market value during the year and are recorded in the Statement of Financial Activities.

Donated fixed assets

All donated fixed assets are included in the financial statements at a reasonable estimate of their market value at the date of receipt.

Investments

Investments are carried at 'fair value' and therefore stated at market value as at the balance sheet date. Changes in fair value are recognised in the income and expenditure section of the Statement of Financial Activities.

Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Current asset investments

Current asset investments comprise cash held on term deposits with qualifying financial institutions.

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of Financial Instruments.

Financial Assets: Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities: Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Stocks

Stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Designated funds

Reserves which relate to specific fixed assets are held as designated funds.

Principal accounting policies (continued)

Revaluation reserve

The difference between the market value and the historic cost of revalued, unrestricted, fixed assets, including available for sale investments, is accounted for within the revaluation reserve, along with the difference between the market value and historical cost of fixed asset investments.

Unrestricted funds

Unrestricted funds comprise accumulated surpluses and deficits on general funds. They are available for use at the discretion of the Trustees in furtherance of the objectives of the Trust.

Restricted funds

These are funds where the purpose for which they can be used has been specifically restricted by the donor, contractual agreement or the law. The amounts in the funds represent the monies still remaining for future expenditure or funds represented by fixed assets.

Provisions

Provisions are recognised when the Trust has a legal or constructive financial obligation that can be reliably estimated and for which there is an expectation that payment will be made.

Pension costs

The Trust operates insured defined contribution pensions for eligible employees. All applicable pension costs are charged in the Statement of Financial Activities as incurred. In addition to the core Shaw Trust defined contribution pension scheme, the Trust operates a number of defined benefit pension arrangements, which are detailed in note 24 to the Financial Statements.

All defined benefit schemes are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being agreed by the actuary. In the intervening years the actuary reviews the continuing appropriateness of these rates.

The costs to the Trust of funding the schemes are accounted for in accordance with FRS 102. The contributions paid by the Trust to the defined contribution schemes are charged as resources expended in the year in which they are payable, in accordance with the rules on accounting for defined contribution pension schemes as set out in FRS 102.

Related party transactions

The Shaw Trust Limited is the parent company within a group that prepares consolidated financial statements. The company has taken advantage of the exemption from disclosing transactions with Group entities under the terms of FRS 102.

Foreign exchange transactions

Foreign currency transactions are recorded at the spot rate at the transaction date.

Principal accounting policies (continued)

Foreign currency translation

The assets and liabilities of the Trust's joint ventures and subsidiaries are translated into sterling at the rates ruling at the balance sheet date. The revenue and expenses of those companies are translated into sterling at the average rate during the year and gains or losses arising on translation are dealt with through the Statement of Financial Activities.

Tax and deferred tax

Current tax arising in non-charitable subsidiaries is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probably that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and law that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies

Assessing whether the Group controls SET requires judgement. SET is a wholly owned subsidiary of Shaw Trust Group, and has the power to set the annual budget and financial plan, appointing, removing and setting the remuneration of senior executives, and setting operating procedures and responsibilities. The Group considers that these powers demonstrate that the Group controls SET.

In addition Trustees have assessed the value of goodwill in the balance sheet and assessed the need for an impairment review. There is a significant judgement to establish the individual CGUs for the purpose of impairment and to establish a methodology for the allocation of Goodwill to each CGU. In the case of the Prospects group we determined the CGUs to be the individual trading businesses as the cash flows, assets and liabilities of these businesses are separately identifiable

Critical accounting judgements and estimation uncertainty (continued)

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carry amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of intangible assets and goodwill (note 7)

The Group considers whether intangible assets and goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. Where it indicates that the Net Present Value of the CGU is lower than its value shown in the accounts an impairment is taken. In the year ended 31 August 2019 this amounted to an additional write-down in goodwill of £15.8m.

(ii) Provisions (note 17)

Provision is made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management judgement.

(iii) Defined benefit pension scheme (note 24)

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuation and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Notes to the financial accounts

1. Total incoming resources / material funders

The total income of the Trust, including income derived from international joint ventures, comprises:

	Unrestricted funds	Restricted funds	Year ended 31 August 2019	17 Months ended 31 August 2018
	£'000	£'000	£'000	£'000
Incoming resources from generated funds				
Donation of net assets arising on mergers	-	21,349	21,349	17,037
Donations and Legacies	3,637	52	3,689	298
Other Trading Activities (Note 1a)	3,899	761	4,660	7,952
Income on investments, interests and dividends	285	-	285	927
Other Income	22	-	22	82
Incoming resources from generated funds	7,843	22,162	30,005	26,296
Incoming resources from charitable activities				
Contract delivery, social enterprises and other charitable activities	128,561	47,801	176,362	233,277
Joint Ventures	-	1,828	1,828	3,895
Incoming resources from charitable activities	128,561	49,629	178,190	237,172
Total	136,404	71,791	208,195	263,468

The Trustees consider material funders to be those contributing over 10% of income.

Material funders are The Department of Work and Pensions (DWP) from which a total of £21.3million (2018: £55.4 million) was earned, and the Department of Education (DfE) and Education and Skills Funding Agency (ESFA), who contributed a total of £42.9m (2018: £29.4m).

The fair value of net assets acquired from business combinations are treated as a donation (see note 26).

Notes to the financial accounts (continued)

1. Total incoming resources / material funders (continued)

The results of the Shaw Trust Limited, as required to be disclosed by paragraph 397 of the Charity SORP, are:

	£'000	£'000
Total income	39,830	94,243
Net outgoing (incoming) resources	18,251	(109)

1a. Other Trading Activities

	£'000	£'000
Income from Charity Shops	4,660	6,345
Other Trading	-	1,400
Subscriptions	-	207
	4,660	7,952

2. Analysis of total resources expended

	2019 Total	2018 Total (17 Months)
	£'000	£'000
Raw Materials and Consumables	8,126	15,100
Staff Costs	121,203	132,802
Other Operating Costs	64,010	92,611
Depreciation	6,246	6,042
Amortisation and Impairment of Goodwill	27,037	9,433
Finance Charges	1,481	916
Sub total	228,103	256,904
Tax	(3,304)	1,778
Total	224,799	258,682

Notes to the financial accounts (continued)

2. Analysis of total resources expended (continued)

	Activities undertaken directly	Support costs not directly allocated	2019 Total	2018 Unrestricted funds	2018 Restricted funds	2018 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Raising Funds						
Fundraising	62	-	62	8	-	8
Charity shops	5,226	-	5,226	6,940	-	6,940
Investment management fees	2	-	2	138	-	138
Total cost of Raising Funds	5,290	-	5,290	7,086	-	7,086
Charitable Activities						
Impairment of goodwill	15,859	-	15,859	-	-	-
Contract delivery, social enterprises & other charitable activities	201,665	1,665	203,330	248,066	2,458	250,524
Usage of fundraising funds	320	-	320	1,072	-	1,072
Total Cost of Charitable Activities	217,844	1,665	219,509	249,138	2,458	251,596
Total Resources Expended	223,134	1,665	224,799	256,224	2,458	258,682

Support costs not directly allocated comprise the following:

Support costs	£'000	£'000
Management	742	1,257
Corporate Governance	227	281
Finance	41	57
Information Technology	447	675
Human Resources	115	168
Communications and Marketing	93	20
Support costs not directly allocated	1,665	2,458

Notes to the financial accounts (continued)

3. Finance costs

	Year ended 31 August 2019 £'000	17 months ended 31 August 2018 £'000
Bank charges, interest and other finance costs (note 2)	1,481	916
Net finance return on defined benefit pension scheme (note 24)	1,714	2,996
Total	3,195	3,912

These charges has been reported in Statement of Financial Activities under Charitable Activities.

