

**Trustees Annual Report and Financial
statements for the year ended 31 August 2020**

Shaw Trust Limited

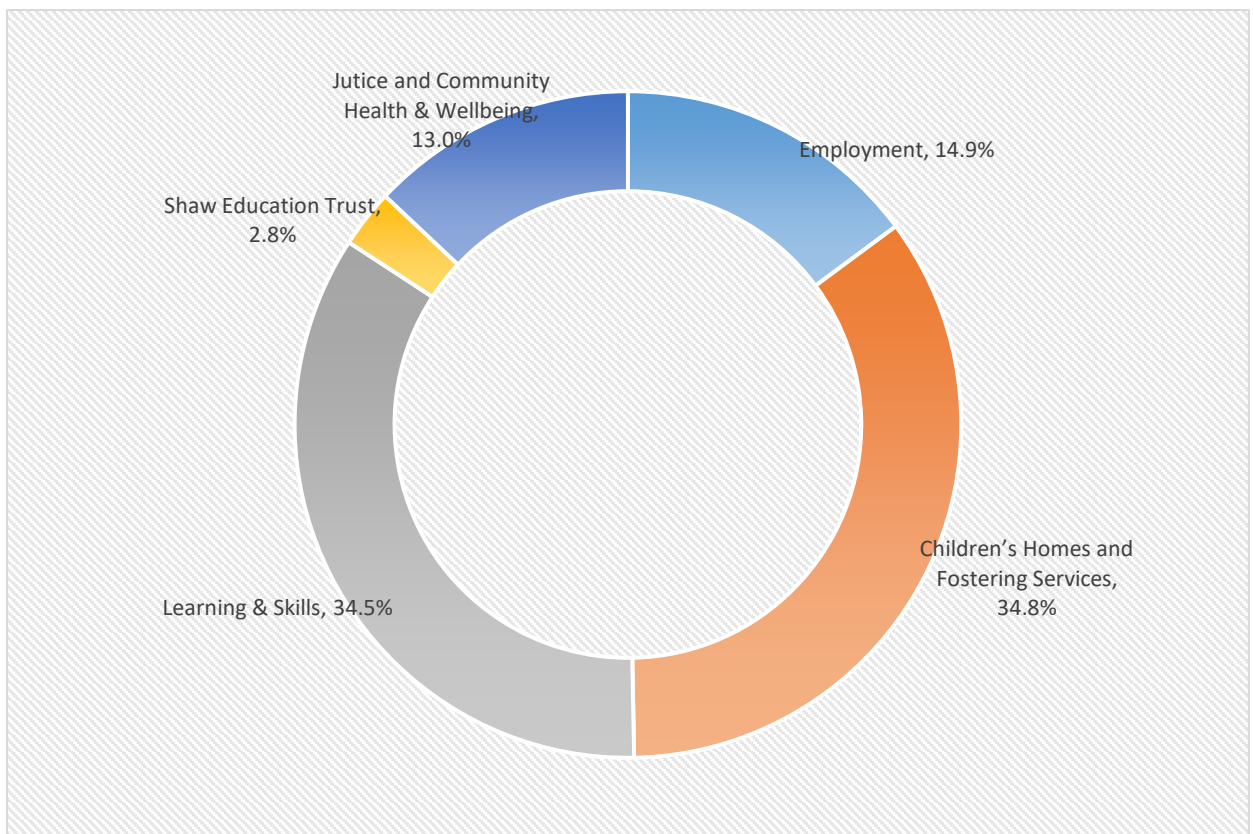
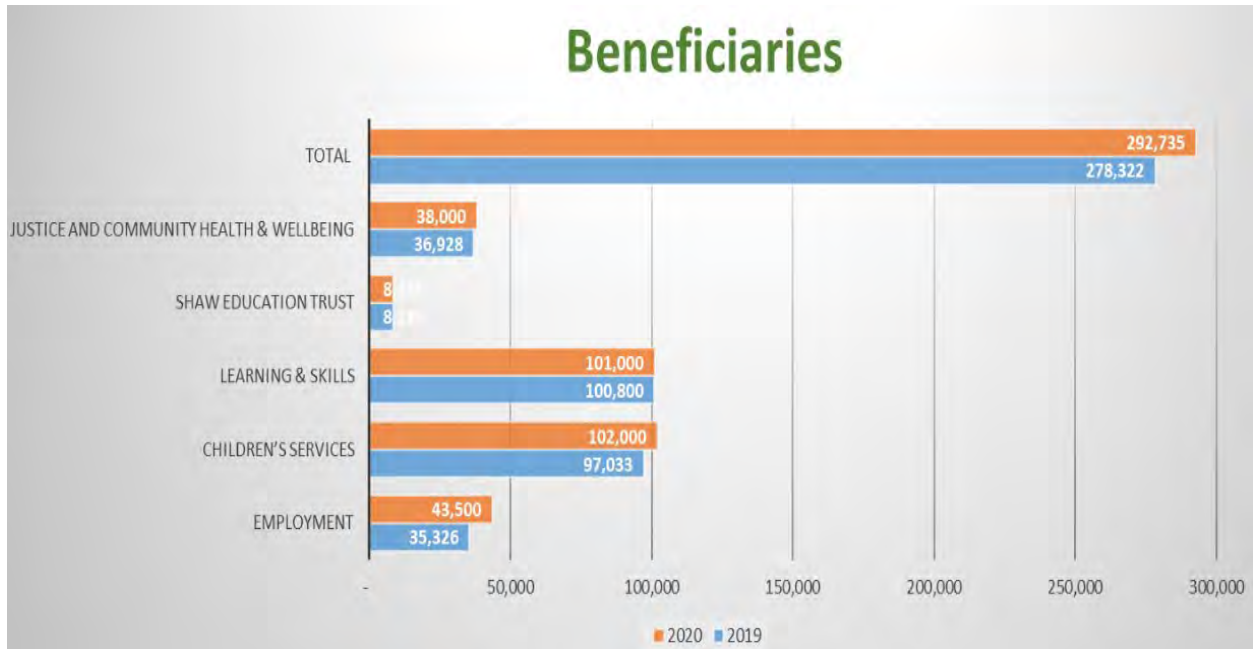
Registered Company Number 01744121
Registered Charity Number in England & Wales 287785
Registered Charity Number in Scotland SC039856
A Company Limited by Guarantee

Trustees Report – Strategic report

1. Overview

Who we are and what we do

We have supported 292,735 people during the year



Trustees Annual Report

At Shaw Trust we pride ourselves on our 'charitable heart with a commercial brain' approach to what we do. Our focus is to deliver quality services that also maximise social value and social investment to communities. This approach will allow us to meet:

What we believe

Our Vision

A future where good employment is accessible to all in society irrespective of life circumstances.

Our Mission

To co-create and deliver high quality employability programmes and complementary services for people with complex needs, challenging life circumstances or other barriers that impact on access to work.

Our Commitment

To focus our experience, skills, advocacy and passion to deliver the highest quality services for the people we support and to improve opportunities and access to work now and for the long term.