4. Net incoming resources

	Year ended 31 August 2019 £'000	17 months ended 31 August 2018 £'000
The net incoming resources are stated after charging:		
Depreciation charge for the year on tangible owned assets	5,155	5,564
Amortisation charge for the year on intangible owned assets	11,533	9,432
Goodwill Impairment Charge	15,859	-
Auditors' remuneration: audit services		
- Parent Company and consolidated financial services	90	62
- Audit of the company's subsidiaries	173	137
Auditors' remuneration: other services		
- services relating to taxation	44	73
- all other services	22	313
Operating leases:		
- others	196	211
- property	2,051	3,624
Net loss on write off / disposal of tangible fixed assets	1,275	223

Notes to the financial accounts (continued)

5. Employees

The average monthly number of persons employed by the group during the year was:

	Year ended 31 August 2019	17 months ended 31 August 2018
	Full Time Equivalent Number	Full Time Equivalent Number
Charitable purposes	3,523	3,475
Retail	84	81
Total	3,607	3,556

Employee costs for the above persons during the year were:

	Year ended 31 August 2019	17 months ended 31 August 2018
	£'000	£'000
Wages and salaries	102,500	107,626
Social security costs	9,318	9,657
Other pension costs (note 24)	9,461	9,230
Total	121,279	126,513

Notes to the financial accounts (continued)

5. Employees (continued)

The total emoluments of employees earning more than £60,000 fall within the following bandings:

	2019 Total Emoluments	2018 Total Emoluments (restated)	2019 Total Emoluments excl. severance payments	2018 Total Emoluments excl. severance payments (restated)
	Number	Number	Number	Number
£60,001 - £70,000	53	45	53	45
£70,001 - £80,000	20	21	20	20
£80,001 - £90,000	10	9	10	9
£90,001 - £100,000	8	8	8	8
£100,001 - £110,000	1	4	1	4
£110,001 - £120,000	5	5	4	5
£120,001 - £130,000	4	4	4	4
£130,000 - £140,000	4	1	4	-
£140,001 - £150,000	-	1	-	1
£150,001 - £160,000	-	1	-	1
£160,001 - £170,000	3	1	3	1
£170,001 - £180,000	1	1	1	1
£220,001 - £230,000	-	1	-	1
£240,001 - £250,000	1	1	1	1
£250,001 - £260,000	1	1	1	1
	111	104	110	102

The total pension contributions in respect of the above staff, all of which were made to defined contribution schemes, were £828,317 (2018: £409,603).

The number of staff paid in excess of £60,000 for the prior year have been restated because the final salary range in terms of number of staff, was not included last year. Also, last year that final band was shown as £350,001 - £360,000, whereas it should have been shown as £250,001 - £260,000. Total emoluments of employees include, where applicable, salary, bonuses, benefits-in-kind, car allowance, payments in lieu of notice and redundancy. Total payments in lieu of notice and redundancy made to those employees who earned more than £60,000 during the year was £117,257 (2018: £76,626).

Notes to the financial accounts (continued)

6. Trustees' and senior executives' remuneration

- a) During 2019 and 2018, no Trustee received any emoluments from the Trust. Incidental travelling costs of £8,084 (2018: £9,638) were reimbursed, or paid on behalf of 9 (2018: 9) Trustees by the Trust.
- b) The 'directorships' outlined on page 13 of these financial statements in respect of senior executives are nominal titles and accordingly no disclosure of 'directors' emoluments are included in these financial statements.
- c) Included within the support costs is the amount of £10,000 (2018: £10,500) in respect of indemnity insurance which protects the Trust, up to an agreed limit, against loss arising from defaults of or neglect by its Trustees and officers.
- d) The Key Management Personnel of the Group comprise the Trustees and the Executive Management Team as listed on page 13. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Group was £1,661,613 (2018: £2,520,925) for the year (2018: 17 month period).

Notes to the financial accounts (continued)

7. Intangible Assets

Group	Goodwill	Computer software	Total
	£'000	£'000	£'000
Cost			
At 1 September 2018	56,458	9,179	65,637
Additions	120	222	342
Transfers	-	(19)	(19)
Disposals	(3)	(1,351)	(1,354)
At 31 August 2019	56,575	8,031	64,606
Accumulated Amortisation			
At 1 September 2018	(8,361)	(7,607)	(15,968)
Charge for the year	(10,673)	(860)	(11,533)
Impairment	(15,859)	-	(15,859)
On disposals	-	1,126	1,126
At 31 August 2019	(34,893)	(7,341)	(42,234)
Net book value			
At 31 August 2019	21,682	690	22,372
At 1 September 2018	48,097	1,573	49,669

The goodwill arose on the acquisition of the majority interest in CDG-WISE Ability Limited in 2016 and the 100% interest in Ixion Holdings (Contracts) Ltd and Prospects Group 2011 Limited on 30 May 2017 and 30 November 2017 respectively (see note 26).

The Prospects group was acquired for £17.4m. Net liabilities at acquisition were £30.7m resulting in a goodwill balance on acquisition of £48.1m being recognised in the group financial statement on consolidation. This was being amortised over 5 years such that the remaining goodwill balance at 31 August 2019 was £31.3m. In line with accounting policies a goodwill impairment review was undertaken for the year ending 31 August and as a result an additional impairment charge of £15.8m was taken. This predominantly reflected that the performance of Prospects Group subsequent to the acquisition was not as anticipated.

Notes to the financial accounts (continued)

7. Intangible Assets (continued)

Amortisation will occur in line with Shaw Trust accounting policies commencing on the date of acquisition with adjustments to reflect ongoing valuations of the investments.

Company	Computer software	Total
	£'000	£'000
Cost		
At 1 September 2018	9,108	9,108
Additions	176	176
Transfers	(19)	(19)
Disposals	(1,351)	(1,351)
At 31 August 2019	7,914	7,914
Accumulated Amortisation		
At 1 September 2018	(7,587)	(7,587)
Charge for the year	(751)	(751)
Disposals	1,126	1,126
At 31 August 2019	(7,212)	(7,212)
Net book value		
At 31 August 2019	702	702
At 1 September 2018	1,521	1,521

Notes to the financial accounts (continued)

8. Tangible Assets

Group	Freehold land and buildings	Long leasehold property	Assets under construction	Equipment and vehicles	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 September 2018	49,203	64,623	5,378	2,440	10,201	131,845
Acquisitions	-	24,961	-	-	-	24,961
Additions	122	972	3,567	567	975	6,203
Transfers	-	6,114	(6,095)	44	-	63
Disposals	(426)	-	-	(542)	(3,022)	(3,990)
At 31 August 2019	48,899	96,670	2,850	2,509	8,154	159,082
Accumulated depreciation						
At 1 September 2018	(2,417)	(3,831)	-	(1,005)	(6,753)	(14,006)
Charge for the year	(762)	(2,575)	-	(755)	(1,063)	(5,155)
Transfers	-	-	-	(40)	-	(40)
Disposals	-	-	-	430	2,513	2,943
At 31 August 2019	(3,179)	(6,406)	-	(1,370)	(5,303)	(16,258)
At 31 August 2019	45,720	90,264	2,850	1,139	2,851	142,824
At 1 September 2018	46,786	60,792	5,378	1,435	3,448	117,839
Company						
	Freehold land and buildings	Long leasehold property	Assets under construction	Equipment and vehicles	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 September 2018	280	3,364	-	976	7,819	12,439
Additions	-	-	205	4	315	524
Transfers	-	-	19	-	-	19
Disposals	-	-	-	(388)	(2,944)	(3,332)
At 31 August 2019	280	3,364	224	592	5,190	9,650
Accumulated depreciation						
At 1 September 2018	(65)	(1,357)	-	(894)	(5,968)	(8,284)
Charge for the year	(8)	(52)	-	(36)	(603)	(699)
Disposals	-	-	-	382	2,434	2,816
At 31 August 2019	(73)	(1,409)	-	(548)	(4,137)	(6,167)
Net book value						
At 31 August 2019	207	1,955	224	44	1,052	3,483
At 1 September 2018	215	2,007	-	82	1,851	4,155

Notes to the financial accounts (continued)

8. Tangible Assets (continued)

Land and buildings transferred to Shaw Education Trust (SET) as part of the Academies programme are reflected within freehold or long leasehold fixed assets at the point of transfer.

The land and buildings transferred as part of the Academies programme are subject to the provisions of the individual academy funding agreements and the master funding agreement.

These provisions may include preventing the company from selling the land and buildings. Upon termination of a funding agreement, whether as a result of the Secretary of State for Education or the SET serving notice, the assets relating to that agreement will return to the Secretary of State.

The value of the land and buildings to which these Academy agreements apply is £124,569,000.

The value of the transferred assets has been recognised in the Statement of Financial Activities as Net assets taken on with mergers and transfers.

The net book value of the company and group tangible assets includes an amount of £1,155,263 (2018: £1,179,812) in respect of assets principally financed by capital grants through The Big Lottery Fund and the European Regional Development Fund.

9. Investments in Subsidiary Undertakings and Joint Ventures

Company interests in group undertakings

	2019
	£'000
At 1 September 2018	19,955
At 31 August 2019	19,955
<hr/>	
Amortisation	
At 1 September 2018	(445)
Charge for the year	(134)
Impairment	(21)
At 31 August 2019	(600)
<hr/>	
Net book value	
At 31 August 2019	19,355
At 1 September 2018	19,510

Notes to the financial accounts (continued)

9. Investments in Subsidiary Undertakings and Joint Ventures (continued)

On 28 November 2014 the Trust acquired a further 40% of the shares in CDG – WISE Ability Limited for £600,000, taking the Trust's shareholding to 90%. The investment was amortised over a period of four and a half years. The Work Choice contract for which CDG – WISE Ability was established came to an end in 2019 resulting in the remainder of the investment being impaired.

On 30 May 2017 the Trust acquired 100% of the shares in Ixion Holdings (Contracts) Ltd.

On 30 November 2017 the Trust acquired 100% of the shares in Prospects Group 2011 Limited.

The Trust has the following wholly owned subsidiaries and joint ventures. All subsidiaries, other than those that are dormant, are included in the consolidated financial statements.

Name of subsidiary	Company Number	Charity Number	Country of incorporation	Percentage of control	Nature of business
Shaw Trust International Partnerships Limited	5859747		England and Wales	100%	Dormant
Disabled Living Foundation	1837993		England and Wales	100%	Dormant
Careers Development Group	1647371		England and Wales	100%	Dormant
Shaw Trust Services Limited	3176328		England and Wales	100%	Dormant
Shaw Trust Enterprises Limited	2521307		England and Wales	100%	Dormant
Shaw Southern Australia Limited	ABN 41 075 242 027		Australia	100%	Dormant
Forth Sector	SC124791	SC016414	Scotland	100%	Charity
Prospects Group 2011 Ltd	7708678		England and Wales	100%	Company Limited by Shares
Ixion Holdings (Contract) Ltd	6886337		England and Wales	100%	Company Limited by Guarantee
CDG-WISE Ability Limited	7033535		England and Wales	90%	Company Limited by Guarantee
Shaw Education Trust	9067175	Exempt Charity	England and Wales	100%	Charity

The registered address for all of the above subsidiaries (with the exception of the Shaw Education Trust and Forth Sector) is Black Country House, Rounds Green Road, Oldbury, West Midlands, B69 2DG.

The registered address for Shaw Education Trust is The Lodge, Wolstanton High, Milehouse Lane, Newcastle under Lyme, Staffs, ST5 9JU.

Notes to the financial accounts (continued)

9. Investments in Subsidiary Undertakings and Joint Ventures (continued)

The registered address for Forth Sector is Duddingston Yards, Edinburgh EH15 3NT.

Joint Ventures

Name of joint venture	Company Number	Country of incorporation	Percentage of control	Nature of business
The Integracja Foundation	KRS: 0000144578	Poland	50%	Charity
	Fiscal Registration Code (CIF): 7081193			
Motivation Romania Foundation	Register of Associations and Foundations: 36/2003	Romania	50%	Charity
STAR	10086962	England and Wales	50%	Private Limited Company

The registered address for The Integracja Foundation is ul. Andersa 13, 00-159 Warszawa, Poland.

The registered address for Motivation Romania Foundation is Str. Podisor nr.1, Buda, Com. Cornetu, Ilfov County, Romania.

The registered address for STAR is Halford House, 2nd Floor, Coval Lane, Chelmsford, Essex, England CM1 1TD.

	Motivation Romania Foundation		Intergracja Foundation		STAR		Total	
Shaw Trust share of:	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total assets	1,694	1,737	105	129	0	0	1,799	1,866
Total liabilities	(696)	(672)	(40)	(48)	0	0	(736)	(720)
Net assets	998	1,065	65	81	0	0	1,063	1,146
Gross incoming resources	1,753	3,537	75	343	0	0	1,828	3,881
Net surplus of income over expenditure	(67)	179	(13)	2	0	15	(80)	196

The investments in the joint ventures are stated at the net of the group's interest in the gross assets and gross liabilities of the joint ventures.

Both Motivation Romania Foundation and The Integracja Foundation, prepare their annual financial statements to 31 December each year.

Notes to the financial accounts (continued)

9. Investments in Subsidiary Undertakings and Joint Ventures (continued)

For the purposes of accounting for the joint venture in the Trust's group financial statements, the group adjusted the audited annual statements for the transactions recognised in the unaudited management accounts for both joint venture companies for the nine months ended 31 August 2019 and the 12 months ended 31 August 2019.

10. Available for sale investments

As a part of the Trust's investment policy, a portion of funds available for investment is held in a broad range of UK and overseas listed equities, Government and corporate bonds and alternative investments, in order to generate capital growth without exposure to undue risk. These funds were held for the medium-term and as a result, and in accordance with accounting guidance, these investments were classified as fixed assets.