Our Values

We believe that who we are and the values we hold directly improves the quality of what we provide to those we support. Our values guide and focus us every day:

We care about people;
We support our staff, our volunteers and the people we work with to realise their potential.

We make a difference;
Making a lasting positive impact for the people we support is the reason we exist. We deliver high performance across our services, helping people to improve their lives.

We are inclusive;
We value the ideas, views and strengths of everyone we work with and support. Everybody is different and everybody is equal.

We are collaborative;
Working together is more effective and efficient. We believe that by working together with those we support and our partners we create better services and solutions.

We are honest;
We are authentic, accountable and transparent in all we do.

Shaw Trust believes in the right of every person in the United Kingdom to live a decent and dignified life through good employment.

We are a not-for-profit social enterprise that seeks to improve life chances for employment for people who face social and economic challenges, or who may also be disabled or have complex needs.

We know that inequality and barriers to accessing good employment impact significantly on people's income, sense of purpose, social connections and personal agency. These inequalities and barriers often begin early in life, impacting on individuals throughout their school years and into early adulthood.

We have grown from humble beginnings. Founded in 1982 as a small charity in the Wiltshire village of Shaw, our initial focus was to find employment for disabled people. Over time and through a combination of organic growth, mergers and acquisitions we have become the UK's largest not-for-profit social enterprise in the employability sector.

Today we are a charity that remains committed to employment as the core pathway to a better life. However, we

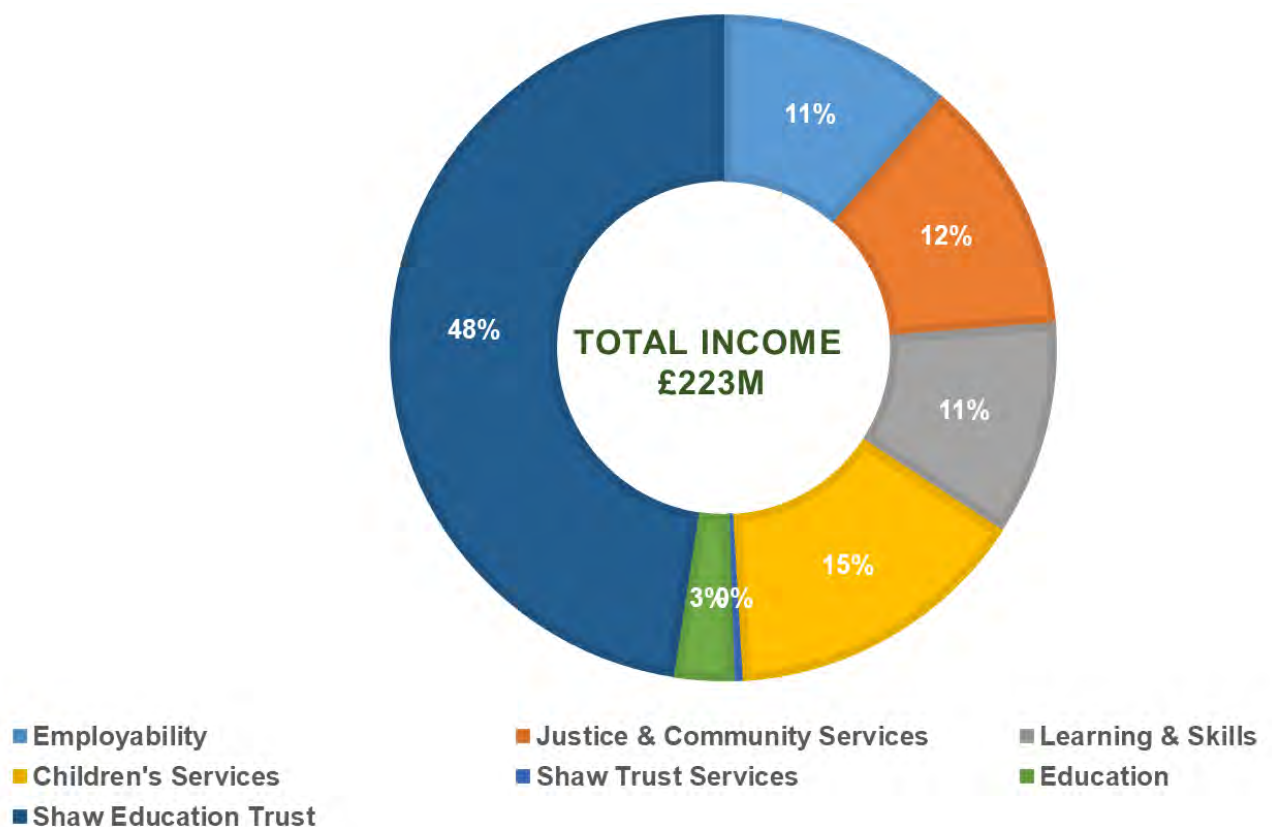
Trustees Annual Report

recognise that access to good employment is critically dependent on what happens in people's formative years and the opportunities they then have.

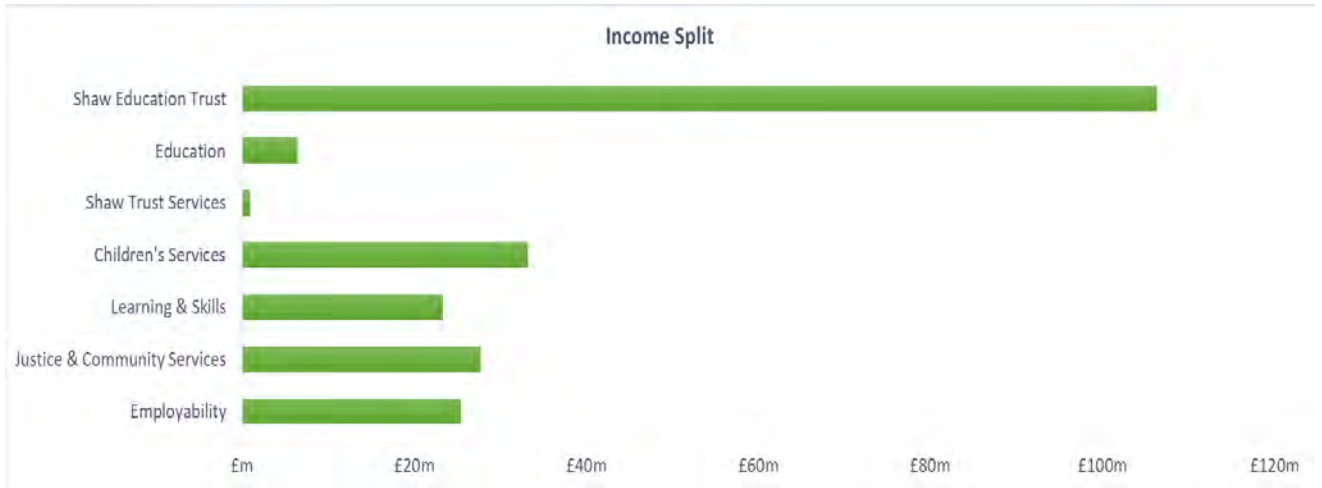
To address this, we provide a broadened framework of complementary services including; Education and Skills, Children and Young People's Services, Health and Wellbeing.

These financial statements provide a summary of our performance during the year and outlines our ongoing ambition and commitment to deliver high quality services to the people we support.

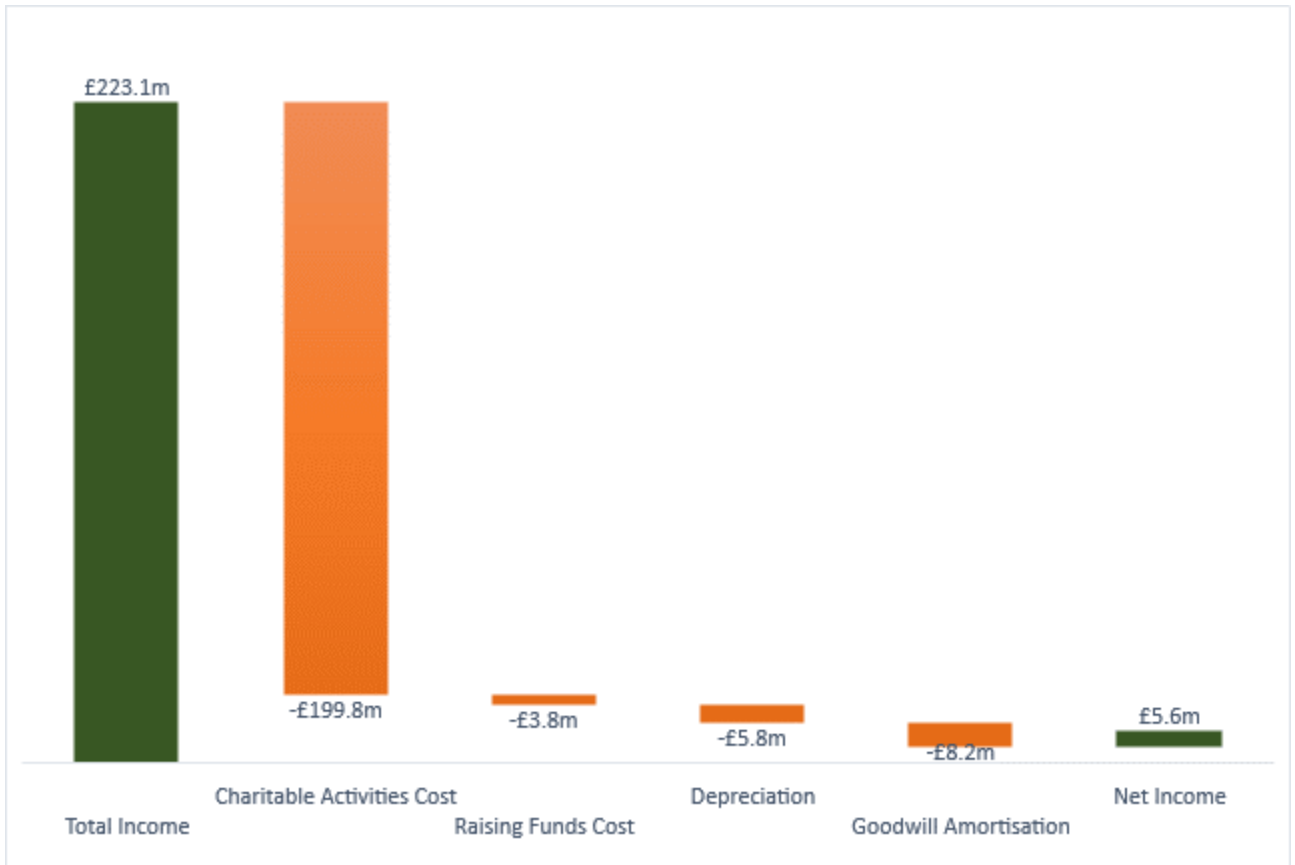
Income & Expenditure Highlights



Income & Expenditure Highlights



Total Income less Expenditure



2. Financial review

The Shaw Trust consolidated financial statements for 2019-20 are presented in the following pages.

The Trust has grown significantly in recent years, with the establishment of a multi academy Trust and acquisitions of the Ixion and Prospects Groups. Strategically this growth is important and has enabled the Trust to grow in new and 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 new management team formed in 2019 has continued the restructure programme for the business, including the approval and implementation of a three-year financial plan, which has been approved by the Trustees and has the full support of funders and other stakeholders.

The Trust has been in a year of transition and completed its first year of a 3-year turnaround plan. A restructuring exercise during this period has significantly reduced the cost base. Detailed operational reviews have driven better margin performance, and repositioned the Trust for its future development.

The first half of the year saw a period of consolidation, focusing on the core activities and disposing of non-core assets and business, and the identification of efficiencies within the business

The second half of the year was dominated by the impact of the Covid-19 pandemic which has had a significant impact on the operations of the Trust and its activities. Extensive risk assessment and 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 which had to shut down during the lockdown period, and we have also benefitted from temporary extra business rates relief.

In addition, liquidity has been supported through deferral of certain payments under the Government scheme as appropriate. Where possible we have sought to minimise our operating costs, by reducing office costs and overhead expenditure. Although in many areas we have had to change our way of working, the underlying business remains robust and we have managed to deliver in line with our business plan during the year, and are confident that we will be able to manage the Trust through this crisis.

Some sectors of the business, in particular the Charity Shops, Enterprise and Garden Centres have seen a higher impact than others with a number of employees having been furloughed in these areas.

The Trust has performed extensive scenario and contingency 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.

2. Financial review (continued)

Financial performance during this period of Covid-19 lockdown has been favourable to the Covid-19 scenario planning and we have consistently modelled a two peak scenario. We remain vigilant, especially with the introduction of recent new stricter measures, although the Trust is confident that it has sufficient financial and operational resources to operate through this period of disruption.

Economic conditions in the main UK market remain challenging but the group is now delivering strong performance across the majority of its contracts. The Trust continues to operate two of the Governments six flagship employability contracts, Work and Health Programme, which commenced in January 2018 and a further contract in London, commissioned by the West London Alliance. From October 2020 the Trust commenced the (DWP) Work and Health Programme – Job Entry: Targeted Support contract variation, covering Central England and the Home Counties.

The Trust continued during the year with its divestment programme of non-core businesses and surplus assets as part of this recovery plan which realised proceeds of £7m. The freehold sale of a principal office building was completed in July 2020, and the sale and leaseback of seven of the freehold properties in Homes 2 Inspire completed mid-August 2020.

In addition, the sale of our boutique education consultancy; Gabbitas, which was considered a non-core operation, was completed on 31 May 2020 for consideration of £0.5m.

Performance since the year end has been favourable against the business plan and cash reserves have been

maintained in line with the new reserves policy.

The results of each main legal entity may be summarised as follows:

	£m
Shaw Trust UK operations <i>(excluding business combinations and amortisation in period)</i>	(7.5)
Shaw Education Trust	21.5
Other	(1.2)
Ixion	(0.5)
Prospects	1.4
Goodwill amortisation and impairment	(8.2)
Actuarial (losses) and Net finance return on defined benefit pension scheme	(4.7)
Net movement in funds	<u>0.8</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 £13.7m (further details are included in note 25 – Business Combinations).