The majority of these investments were liquidated and sold during the year. At the balance sheet date, these investments are held in the following classes:

Group and company	2019	2018
	£'000	£'000
Investments listed on a UK recognised stock exchange, or valued by reference to one	-	5,241
Investments listed on a non-UK recognised stock exchange, or valued by reference to one	-	6,819
UK Government and Corporate Bonds	-	2,116
Other investments (including those transferred from DLF)	213	3,215
Cash and settlements pending (shown as cash as at 31 August 2019)	-	114
At 31 August 2019	213	17,505

No individual investment represents more than 5% of the total market value of investments held by the charity

Notes to the financial accounts (continued)

10. Available for sale investments (continued)

The movement on the value of the investments during the year is as follows:

	2019	2018
	£'000	£'000
At 1 September 2019	17,505	30,386
Additions to investments at cost	7,159	9,792
Disposals at carrying value	(23,868)	(25,352)
Loss on disposal of assets	(585)	-
Net gain on revaluation	2	2,679
At 31 August 2019	213	17,505

The cost of investments is £211,145 (2018: £14,588,704). The Trustees believe the carrying value of the investments is supported by their underlying net assets.

Notes to the financial accounts (continued)

11. Palmer Gardens

The Shaw Trust Limited is the corporate trustee of Palmer Gardens, which is a charitable trust, first registered as a charity on 25 March 1977 under number 273092. Under a Scheme dated 21 August 2008 a uniting direction was passed combining The Shaw Trust Limited and Palmer Gardens for accounting purposes. Consequently, the trading results, assets and liabilities of Palmer Gardens are accounted for within the restricted funds of The Shaw Trust Limited. The financial results of Palmer Gardens are shown below.

As at 31 August 2019, Palmer Gardens has a Revenue Fund of £Nil (2018: £Nil) and a Capital Fund of £566,000 (2018: £587,000). The income and expenditure account for the Revenue Fund is set out below:

Revenue Fund	2019	2018
	£'000	£'000
Turnover	761	1,023
Cost of sales	(329)	(516)
Gross Profit	432	507
Selling and distribution	(340)	(440)
Administration	(74)	(99)
Finance	1	-
Operating surplus	19	(32)
Support costs	(80)	(106)
Depreciation	(21)	(33)
Net deficit	(82)	(171)
Palmer Gardens Revenue Fund brought forward		
Transfer from capital fund	21	33
Donation from Shaw Trust to Palmer Gardens	61	138
Balance of restricted revenue reserve (see note 19)	-	-

Notes to the financial accounts (continued)

11. Palmer Gardens (continued)

The assets and liabilities for the Capital Fund are set out below:

Capital Fund	2019	2018
	£'000	£'000
Fixed assets		
Palmer Gardens	566	587
Analysis of net assets:		
Current assets – stock	130	130
Current liabilities - creditors Shaw Trust	(130)	(130)
Net current assets	-	-
Total assets less current liabilities	566	587
Funds		
Restricted capital funds	566	587
Total (see note 19)	566	587

12. Stocks

Finished goods	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Plants, shrubs and nursery	575	173	370	138
Shop stock	132	105	132	105
Laundry stock	-	196	-	-
Other	42	50	42	50
Total	749	524	544	293

13. Debtors

Amounts falling due within 1 year:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	14,203	16,092	4,477	4,710
Amounts due from group undertakings	-	-	8,906	0
Deferred tax asset	325	309	0	0
Other debtors	3,856	6,061	408	452
Prepayments and accrued income	7,945	4,776	2,112	2,354
Total	26,329	27,238	15,903	7,516

Notes to the financial accounts (continued)

13. Debtors (continued)

Amounts falling due after 1 year:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred tax asset	10,613	7,232	0	0

14. Deferred Taxation

	2019 £'000	2018 £'000
Accelerated capital allowances	253	248
Other timing differences	10,685	7,293
	10,938	7,541

Analysed as:

Amount due within one year	325	309
Amount due after more than one year	10,613	7,232
	10,938	7,541

Movement in year

Opening balance	7,541	-
Changes in deferred tax	3,304	7,541
Prior year adjustment	93	-
Closing balance	10,938	7,541

The amount of the net reversal of deferred tax expected to occur next year is £nil, relating to the reversal of existing timing differences on tangible fixed assets and the origination of new timing differences on intangible fixed assets.

The group have no recognised deferred tax assets (2018: £nil).

15. Cash at bank and in hand

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash at bank and in hand	16,840	21,272	4,956	5,564
Cash held on behalf of third parties (note 16)	-	106	-	106
Total	16,840	21,378	4,956	5,670

Notes to the financial accounts (continued)

15. Cash at bank and in hand (continued)

Cash at bank and in hand includes £250,000 that has been pledged as security against a guarantee provided by the Trust's bankers to Doncaster Borough Council in respect of the Trust's obligations to the South Yorkshire Pension Scheme.

16. Creditors: amounts falling due within one year

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade creditors	3,308	5,058	749	886
Taxation and social security	909	1,518	1,226	706
Other creditors	14,914	18,113	-	-
Loans	174	397	-	-
Accruals	8,103	9,455	5,098	6,588
Non-controlling interest	-	28	-	-
Monies held on behalf of third parties	-	106	-	106
Deferred income (see below)	9,017	4,024	4,627	2,900
Total	36,425	38,699	11,700	11,186

Deferred Income

Group	2019 £'000	2018 £'000
At 1 September 2018	4,024	201
Amount received in year	10,263	6,260
Amount released from previous years	(5,270)	(2,437)
Movement in the year	4,993	3,823
At 31 August 2019	9,017	4,024

Company	2019 £'000	2018 £'000
At 1 September 2018	2,901	201
Amount received in year	5,854	4,555
Amount released from previous years	(4,128)	(1,856)
Movement in the year	1,726	2,699
At 31 August 2019	4,627	2,900

Notes to the financial accounts (continued)

16b. Creditors: amounts falling due after one year

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due after one year:				
Loans and Borrowings	6,888	7,841	5,499	-
Total	6,888	7,841	5,499	-

Loans include a bank loan amounting to £5,498,942 which is secured by a fixed charge on all Shaw Trust Group Assets.

Interest accrues at a variable margin ranging between 2.25% and 3.25% over LIBOR and is payable over periods ranging between 1 month and 6 months, or any other period agreed between the company and the lender.

Transaction costs in respect of the refinancing are recognised as part of the interest expense, amortised over the term of the bank loan.

Borrowings by Forth Sector amounting to £1.357m are secured by floating charges and standard securities over the assets of that company.

17. Provision for liabilities and charges

Group	Dilapidations	Contract Risk	Total
	£'000	£'000	£'000
At 1 September 2018	880	1,950	2,730
Transfers	-	-	-
Utilised during the year	(718)	-	(718)
At 31 August 2019	162	1,950	2,112

Company	Dilapidations	Contract Risk	Total
	£'000	£'000	£'000
At 1 September 2018	880	1,950	2,830
Transfers	-	-	-
Utilised during the year	(718)	-	(718)
At 31 August 2019	162	1,950	2,112

Notes to the financial accounts (continued)

17. Provision for liabilities and charges (continued)

The dilapidations provision relates to the costs that the Trust will incur in reinstating its leased properties to original condition, accrued over the length of the lease. Last year provision was utilised for Work Choice and Work Programme offices. Changes in contracts and reduction in number of delivery sites mean that Shaw Trust does not need higher Dilapidations provision.