The increase in turnover reflects growth in contracts, especially in the employability divisions as well as an increase in the number of academies. The incoming resources from the activity of the group increased by £16.7m to £223.1m. Overall group net income has improved significantly, showing a surplus of £5.6m during the year, an increase of £24.0m over the prior year. Overall net surplus on funds for the year were £0.8m (2019: net deficit of £50.8m).

2. Financial review (continued)

Within the balance sheet, consolidated reserves at £82.9m have increased slightly by £0.8m, reflecting a combination of transfer in of academies, the performance in the year, increase in pension provisions and goodwill amortisation.

An increase of £25m in fixed assets to £168m is a reflection of additional schools acquired by SET. The majority of the fixed assets are academies with SET.

Working capital remained positive, showing an increase of £1.1m in the year to £19.6m.

A significant increase of £16.6m in cash and investments to £33.5m at 31 Aug 2020 reflects the Trust continuing its careful management of working capital and the build-up of a strategic reserve.

Longer-term liabilities predominantly relate to the increase in pension provisions, and have increased to £113m, largely due to changes in actuarial assumptions.

Within the cash flow, capital expenditure incurred of £27.6m (2019: £6.5m) 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.

Investment powers, policy and performance

The Trust currently has no material investments, having realised the majority of its investments in the prior year. The Trust's liquid assets are held as cash and cover a strategic reserve and sufficient cash for working capital purposes, and is in line with the reserves policy, below.

The Trust's long term policy for its 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.

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, is appropriate due to the significant pension deficit arising, predominantly 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 the Trust can meet the required projected further income without significantly impacting the ongoing business.

2. Financial review (continued)

In addition, 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. The Trust therefore continues to calculate its 'free' reserves without setting aside designated reserves to cover its pension liabilities.

As at 31 August 2020 the Trust had free reserves of £23.6m (31 August 2019: £35.4m) as follows:

	At 31 Aug 2020 £m	At 31 Aug 2019 £m
Total unrestricted reserves	(39.6)	(23.4)
Less: Designated funds	(1.5)	(1.7)
Add: Pension liability	64.7	60.5
Free reserves	<u>23.6</u>	<u>35.4</u>

The decrease in Free Reserves is predominantly a reflection of the amortisation of the goodwill created from the acquisition of Prospects and movement in unrestricted reserves.

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 financial impact or loss of business

Detailed review of the risk and stress testing has been undertaken to assess the risk of a significant contract loss and

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

3. Pension Schemes

The valuation of the Trusts pension schemes at 31 August 2020, for the purposes of FRS102, showed a funding deficit of £113.1m (2018/19 £93.6m). The increase reflects pension liabilities taken on with an additional 5 academies within Shaw Education Trust, and also a significant change in actuarial assumptions over the prior year, in particular a reduction in the discount rate.

The Trust monitors the size of the pension deficit and feels that there is sufficient income and cash flow in future years to service the requirement of these schemes.

In addition, a significant review of pension exposure and risk was undertaken during the year. In July 2020 the Trust closed the LPFA scheme, a significant final salary scheme, to new and existing members following a detailed review and consultation with members. A long term repayments plan has been agreed with the provider.

The Trust has several final salary pension schemes. SET participates in two principal schemes, the Teachers Pensions Scheme and the Local Government Pension scheme. In addition, there are a number of smaller final salary schemes. These are detailed in note 24, Pension Commitments.

2. *Financial review (continued)*

4. Risks and uncertainties

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

5. Plans for the future

The Trust has recently agreed a ten year strategy and objectives, outlining our ambition and commitment to deliver high quality services to the people we support and our commissioners.

Our Vision 2030 Strategic Directive defines the short to medium term priorities which must be met to ensure that we have an organisation fit for the next decade. It lays out how we will deploy our skills and services to offer people centred tailored support and how we will work with commercial and charitable partners to meet our commissioners' policy objectives.

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.

After a decade of austerity and the impact of Covid-19, the demand for the Trust's services is increasing and will drive our plans to respond with increased capacity whilst retaining quality. We will retain employability as our principle specialisation and we will grow our complementary services to support it in the following areas:

- Education and Skills
- Children and Young People's Services
- Health and Wellbeing

The Trust has recently organised its internal structure into 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, the divestment program has substantially completed and a strategic reserve is being built up.

In addition, the impact and challenges as a result of the Covid-19 pandemic have been extensively investigated, risk assessed and mitigated where appropriate. 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.

6. Objectives and activities of the Trust

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;

- 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.

2. *Financial review (continued)*

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

The strategic aims of the Trust are to:

- Maintain a balanced portfolio of services to ensure robustness and resilience across the Group and avoid dependency on a single commissioner or contract.
- Deliver an integrated, blended and seamless portfolio of services and programmes that are locally based and nationally scalable.
- Innovate and continuously improve our offer to include digital-by-design and digital-by-execution where and when appropriate.
- Continue our advocacy work through dialogue with commissioners and government to improve access to and quality of employment for all.

In order to deliver our aims, we will:

- Grow our balanced portfolio to support the national need.
- Expand our employability programmes through the new DWP departmental framework as a partner of choice.
- Establish a second multi-academy trust modelled on the Shaw Education Trust.
- Examine the requirement and portfolio fit for Early Years interventions, maximise the potential of our Homes 2 Inspire children's homes.
- Increase our children's services engagement with Youth Offending Teams across the UK.

- Increase our children's services support for looked after children, young offenders and young people who are at risk of becoming Not in Employment, Education or Training (NEET) by expanding our NEET offer.
- Expand our Health and Wellbeing services support using the 'Live Well Kent' model.
- Review and adjust the various Social Enterprises now within the Shaw Trust Group for strategic fit within our growth pathways and layered services.
- Establish the Shaw Trust Foundation and Shaw Trust Policy Institute.

The Shaw Trust Foundation gives the charity a visible and accountable rallying point for the charitable purpose and activity in our organisation. The Foundation will receive the surplus revenue generated through our contracted services and will also actively fundraise to support our work. It will house the Shaw Trust Policy Institute, which will champion positive change for the people and communities we support, and the sectors we operate within.

The Foundation aims to create a better tomorrow for more people across the UK by establishing a grant giving programme to offer access to services and support not otherwise available. It will help us further our impact by maximising opportunities to generate social value with likeminded organisations. The Foundation will advance social justice through social value adding programmes, support initiatives that build community and improve individual lives, and champion those with barriers to progression in life, and will build a community of volunteers and supporters to campaign for and support our charitable mission.

2. *Financial review (continued)*

7. Achievements and performance

The Trust operates across a number of sectors to achieve our aims and objective as detailed below:

Employment

The employability division consists of a number of contracts centred around supporting and coaching adults who are currently unemployed, ultimately helping them achieve sustainable employment. We are one of the largest providers of the DWP Work and Health Programme (WHP) running 3 significant contracts across central England, East of England/Kent and West London, comprising 30% of the market share of this program. WHP is an employment support programme commissioned by DWP to improve employment outcomes for people with health conditions or disabilities and those unemployed for more than two years.