The contract risk provision relates to work undertaken to enhance procedures and compliance within the Trust's historical contracts and as a result the Trustees have made a contract risk provision to cover possible rectification costs that might arise from short-comings in the record keeping on those contracts.

18. Unrestricted funds

Group	Movement in Funds				At 31 August 2019 £'000
	At 1 September 2018 £'000	Incoming £'000	(Outgoing) £'000	Transfer £'000	
Designated funds:					
Fixed assets fund	2,462	544	(1,273)	-	1,733
Total designated funds	2,462	544	(1,273)	-	1,733
Revaluation reserve	2,767	-	(2,767)	-	-
General funds	75,796	135,860	(176,164)	(62)	35,430
Total unrestricted funds before pension surplus / (deficit)	81,025	136,404	(180,204)	(62)	37,163
Pension deficit	(42,025)	-	(18,512)	-	(60,537)
Total unrestricted funds	39,000	136,404	(198,716)	(62)	(23,374)

Company	Movement in Funds				At 31 August 2019 £'000
	At 1 September 2018 £'000	Incoming £'000	(Outgoing) £'000	Transfer £'000	
Designated funds:					
Fixed assets fund	2,257	544	(1,273)	-	1,528
Total designated funds	2,257	544	(1,273)	-	1,528
Revaluation reserve	2,767	-	(2,767)	-	-
General funds	33,134	41,000	(53,460)	(62)	20,612
Total unrestricted funds before pension surplus / (deficit)	38,158	41,544	(57,500)	(62)	22,140
Pension surplus	514	-	(500)	-	14
Total unrestricted funds	38,672	41,544	(58,000)	(62)	22,154

Notes to the financial accounts (continued)

18. Unrestricted funds (continued)

The designated fund represents the Trust's fixed assets which are not subject to restriction.

The pension liability arises from a number of defined benefits schemes that the Trust makes payments to in respect of certain employees to whom the Transfer of Undertakings (Protection of Employment) regulations (TUPE) applied (see note 24).

The pension deficits associated with the Staffordshire Council (LGPS), West Midland Pension Fund, Greater Manchester Pension Fund and Cheshire Pension Fund are all held within Restricted Funds as they pertain to SET.

The transfers comprise transfers to restricted reserves as shown in Note 19.

19. Restricted Funds

Group and Company	Movement in funds					At 31 August 2019 £'000
	At 1 September 2018 £'000	Incoming £'000	(Outgoing) £'000	Impact of Foreign Currency Translations £'000	Transfers £'000	
The Big Lottery Fund						
DIG for Dinner	38	-	-	-	-	38
Sub-total The Big Lottery Fund	38	-	-	-	-	38
Doncaster Borough Council (guarantee)	250	-	-	-	-	250
Palmer Gardens Fund (Capital)	587	-	(21)	-	-	566
Palmer Gardens Fund (Revenue)	-	761	(823)	-	62	-
Employment Action Centre (Capital)	674	-	-	-	-	674
Disability Action Centre (Capital)	519	-	-	-	-	519
Disability Action Centre (Revenue)	3	-	-	-	-	3
Shaw Trust Clamp Hill	5	-	-	-	-	5
DLF	2,011	52	(321)	-	-	1,742
Other	10	-	-	-	-	10
Total company	4,097	813	(1,165)	-	62	3,807
Shaw Education Trust	88,596	69,150	(57,159)	-	-	100,587
The Integracja Foundation	80	75	(88)	(3)	-	64
Motivation Romania Foundation	1,064	1,753	(1,820)	-	-	997
Total group	93,837	71,791	(60,232)	(3)	62	105,455

Notes to the financial accounts (continued)

19. Restricted Funds (continued)

The DIG for Dinner project aims to establish a sustainable community food growing initiative in a deprived area of County Durham by teaching people how to grow their own food, to produce food locally and to contribute to local food networks. The project provides practical and purposeful activities for people with learning disabilities and mental ill health as well as volunteering opportunities for local people, school children and community groups. Funding has also been received from Rothley Trust and Hadrian Trust.

The £250k for the Doncaster Borough Council guarantee relates to a security that has been pledged as a guarantee provided by the Trust's bankers to Doncaster Borough Council in respect of the Trust's obligations to the South Yorkshire Pension Scheme.

Palmer Gardens is a vocational training centre and the restricted capital fund comprises £566,000 (2018:£587,000) of re-valued tangible fixed assets relating to the construction of the original training centre and later expansion of the facilities. Palmer Gardens also has a restricted revenue fund of £nil (2018: £nil).

During the year there were donations to Shaw Trust's unrestricted reserves to Palmer Gardens of £100 (2018: £17,000 from Shaw Trust) to cover the deficit in revenue running costs (see note 11).

The Employment Action Centre provides, within a multi-functional resource centre, a holistic approach to the employment needs of people living in Middlesbrough who are disabled and disadvantaged. The fund relates to the construction of the centre which was carried out with contributions from Big Lottery Fund, European Regional Development Fund, Middlesbrough Council and the West Middlesbrough Neighbourhood Trust.

The Disability Action Centre is a highly innovative, multi-function centre, which integrates independent living services with training, employment, and disability consultancy services. The fund relates to the construction of the centre.

Shaw Trust Clamp Hill received donations to contribute towards client activities.

DLF restricted reserves were acquired on merger in November 2014 and are to be utilised for DLF related activity only.

The funds received by Shaw Education Trust from the Department of Education can only be used to run the organisation and the academies that form part of Shaw Education Trust.

The funds held by The Integracja Foundation and Motivation Romania Foundation are treated as restricted funds because those funds can only be used for charitable purposes in those countries.

Notes to the financial accounts (continued)

20. Analysis of net assets between funds

	Designated	Unrestricted (including pension deficit)	Restricted	Total funds 2019	Total funds 2018
Group	£'000	£'000	£'000	£'000	£'000
Fund balances at 1 September are represented by:					
Intangible fixed assets	-	22,339	33	22,372	49,669
Tangible fixed assets	1,733	11,692	129,399	142,824	117,839
Share of net assets of joint ventures	-	-	1,063	1,063	1,146
Available for sale investments	-	-	-	-	17,505
Current assets	-	43,103	11,743	54,846	56,473
Current liabilities	-	(33,322)	(3,103)	(36,425)	(38,699)
Long-term liabilities	-	(6,281)	(607)	(6,888)	(7,841)
Provisions for liabilities and charges	-	(2,112)	-	(2,112)	(2,830)
Pension deficit	-	(60,537)	(33,062)	(93,599)	(60,453)
Total net assets at 31 August 2019	1,733	(25,118)	105,466	82,081	
Total net assets at 1 September 2018	2,462	36,510	93,837		132,809

	Designated	Unrestricted (including pension surplus)	Restricted	Total funds 2019	Total funds 2018
Company	£'000	£'000	£'000	£'000	£'000
Fund balances at 1 September are represented by:					
Intangible fixed assets	-	702	-	702	1,521
Tangible fixed assets	1,528	195	1,759	3,482	4,155
Investment in Joint Ventures	-	19,355	-	19,355	19,510
Available for sale investments	-	-	-	-	17,505
Current assets	-	19,670	2,048	21,718	13,580
Current liabilities	-	(11,700)	-	(11,700)	(11,186)
Long-term liabilities	-	(5,499)	-	(5,499)	-
Provisions for liabilities and charges	-	(2,112)	-	(2,112)	(2,830)
Pension deficit	-	14	-	14	514
Total net assets at 31 August 2019	1,528	20,626	3,807	25,961	
Total net assets at 1 September 2018	3,069	35,038	4,553		42,769

Notes to the financial accounts (continued)

21. Taxation

The Trust has no liability to corporation tax as it satisfies the criteria for its income and gains to be exempt from corporation tax/corporate taxation. There is no similar exemption for VAT.