The Trust is contracted to provide co-ordinated, tailored, support to individuals to get them into work. We helped 43,500 people to gain skills to help them towards and or into employment. Nearly 5,000 of these clients went on to then find work. We continue to run three significant Work and Health Programme contracts and successfully retendered for two prime National Careers Service contracts, and a subcontract in South Yorkshire that are delivered through the Learning and Skills division.

The DWP awarded the Trust the Work and Health Programme – Job Entry: Targeted Support (WHP - JETS) contract variation which commenced in October 2020 with significant contracts in Central England and the Home Counties. The programme will help people who have been unemployed and in receipt of benefits for at least 13 weeks to find

sustained work. WHP - JETS will provide early support which will align to the core WHP programme and complement the wider labour market offer of support through a sector-based approach that responds to local priorities. The programme was in response to the Covid relief requirement due to increasingly high unemployment

Children's Homes and Fostering Services

Our children's homes and fostering services are run out of Homes 2 Inspire Limited and Fostering 2 Inspire, and continued to grow and develop the services to meet the needs of our customers (Local Authorities) and thereby improve the outcomes for the children and young people we look after.

Our principal activities are the provision of residential care for looked after children within our Ofsted registered children's homes, the majority of which are in the East Midlands. We currently have twenty-six homes which can look after up to one hundred and six children and young people.

We also have a contract to manage Trevone House; nineteen flats delivering leaving care services by providing 24-hour support, advice and guidance for some of the most vulnerable young people making the transition from care to independent living. This provision has been visited by a number of other Local Authorities and is being seen as an 'innovative, first of its kind blueprint' to develop similar services elsewhere.

Our customers are Local Authorities who place children either through block contract arrangements, framework agreements or on a spot purchase basis.

2. *Financial review (continued)*

66 of the 106 residential children's home places are subject to block contract arrangements for the exclusive use of specific Local Authorities and the leaving care services contracted directly by a Local Authority.

This has been a challenging year due to Covid-19 and the impact on maintaining service provision and developing new services. The staff teams have worked tirelessly to maintain service delivery and support young people within a continuous and ongoing Ofsted regulatory inspection regime.

The direction of travel for our key customers continues to be one of developing children's homes within their own County boundaries for their exclusive use on a block contract; meeting their 'sufficiency and efficiency' strategy and more importantly enabling the necessary 'wrap around' services, for example education and Child and Adolescent Mental Health Services (CAMHS) to be accessible and available to children and young people.

In partnership with key customers we have looked at ways to develop our services to meet the complex needs of children and young people stepping down from Tier 4 mental health provision or from Local Authority secure accommodation on welfare grounds who require residential care. This provides care for those who are hardest to place due to 'matching' and require high levels of support and care.

To meet these challenges, we have continued to develop solo and dual placement homes linked to 5-bed homes or 2 x 2-dual bed homes in close proximity to each other. Over the last year we opened a further three homes and have a further four homes under development.

In March 2020 we won a block contract to provide 15 residential placements for Oxfordshire County Council. Two existing homes will be transitioned to that contract; a further 2 homes are currently under development. The contract is in 2 stages, with 7 beds being made available by October 2020 and the remaining beds by April 1st 2021. A specialist home to go onto an existing block contract for a child with sensory impairment and complex needs is also being developed.

All homes have been inspected by Ofsted and 84% are 'Good' or 'Outstanding' with seven homes achieving an 'Outstanding' rating which acknowledges the dedication of the Home Managers and the staff teams in their work with children and young people. Homes 2 Inspire has been recognised by Ofsted as being in the top 10 of all Care Home providers.

'Fostering to Inspire', our Independent Fostering agency, based in Wakefield received an Ofsted 'Good' on its first inspection and continues to grow incrementally year on year. The creative work being undertaken will enable further opportunities to provide an integrated service between fostering and residential care to be developed.

The coming year will continue to present ongoing challenges as we come out of Covid-19 but also significant opportunities as we strive to meet the needs of our customers and commissioners by developing innovative solutions that provide value for money while authorities continue to review the services they deliver that provide positive outcomes for children and young people.

Children's Services:

We are the largest provider of our people's not in employment, education or training (NEET) contracts in the country.

2. *Financial review (continued)*

Our London contracts are some of the best performing in the country, including Harrow, Brent, Havering, Westminster and Bexley.

The London team has successfully run five European Social Fund NEET to EET programmes since 2016 for the most vulnerable NEET. In these projects we have used the unique Resilience mentoring approach and our Compass assessment tool to help our people understanding what could stop them from succeeding in their lives and develop skills to overcome the barriers.

We have delivered three Careers Cluster projects, supporting more than 50 schools and colleges to achieve good career guidance benchmarks, the Gatsby benchmarks. 100 employers engaged with 2,500 young people in schools, to raise their careers aspirations through inspirational virtual and real life employer experiences.

We supported 102,000 children, young people NEET, young offenders and those in care/care leavers to progress with life skills.

Learning & Skills:

The learning and skills division continues as an Ofsted Grade 1 Training organisation and continued the delivery of a range of skills training including apprenticeships, traineeships, adult learning programmes and Advanced Learning Loans, skills support for the employed and unemployed, Big Lottery unemployment progress projects and construction programme across all London boroughs, ex-offender rehabilitation and business start-up programmes for the unemployed as well as welfare to work. Within the Innovation division, staff bid for and administered multimillion euro grant funded bids from

Horizon 2020 and Innovate UK, instruments to support the development of services and products to improve society for the benefit of all residents. This involved supporting commercial clients in consortia across Europe to win innovation and research funding from the European Union and Innovate (EU) UK.

We supported 101,000 people to receive careers information, advice and guidance and helped 27,000 people of all different attainment levels to progress and 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 in addition to advanced learning loans.

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.

Revenue streams in the year were from Government Departments including: The Education Skills Funding Agency (EFSA); the European Social Fund (ESF); the Department for Work and Pensions (DWP); the Ministry of Justice (MOJ); the EU and Local Authorities, Horizon 2020 and Innovate UK along with the Big Lottery contracts.

Revenue in the year decreased from the prior year mainly through some of the Government funded contracts coming to an end during the financial year and the significant impact of Covid 19 through the trading year. The Trust has continued to establish a strong track record and reputation of high quality delivery within Government Commissioners, key stakeholders and employers.

2. *Financial review (continued)*

The focus during the year has been to continue to invest in support services, embedding new technologies that offer efficient scaling to the business in a safe and compliant manner, delivering quality outcomes for our clients from our funding contracts, as well as developing key strategic alliances and collaborations to support business growth for the future.

The impact of the pandemic has resulted in an increased investment to further increase its physical and material digital capacity and resources to support clients, and an inability to claim all income due from contracts as clients were not able to fully undertake and complete their learning programmes. This was due to delays from external stakeholders in agreeing the solution to support clients on programmes. It is anticipated that much of this income will be claimed in the 20/21 year when clients can be further supported out of lockdown.

In addition to this cost, the division has further invested in a wider set of employer outward facing teams to support delivery of the Apprenticeship Strategy and Skills Levy arrangements put in place by the Government from May 2017.

Ixion, part of the Learning and Skills division, became a Grade 1 Outstanding Provider in November 2017 following an OFSTED inspection.

In 2019/20 the division improved the lives of over 30,800 individuals (2018/19: 41,000), the decrease reflecting a lack of starts during the Covid 19 pandemic.

Education

Shaw Education Trust (SET)

SET is a multi-academy trust, based in the North West and the Midlands. As at 31 August 2020 the Shaw Education Trust operated twenty-two academies, one Specialist Independent College, three teaching schools and a SCITT. This caters for 8,235 pupils aged 2–25 across Staffordshire, Stoke on Trent, Birmingham, Wolverhampton Bury, Wigan, Halton and Derby.

The total comprises 11 specialist provisions (including an Independent Specialist College, Newfriars which caters for young adult learners aged 16-25 years old); five primary academies and nine secondary academies.

During the year a further four schools joined SET and were converted to academies and another existing academy transferred. These are detailed in note 25.

Two mainstream primary academies joined in the year:

Streethay Primary School, our first free school on 1st September 2019, and Meadows Academy on 1 Jan 2020.

In respect of specialist schools:

Ivy House, a specialist provision for 2-19 year olds, joined on 1 October 2019

St Andrews Academy and St Martins School, both teaching schools, and providing specialist provision for 11-19 year olds, joined on 1 June and 1 May 2020 respectively.

2. *Financial review (continued)*

Evergreen and Pine Green Academies, providing a Primary Pupil Referral Unit and a specialist school for 7-16 year olds, joined on 1 March 2020, after a rebrokerage from another Multi-Academy Trust.

The growth strategy continues, and three additional academies have joined since the year end.

In addition, SET has been awarded a Free School (Specialist) in Bury, which is due to open in January 2023.

We work our hardest to improve, accelerate and enable ambitious life goals for all young people. Our 2,000 staff help the pupils realise their potential and achieve their ambitions at academes in all key stages, from foundation to key stage 5 in both special and mainstream education.

It has been an extraordinary year; the impact of Covid being a challenge since March 2020 and continuing post year end. In response to the pandemic all schools opened in line with expectation and national guidelines, with attendance continuing to be well above national averages by sector and phase. Schools are COVID safe and QA checks confirm compliance all schools have blended and remote learning plans in place.

Challenges remain, with continued COVID cases across the Trust, particularly in the North. Secondary schools are proving the hardest challenge due to scale and the related likelihood of infection.

Key priorities are to continue remote, blended and home learning, with accessibility to home ICT for all students, including Wi-Fi access during COVID. Partial closures are planned for, as matters continue to progress. Securing wellbeing of staff and students, including

safeguarding and addressing food poverty and personal care provision.

The Trust's business plan includes a detailed strategy for further growth, including free school applications and maintained school conversions. The priority remains to recruit schools from all sectors, secondary, primary as well as special schools. We continue to drive school improvement using a multi-faceted and evolutionary approach with our longer term priority focusing on reducing the learning disadvantaged gap.

Optimus

Optimus Education is an established provider of professional development support and school improvement information for schools, academies and mother educational institutions. We give teachers an opportunity for continuing professional development and offer careers and skills advice and guidance for young people.

We work with over 7,000 schools per year, in the UK and internationally, including nursery, primary secondary and colleges. By doing so we support teaches to improve and maximise the life chances of nearly 1.8m students and young people.

The largest revenue stream is conferences and events, which has been hit by the Covid-19 pandemic, although significant events have been delayed to next year and a digital events platform solution is being developed for 2021. The Awards business, launched in 2016, continues with over 800 schools signing up towards the Wellbeing Award, and a new mini awards program was launched during the year. Membership levels have remained in line with budget.

2. *Financial review (continued)*

Gabbitas

During the year Gabbitas, a boutique education business, was sold, as it was not core to our ongoing strategy.

Justice

Work in the Justice sector is designed to enable the people we support to positively contribute to society and break the cycle of reoffending. Education, skills, wellbeing and ongoing support, both within institutions and beyond the gate are all important elements of the rehabilitation process.

The Trust operates 7 of the 18 CF03 contracts for Her Majesty's Prison and Probation Service. The programme is co-funded by the European Social Fund and is designed to improve social inclusion amongst offenders and ex-offenders, who are considered the hardest to help in the justice system. We do this by helping them get ready for life after prison, turn their back on crime, train and find a job. Many of those we support have multiple and complex needs.

Through these we have helped over 8,000 new offenders, providing specific support, skills and training to clients in prisons and the community, resulting in over 3,000 accreditations and more than 669 jobs. During the period the contracts were extended to provide services to August 2023.

We continue to perform well on our IAG contracts despite the impact of Covid-19, with several contract wins during the year.

In addition, our Feltham contract provides education and training for males ranging from 12-18 years old, delivered on site within Feltham Young Offenders Institution. For those that cannot attend

in person, we provide education through visits to residential accommodation. During the year we worked with more than 300 boys at Feltham, who collectively achieved more than 2,000 accredited qualifications with some pupils achieving A-levels for the first time.

Community Health & Wellbeing

At least one in four people in the UK will experience a mental health problem each year. We work together with local authorities, clinical commissioning groups, the NHS, local and national charities and businesses, to help people improved their mental and physical health and wellbeing. This support means that people can better cope with the challenges they face and in turn function better at home, work and in their communities.

The Trust has a number of projects across the country working to improve community health and wellbeing. These include Get Back on Track, Suffolk Wellbeing Service and Thrive into Work, Live Well Kind and Aim4Work.

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 over 1,000 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)*

Retail and Enterprise

The Enterprise division comprises four distinct sections:

1. Enterprises - Enterprise projects; provides opportunities for adults with learning disabilities to work within nature and ecology parks across the UK, funded by Local Authorities. Doncaster industries - a plastic extrusion business employing learning disabled adults. Garden centres - provide real world work experience and vocational training for learning disabled adults. We exited one garden centre after the year end and continue to focus on Billing and Palmer Gardens. Forth Sector - offers high profile charitable and employability services in Scotland. The flagship project is St Jude's Laundry in Edinburgh, which provides job opportunities for people with disabilities, learning difficulties and mental or physical health problems. Despite the challenges from Covid-19, it has continued to operate, although with a more limited capacity. In addition, the Company has rentable office space at its site in Edinburgh.

2. Accessibility services - works with companies to assess the accessibility of their online platforms, employing adults with a range of impairments, with the aim of improving digital access for people with disabilities, working with clients including the NHS, McDonalds and EasyJet.

3. The Disabled Living Foundation ("DLF") - a separate charity which provides impartial advice for independent living and a marketplace for assistive and adaptable technologies, ranging from specialised clothing to mobility equipment.

4. Our small network of charity shops have experienced a challenging year, and been particularly impacted by the Covid-19 pandemic, with temporary store closures and some staff being furloughed.

8. 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 26. 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 to help as many people as possible to adjust to and navigate the complex employability challenges that lie ahead. To achieve this main strategy, Trustees have agreed on different objectives which include organisational growth, maintaining a balanced portfolio of services and programmes that are locally based and nationally scalable, 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.