Members of the group without charitable status are charged corporation tax on their income and gains.

Deferred tax assets recognised by group companies are shown in note 14.

22. Financial commitments

At 31 August 2019 the group and company had annual commitments under non-cancellable operating leases expiring as follows:

Group	Property	Restated	Other	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	2,934	3,579	180	2
Between one and five years	4,511	5,553	79	143
After five years	1,543	1,072	-	-
Total	8,988	10,204	259	145

Company	Property		Other	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	1,515	1,402	180	2
Between one and five years	1,270	1,844	79	143
After five years	43	159	-	-
Total	2,828	3,405	259	145

The prior year has been restated to reflect the true position as at 31 August 2018.

Other operating leases relate to motor vehicles and office equipment.

23. Capital commitments

As at 31 August 2019 the Trust had £nil capital commitments (2018: £nil).

Notes to the financial accounts (continued)

24. Pension commitments

The Trust makes payments to the South Yorkshire Pension Scheme and the Platinum multi-employer pass ported scheme.

The Group also participates in four local government pension schemes (LGPS), under the umbrella of Shaw Education Trust, operated by Staffordshire Council, the West Midland Pension Fund, Greater Manchester Pension Fund and Cheshire County Council Fund. Cheshire County Council is new this year. Those schemes are in respect of certain employees to whom The Transfer of Undertakings (Protection of Employment) Regulations (TUPE) applied. The schemes are defined benefit schemes and the assets are held in a separately administered funds. The schemes are multi-employer schemes but it is possible to identify the Trust's share of the Schemes' assets and liabilities and these are separately disclosed below.

The Group also had admission agreements, through Prospects Services, with the London Pensions Fund Authority, the City of Bradford Metropolitan District Council responsible for the West Yorkshire Pension Fund, Gloucestershire County Council, Northamptonshire County Council and Wolverhampton City Council responsible for the West Midlands Metropolitan Authorities Pension Fund and Leicestershire County Council all of whom administer funds as part of the Local Government Pension Scheme (LGPS). The LGPS is a multi-employer statutory defined benefit pension scheme and the scheme members have a statutory right to their accrued benefits.

The Group's' assessed share of the fair value if the assets of the schemes were:

Year ended 31 August 2019	Total Market Share of scheme assets £'000	Present value of scheme liabilities £'000	Net pension surplus / (deficit) £'000
South Yorkshire Pension Scheme (Shaw Trust)	3,052	(3,072)	(20)
Platinum Pension Scheme (Shaw Trust)	1,247	(1,213)	34
Staffordshire Council (LGPS), West Midland Pension Fund, Greater Manchester Pension Fund, Cheshire County Council Fund (Shaw Education Trust)	28,958	(62,020)	(33,062)
London Pensions Fund Authority, the City of Bradford Metropolitan District Council, Gloucestershire County Council, Northamptonshire County Council, Wolverhampton City Council and Leicestershire County Council (Prospect Services)	130,612	(191,163)	(60,551)
At 31 August 2019	163,869	(257,468)	(93,599)

Notes to the financial accounts (continued)

24. Pension commitments (continued)

17 month period ended 31 August 2018	Total Market Share of scheme assets	Present value of scheme liabilities	Net pension surplus / (deficit)
	£'000	£'000	£'000
South Yorkshire Pension Scheme (Shaw Trust)	2,890	(2,569)	321
Platinum Pension Scheme (Shaw Trust)	1,116	(923)	193
Staffordshire Council (LGPS), West Midland Pension Fund, Greater Manchester Pension Fund (Shaw Education Trust)	17,594	(36,023)	(18,429)
London Pensions Fund Authority, the City of Bradford Metropolitan District Council, Gloucestershire County Council, Northamptonshire County Council, Wolverhampton City Council and Leicestershire County Council (Prospect Services)	119,837	(162,375)	(42,538)
At 31 August 2018	141,437	(201,890)	(60,453)

	Assets	Liabilities	2019 Total
	£000	£000	£000
Deficit in the scheme as at 1 September 2018	141,437	(201,890)	(60,453)
Acquired in year	6,617	(10,492)	(3,875)
Benefits paid	(5,153)	5,153	-
Employer contributions	4,616	(188)	4,428
Contribution from employees	811	(810)	1
Administration expenses	(158)	-	(158)
Current service cost	-	(5,516)	(5,516)
Past service costs including curtailments	-	(901)	(901)
Interest income / (expense)	4,102	(5,816)	(1,714)
Re-measurement gains / losses			
- Actuarial (loss) / gain	11,597	(43,255)	(31,658)
- Return on plan assets excluding interest income	-	6,247	6,247
Surplus in the scheme as at 31 August 2019	163,869	(257,468)	(93,599)

Notes to the financial accounts (continued)

24. Pension commitments (continued)

Company

Year ended 31 August 2019	Total Market Share of scheme assets	Present value of scheme liabilities	Net pension surplus / (deficit)
	£'000	£'000	£'000
South Yorkshire Pension Scheme	3,052	(3,072)	(20)
Platinum Pension Scheme	1,247	(1,213)	34
At 31 August 2019	4,299	(4,285)	14

17 month period ended 31 August 2018	Total Market Share of scheme assets	Present value of scheme liabilities	Net pension surplus / (deficit)
	£'000	£'000	£'000
South Yorkshire Pension Scheme	2,890	(2,569)	321
Platinum Pension Scheme	1,116	(923)	193
At 31 August 2018	4,006	(3,492)	514

South Yorkshire Pension Scheme

	2019	2018
Expected rate of salary increases	3.55%	3.55%
Expected rate of increase of pensions in payments	2.4%	2.2%
Rate of inflation	2.3%	2.3%
Discount rate	1.8%	2.5%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners

- Men	88.1	86.0
- Women	90.9	90.7

Longevity at 65 for future pensioners:

- Men	90.3	90.4
- Women	93.3	93.5

Notes to the financial accounts (continued)

24. Pension commitments (continued)

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total	2018
	£000	£000	£000	£'000
Deficit in the scheme as at 1 September 2018	2,890	(2,569)	321	(15)
Benefits paid	(68)	68	-	-
Employer contributions	12	-	12	17
Contribution from employees	3	(3)	-	-
Administration expenses	-	-	-	-
Current service cost	-	(18)	(18)	(26)
Interest income / (expense)	77	(68)	9	(1)
Re-measurement gains / losses				
- Actuarial (loss) / gain	138	(451)	(313)	346
- Return on plan assets excluding interest income	-	(31)	(31)	-
Surplus in the scheme as at 31 August 2019	3,052	(3,072)	(20)	321