2. *Financial review (continued)*

4. 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 and 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.

- 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 Officer, Chris Luck CB MBE, was appointed in May 2019, and joined the Trust after a distinguished career in the armed forces. He brings a wealth of experience, expertise and clear sense of purpose to the organisation.
- 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 Finance, People and Performance, Business Development, Information Services and Communications 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.

2. *Financial review (continued)*

- 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 The 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.

Risk management Framework

The Trust's risk appetite is set annually by the Board of Trustees with the goal of aligning risk-taking with the statutory requirements, strategic business objectives and capital planning. The Board of Trustees and the Group Chief Executive Officer (CEO) have key roles in the implementation of the Trust's risk appetite by steering the balanced portfolio, geographical operating areas and markets, and funding and liquidity management.

The purpose of the Risk Assurance Statement (RAS) is to state clearly the general principles for the Trust's risk-taking, to raise risk awareness across the organisation, and to guide the staff regarding accepted and unacceptable behaviour. The RAS is implemented

through the Trust's operational policies and procedures, monitoring metrics, limit system and internal controls.

Shaw Trust is subject to national supervision and prudential regulations, including contractual obligations.

The Trust's risk management system and procedures are reviewed and refined on an ongoing basis in order to comply with what the Trust identifies as the relevant standards, recommendations and best practices in the sectors operated in. The objectives of the RAS are:

- To provide a clear articulation of the Trust's risk-taking, risk mitigation and risk avoidance, and to define the risk-taking at the aggregate level.
- To create a foundation for effective communication of risk among internal and external stakeholders.
- To increase understanding of the Trust's material risk exposures and raise risk awareness across the organisation.
- To positively impact the defined risk culture of the Trust.
- To support the Board of Trustees and the senior management in planning, formulating and executing strategic business decisions to achieve the long-term targets of the Trust.
- To provide means for the Board of Trustees and senior management to engage in discussions on risk-taking, risk management, and business strategy, and their interlinkages.
- To provide the tools for the Board of Trustees and senior management to continuously monitor and align the Trust's actual risk profile with the risk appetite

2. *Financial review (continued).*

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 and Risk 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, standards and contractual requirements.

The Trust's Line Two reports into senior management and the Trustee Board, through the Audit and Risk Committee; and

line three: Internal Audit, currently performed by an outsourced provider. Reporting primarily to the Audit & Risk Committee, the internal auditors provide assurance over the effectiveness of corporate governance and the overall control environment including 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 and Risks 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 and 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.

Principal Risks and Uncertainties

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

- Failure to finance the business.
- Failure to deliver the turnaround plan, through margin improvement, cost control and synergies of acquisitions.

Trustees Annual Report

- Physical, mental or emotional harm caused to our service users. The need to constantly safeguard vulnerable clients from harm.

2. *Financial review (continued)*

- 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 culturally and commercially to enable its long term viability.
- Loss of ability to deliver services and mission arising from unexpected business interruption, in particular Covid-19 fallout.
- Financial and reputational damage caused by theft, fraud or poor governance.
- Inability to build and retain an appropriate accommodated, skilled and rewarded workforce.

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

- Build and maintain a strong balance sheet so as to instil confidence of stakeholders and to sustain the future development of the business.

- Build and maintain a strategic reserve to enable the trust to operate and continue its core activities.

- 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.

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 new loan facility was negotiated with the Trust's principal bank, with £3m remaining drawn down at 31 August 2020. The balance of external funding is held in Forth Sector.

The group does have a small 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 therefore has not been hedged.

2. Financial review (continued)

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.

Streamlined Energy and Carbon Reporting

The Shaw Trust has prepared a report that achieves compliance with the Streamlined Energy and Carbon Reporting (SECR) framework requirements.

Greenhouse Gas (GHG) Emissions

In line with the Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standard, The Trust has been engaged in a process aimed at reducing our energy and greenhouse gas emissions.

The Trust currently maintains both scope 1 & 2 emissions, which are generated from our premises (offices, accommodation, and schools), and transport, respectively. We maintain transport emissions from leased company cars and “grey fleet” (personal cars used for business purposes, where staff mileage has been reimbursed).

The Trust is currently devising a strategy to reduce our carbon footprint significantly including:

- Encouraging employees to purchase renewable technology cars i.e., hybrids,
- Purchasing energy efficient equipment where appropriate in our premises,
- Replacing HVAC systems with energy-efficient equipment where possible,

- Adopting behavioural change measures where possible.

We have a longstanding commitment to tackling climate change. Our calculated carbon footprint for our current financial year is 4,626 tCO₂e, whilst energy consumption was 20,747,565 kWh (20,747 MWh).

Methodology

We have reported all of emission sources under the Companies Act 2006 (Strategic Report and Director’s Reports) Regulations 2013 as required. We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government’s GHG Conversion Factors for Company Reporting 2020 (reference “Introduction guidance”).

The reporting period is the financial year 2019/2020, the same as that covered by the Annual Report and Financial Statements. The boundaries of the GHG inventory are defined using the operational control approach. In general, the emissions reported are the same as those which would be reported based on a financial control boundary.

2019/2020 Emissions

<u>Scope 1 (natural gas)</u>	
<u>Tonnes CO₂ equivalent (tCO₂e)</u>	2,783
<u>Scope 2 (electricity)</u>	
<u>Tonnes CO₂ equivalent (tCO₂e)</u>	1,375
<u>Scope 1 (transport)</u>	
<u>Tonnes CO₂ equivalent (tCO₂e)</u>	468
Total	
<u>Tonnes CO₂ equivalent (tCO₂e)</u>	4,626

2. Financial review (continued)

Intensity Ratio

Scope 1 and scope 2 carbon intensity metric based on the number of clients (including pupils) supported by the Trust during the financial year:

4,626 tCO₂e / 292,000 clients = 0.016 tCO₂e per client.

Total Emissions

Efficiency Measures Taken

- 1) Replaced aging premises equipment with energy-efficient products.
- 2) Expanded video conferencing and online meetings (as opposed to F2F meetings).
- 3) Upgraded lighting portfolio to LED's where possible.

Objectives for 2020/2021

- 1) Reduce our baseline electricity and gas consumption year on year.
- 2) Continual review of existing equipment and company policies.
- 3) Reviewing supply contracts to determine feasibility of renewable energy.
- 4) Implementation and assessment of the Energy Savings Opportunity Scheme (ESOS) recommendations.
- 5) Implementation of carbon reduction towards net zero.
- 6) Continue with our energy-savings programme.

The Trust will report on progress within our next set of financial statements

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 year and is currently in force. The Company also purchased and maintained throughout the financial year 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 for the duration of the plan. 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 liquidity and cash flow in the medium term. The asset divestment programme as detailed in the Business Plan was completed during the year, although with some delays due to Covid-19. The Trust's principal funder has shown continued support during this crisis with renegotiation of a Loan Facility.

Management continue to closely monitor the ongoing developments of Covid-19 and have modelled sensitivity analysis on best, mid and worst case scenarios. In all scenarios the Trust is projected to have sufficient liquid resources to meet its obligations as they fall due and to continue operations for at least 12 months from the date of approval of these financial statements.