Total cost recognised as expense:

	2019	2018
	£'000	£'000
Current service cost	18	26
Interest cost	(9)	1
	9	27

	Value at 31 August 2019	Value at 31 August 2018
	£'000	£'000
Equities	1,596	1,538
Bonds	436	413
Gilts	223	211
Property	266	280
Cash	98	133
Other	433	315
Total market value of assets	3,052	2,890
Present value of scheme liabilities	(3,072)	(2,569)
Net pension surplus / (deficit)	(20)	321

Notes to the financial accounts(continued)

24. Pension commitments (continued)

The return on the plan assets was:

	2019	2018
	£'000	£'000
Interest income	77	96
Return on pension scheme assets less interest income	(31)	0
Total return on plan assets	46	96

Platinum Pension Scheme

The Trust joined the Platinum multi-employer pass ported pension scheme in October 2010 in order to accommodate the pension arrangements for staff whose employment transferred to the Trust under TUPE as a result of the Trust being awarded the Work Choice contract. A formal actuarial valuation was carried out as at 31 December 2016. The results of that valuation have been projected to 31 March 2019 with allowance for the payroll and benefit information with which I have been provided and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method. The major assumptions used by the actuary for the last two years are:

	2019	2018
Expected rate of salary increases	N/A	1.0%
Expected rate of increase of pensions in payments	3.0%	3.0%
Rate of inflation	2.2%	2.2%
Discount rate	1.8%	2.7%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners

- Men	86.6	87.1
- Women	88.6	89.0

Longevity at 65 for future pensioners:

- Men	88.3	88.8
- Women	90.5	90.9

Notes to the financial accounts (continued)

24. Pension commitments (continued)

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total	2018
	£000	£000	£000	£'000
Deficit in the scheme as at 1 September 2018	1,116	(923)	193	110
Benefits paid	(3)	3	-	-
Employer contributions	47	-	47	70
Contribution from employees	1	(1)	-	-
Administration expenses	(21)	-	(21)	(20)
Current service cost	-	(5)	(5)	(57)
Interest income / (expense)	30	(25)	5	4
Re-measurement gains / losses				
- Actuarial (loss) / gain	-	(262)	(262)	83
- Return on plan assets excluding interest income	77	-	77	3
Surplus in the scheme as at 31 August 2019	1,247	(1,213)	34	193

Total cost recognised as expense:

	2019	2018
	£'000	£'000
Current service cost	26	77
Interest cost	(5)	(4)
Total operating charge	21	73

Shaw Trust's assessed share of the fair value of the assets of this scheme were:

	Value at 31 August 2019	Value at 31 August 2018
	£'000	£'000
Equities	536	363
Bonds	245	321
Gilts	242	312
Other	224	120
Total market value of assets	1,247	1,116
Present value of scheme liabilities	(1,213)	(923)
Total pension surplus	34	193

Notes to the financial accounts (continued)

24. Pension commitments (continued)

The return on the plan assets was:

	2019	2018
	£'000	£'000
Interest income	30	36
Return on pension scheme assets less interest income	77	3
Total return on plan assets	107	39

Staffordshire Council (LPGS), West Midland Pension Fund, Greater Manchester Pension Fund and Cheshire Pension Fund form the pension scheme for Shaw Education Trust.

(Shaw Education Trust Pension Schemes)

Staffordshire Council (LGPS)

Principal actuarial assumptions:

	2019	2018
Expected rate of salary increases	2.7%	2.7%
Expected rate of increase of pensions in payments	2.3%	2.3%
Rate of inflation	2.3%	2.3%
Discount rate	1.9%	2.8%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	86.1	87.1
- Women	87.2	89.4
Longevity at 65 for future pensioners:		
- Men	88.5	89.1
- Women	89.8	91.4

Notes to the financial accounts (continued)

24. Pension commitments (continued)

West Midland Pension Fund

Principal actuarial assumptions:

	2019	2018
Expected rate of salary increases	3.7%	3.8%
Expected rate of increase of pensions in payments	2.7%	2.3%
Rate of inflation	2.2%	3.6%
Discount rate	1.9%	2.7%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	85.9	86.9
- Women	88.2	89.4
Longevity at 65 for future pensioners:		
- Men	87.6	89.1
- Women	89.1	91.7

Greater Manchester Pension Fund

Principal actuarial assumptions:

	2019	2018
Expected rate of salary increases	2.7%	3.1%
Expected rate of increase of pensions in payments	2.3%	2.3%
Rate of inflation	2.3%	3.4%
Discount rate	1.9%	2.8%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	85.6	86.5
- Women	88.1	89.1
Longevity at 65 for future pensioners:		
- Men	87.0	88.7
- Women	89.8	91.2

Notes to the financial accounts (continued)

24. Pension commitments (continued)

Cheshire Pension Fund

Principal actuarial assumptions:

	2019	2018
Expected rate of salary increases	2.6%	N/A
Expected rate of increase of pensions in payments	2.3%	N/A
Rate of inflation	2.3%	N/A
Discount rate	1.9%	N/A

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	86.2	N/A
- Women	88.5	N/A
Longevity at 65 for future pensioners:		
- Men	87.1	N/A
- Women	90.0	N/A

Share of assets in the above schemes (Staffordshire Council (LGPS), West Midland Pension Fund, Greater Manchester Pension Fund and Cheshire Pension Fund) was:

	Value at 31 August 2019	Value at 31 August 2018
	£'000	£'000
Equities	18,929	12,144
Gilts	-	117
Corporate bonds	6,357	3,000
Property	2,320	1,378
Cash and other liquid assets	988	729
Other assets	364	226
Total market value of assets	28,958	17,594
Present value of scheme liabilities	(62,020)	(36,023)
Net pension deficit	(33,062)	(18,429)

The actual return on scheme assets was £1,670,000 (2018: £510,000)

Total cost recognised as an expense:

	2019	2018
	£'000	£'000
Current service cost	3,819	4,290
Past service cost	330	40
Interest income	(710)	(433)
Interest cost	1,331	1,137
Total operating charge	4,770	5,034

Notes to the financial accounts (continued)

24. Pension commitments (continued)

London Pensions Fund Authority, the City of Bradford Metropolitan District Council, Gloucestershire County Council, Northamptonshire County Council, Wolverhampton City Council and Leicestershire County Council (Prospects Service Pension Schemes)

The actuarial valuations for the company have been updated to 31 August 2019 by qualified independent actuaries. The major assumptions used, expressed as weighted averages across the schemes described above, were:

	2019	2018
	% pa	% pa
Rate of increase in pension payment	2.3	2.2
Rate of increase in salaries*	2.6 plus PSS	3.1 plus PSS
Inflation rate	2.2	2.2
Discount rate	1.9	2.7

* PSS = promotional salary scale

The mortality assumptions applicable were:

	2019	2018
Life expectancy from age 65 (years)		
Male	22.1	21.5
Female	24.2	24.5

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 September 2018	119,836	(162,375)	(42,539)
Administration expenses	(137)	-	(137)
Benefits paid	(4,809)	4,809	-
Transfers in	-	-	-
Contributions by employer	1,843	(188)	1,655
Contributions by employees	172	(171)	1
Current service cost	-	(1,674)	(1,674)
Past service costs including curtailments	-	(571)	(571)
Settlements	-	-	-
Interest income / (expense)	3,285	(4,392)	(1,107)
Re-measurement gains / (losses)			
- Actuarial gains / (losses)	1,750	(31,450)	(29,700)
- Other assumptions gains / (losses)	-	6,247	6,247
- Return on plan assets excluding interest income	8,672	(1,398)	7,274
At 31 August 2019	130,612	(191,163)	(60,551)

Notes to the financial accounts (continued)

24. Pension commitments (continued)

The actuarial gain on the assets in the period of £1,750,000 represents a re-recognition of £1,625,000 previously e-recognised surplus on one of the company's defined benefit pension schemes plus a re-recognition of a surplus of £125,000 on another of the company's defined benefit pension schemes as there is insufficient certainty as to the refund of contributions.

The actual return on plan assets over the period ending 31 August 2019 was £8,672,000.

25. Business combinations

Academy conversions: Shaw Education Trust (SET)

A further four schools were converted to the SET during 2018–19 (2017–18: three). The figures are shown in the table following.

SET was incorporated as a wholly owned subsidiary on 2 June 2014 as a multi-academy Trust to effect the sponsorship of three special schools/academies in Staffordshire.

During the period four further schools were transferred to SET. These schools were:

- 1) Kidsgrove Secondary School – transferred 1 November 2018;
- 2) Kidsgrove Primary School – transferred 1 November 2018;
- 3) Brookfields School – transferred 1 September 2018; and
- 4) Tottington High School – transferred 1 November 2018.

No cash consideration has been paid to the academies, and so no goodwill adjustments are required. The book values of the assets and liabilities were judged to be at fair value and had been treated in accordance with the group's accounting principles, therefore no adjustments were required and the financial activity of the SET has been fully consolidated into the Group accounts from its incorporation.

The tangible fixed assets relate to property which was valued at the point of transfer and recorded as a donation received in the group statement of financial activities.

Notes to the financial accounts (continued)

25. Business combinations (continued)

The net assets acquired have been recorded as a donation received in the group statement of financial activities. This relates to Shaw Education Trust (SET)

	SET	2019
		Total
	£'000	£'000
Fixed assets - tangible fixed assets	24,961	24,961
Cash at bank	262	262
Pension liability	(3,874)	(3,874)
Net assets acquired	21,349	21,349
Acquisition Cost	-	-
Goodwill arising from acquisition	-	-

				2018	
	Prospects	Ixion	Total Acquisition in period	SET	Total
	£'000	£'000	£'000	£'000	£'000
Fixed assets - intangible fixed assets	7,325	142	7,467	-	7,467
Fixed assets - tangible fixed assets	9,500	115	9,615	16,729	26,344
Investments	240	-	240	-	240
Cash at bank	7,629	328	7,957	2,151	10,108
Current Assets	21,638	4,154	25,792	-	25,792
Liabilities < 1 year	(19,893)	(2,566)	(22,459)	-	(22,459)
Borrowings	(6,650)	-	(6,650)	-	(6,650)
Pension liability	(50,524)	-	(50,524)	(1,844)	(52,368)
Net assets acquired	(30,735)	2,173	(28,562)	17,036	(11,526)
Acquisition Cost	(17,368)	(1,987)	(19,355)	-	(19,355)
Goodwill arising from acquisition	(48,103)	186	(47,917)	-	(30,881)

Notes to the financial accounts (continued)

25. Business combinations (continued)

From the date of acquisition, the contribution to the results of the group was as follows:

	2019	2018
	Total	Total
	£'000	£'000
Total incoming resources	8,768	98,343
Outgoing resources	(8,401)	(93,128)
Net incoming resources for the period	367	5,215
Donation of net assets	21,349	17,037
Group net incoming resources derived from acquired activities	21,716	22,252

Summary	2019		2018	
	Net assets acquired / transferred in	Contribution to group results from the date of acquisition / increase in membership	Group net incoming resources derived from acquired activities	
	£'000	£'000	£'000	£'000
Prospects Group 2011 Limited	-	-	-	3,058
Ixion Holdings (Contracts) Ltd	-	-	-	1,695
Shaw Education Trust	21,349	367	21,716	462
Total	21,349	367	21,716	5,215

26. Related Party Transactions

The company has taken advantage of the exemption within FRS 102 and have not disclosed transactions between group companies where Trustees are Directors.

The Trust requires all Trustees to complete a declaration of interests. The table below shows all the related parties that have been disclosed and the value of both income and expenditure that the Trust has incurred with these bodies during the period ended 31 August 2019. These transactions were as a result of normal business activity.

Notes to the financial accounts (continued)

26. Related Party Transactions (continued)

Related Party	Value of revenue received from Related Party	Outstanding revenue balance at 31 August 2019	Value of expenditure made to Related Party	Outstanding expenditure balance at 31 August 2019
	£'000	£'000	£'000	£'000
RNIB	7,457	333	6,396	-

27. Financial Instruments

	Note	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial Assets:					
Trade debtors	13	14,203	16,092	4,477	4,710
Inter company		-	-	8,906	-
Other debtors	13	3,856	6,061	408	453
Investments in short-term deposits		102	101	102	101
Total Financial Assets		18,161	22,254	13,893	5,263
Financial Liabilities					
Trade creditors	16	3,308	5,058	749	886
Other creditors	16	14,914	18,113	-	-
Loans	16/17	7,062	8,238	5,499	-
Accruals	16	8,103	9,455	5,098	6,588
Non-controlling interest	16	-	28	-	-
Monies held on behalf of third parties	16	-	106	-	106
Total Financial Liabilities		33,387	40,998	11,346	7,580

28. Post Balance Sheet Events

After a challenging 2018-19 financial year end, the Trust undertook a significant financial review and reorganisation, to focus on core activities and performance improvement. A new three year business plan from September 2019 was implemented which received approval from its funders and other stakeholders. Performance since the year end has been favourable against this plan and cash reserves have been maintained in line with the new reserves policy.

The Trust continues with its divestment programme of non-core businesses and surplus assets as part of this recovery plan. In February 2020 the sale of the freehold of a principal office building was agreed, with completion end of July 2020, and the sale and leaseback of seven of the freehold properties in Homes to Inspire was agreed in July 2020 with completion due by mid-August 2020.

Notes to the financial accounts (continued)

28. Post Balance Sheet Events (continued)

In respect of non-core businesses the sale of Gabbitas was completed on 31 May 2020.

From March 2020, Covid-19 has had a significant impact on the operations of the Trust and its activities. Some sectors of the business, in particular the Charity Shops and Garden Centres have seen a higher impact than others with a number of employees having been furloughed in these areas. As mentioned in section 2, the Trust has performed extensive scenario planning and has continued support from its funders and stakeholders, having renegotiated funding arrangements as appropriate with major customers and varied working practices to adapt to the crisis. This has included new funding arrangements with DWP, NCS, HMPPS and Kent County Council.

Financial performance during this period of Covid-19 lockdown has been favourable to the Covid-19 scenario planning and the Trust is confident that it has sufficient financial and operational resources to operate through this period of disruption.