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.

The Trust has produced a comprehensive risk assessment framework and monitors and reports on this on a quarterly basis. It continues to drive performance and look for further opportunities to develop. It seeks to mitigate any ongoing risk by ensuring that it continues to be lean and fit for purpose, responds to the changing environments and markets in which it operates and continues to engage with commissioners and clients.

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

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 (resigned 16th July 2020)

Chanelle Gray ♦

Annamarie Hassall (Hiscox) MBE

Mike Hawker *

Peter Holmes •

Paul McGee

Jeremy Moore CB* •

John Norman ♦

Dr Mike Nussbaum ♦ •

Marie-Claire O’Brien (resigned 6th May
2020)

Sir Kenneth Olisa OBE, Chairman

Company Secretary

Stephen King (resigned 26th January 2021)

Carol Ann McKinley (appointed 26th
January 2021)

Registered Office

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

* Member of the Audit & Risk Committee

♦ Member of the HR Committee

• Member of the Performance and
Investment Committee

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory
Auditors

2 Glass Wharf, Bristol BS2 0RF

Executive Management Team

Chris Luck CB MBE

Group Chief Executive Officer

Bankers

The Royal Bank of Scotland

9th Floor, 280 Bishopsgate, London EC2M
4RB

Jacqui Oughton

Chief Operating Officer

Solicitors

Brabners LLP Solicitors

55 King Street, Manchester M2 4LQ

Stephen King

Chief Financial Officer

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

In line with best practice Shaw Trust Limited are currently undertaking a procurement exercise in relation to the appointment of external auditors. Once this process has completed a resolution proposing the most appropriate audit company as auditor of the Trust will be put to the members.

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 Limited 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 Limited 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 archives 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
25th March, 2021

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 2020 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 2020 (the "Annual Report"), which comprise: the Group and Company Balance Sheets as at 31 August 2020; 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 statements.

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:

- 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.

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 27, 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.

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
26th March 2021

The Shaw Trust Limited Group statement of financial activities

For the year ended 31 August 2020

	Note	Unrestricted Funds	Restricted Funds	Year ended 31 August 2020	Year ended 31 August 2019
		£'000	£'000	£'000	£'000
Income and endowments from:					
Donations and Legacies		49	25,352	25,401	3,689
Charitable activities		116,179	63,990	180,169	178,190
Other Trading Activities	1a	2,642	287	2,929	4,660
Income on investments, interests and dividends		14	-	14	285
Covid related grants		1,050	-	1,050	-
Other Income		5	-	5	22
Net assets taken on with mergers and transfers	25	-	13,674	13,674	21,349
Incoming resources including share of joint ventures	1	119,939	103,303	223,242	208,195
Less share of gross incoming resources of joint ventures		-	(119)	(119)	(1,828)
Group incoming resources		119,939	103,184	223,123	206,367
Expenditure on:					
Raising funds	2	(3,804)	-	(3,804)	(5,290)
Goodwill Impairment	7	-	-	-	(15,859)
Charitable activities	2	(131,645)	(82,084)	(213,729)	(203,653)
Total resources expended		(135,449)	(82,084)	(217,533)	(224,802)
Net (expenditure) / income		(15,510)	21,100	5,590	(18,435)
Net losses on Fixed Asset investments	10	-	-	-	(583)
Transfers between funds	18	(353)	353	-	-
Group net (expenditure) / income		(15,863)	21,453	5,590	(19,018)
Share of net outgoing resources of joint ventures	9	-	(1,013)	(1,013)	(80)
Net (expenditure) / income before other recognised gains and losses		(15,863)	20,444	4,581	(19,098)
Other recognised gains and losses					
Gain on sale of subsidiaries	1b	927	-	927	-
Actuarial losses on defined benefit pension schemes	24	(1,278)	(3,418)	(4,696)	(31,658)
Net movement in funds		(16,214)	17,022	808	(50,756)
Fund balances brought forward		(23,374)	105,455	82,081	132,837
Fund balances carried forward		(39,588)	122,477	82,889	82,081

Group and Company Balance Sheets as at 31 August 2020

	Note	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed assets					
Intangible assets	7	14,292	22,372	488	702
Tangible assets	8	167,686	142,824	3,024	3,483
Investments in subsidiaries	9	-	-	19,355	19,355
Investments in joint ventures - investment at cost					
<i>Gross assets</i>		78	1,799	-	-
<i>Gross liabilities</i>		(31)	(736)	-	-
Net assets	9	47	1,063	-	-
Total fixed assets		182,025	166,259	22,867	23,540
Current assets					
Stocks	12	548	749	323	544
Debtors: Due within 1 year	13	30,788	26,329	17,169	15,903
Debtors: Due over 1 year	13	12,386	10,613	-	-
Current asset investments	10	-	213	-	213
Cash at bank and in hand	15	33,497	16,942	2,462	5,058
Total current assets		77,219	54,846	19,954	21,718
Creditors - amounts falling due within one year	16	(57,657)	(36,425)	(19,387)	(11,700)
Net current assets		19,562	18,421	567	10,018
Total assets less current liabilities		201,587	184,680	23,434	33,558
Creditors - amounts falling due after one year	16b	(3,493)	(6,888)	(1,961)	(5,499)
Provision for liabilities and charges	17	(2,124)	(2,112)	(1,978)	(2,112)
Net assets before pension liability		195,970	175,680	19,495	25,947
Pension (liability) / surplus	24	(113,081)	(93,599)	(15)	14
Net assets after pension liability		82,889	82,081	19,480	25,961

Group and company balance sheets (continued)
as at 31 August 2020

	Note	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Funds					
Designated funds	18	1,511	1,733	1,306	1,528
General funds	18	23,556	35,430	14,425	20,612
Total unrestricted funds excluding pension liability		25,067	37,163	15,731	22,140
Pension (liability) / surplus		(64,655)	(60,537)	(15)	14
Total unrestricted funds	18	(39,588)	(23,374)	15,716	22,154
Restricted funds	19	122,477	105,455	3,764	3,807
Total Funds	20	82,889	82,081	19,480	25,961

The notes on pages 41 to 88 are an integral part of these financial statements. The financial statements on pages 35 to 88 were approved by the board of directors on 26th January 2021 and were signed on its behalf by:



Sir Kenneth Olisa, Chairman
25th March, 2021

Group statement of cash flows

for the year ended 31 August 2020

	Note	Year ended 31 August 2020 £'000	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000	Year ended 31 August 2019 £'000
Net cash inflow / (outflow) from operating activities	A		38,622		(13,766)
Taxation			-		-
Net cash generated / (used in) operating activities			38,622		(13,766)
Cash flow from investing activities					
Capital expenditure and financial investment					
Purchase of tangible assets		(27,304)		(6,204)	
Purchase of intangible assets		(255)		(342)	
Cash inflow on conversion of academies and business combinations		1,182		262	
Net sales of investments		712		16,709	
Cash from disposal of fixed assets		7,039		-	
Investment income received		14		285	
Net cash (outflow) / inflow from capital expenditure and financial investment			(18,612)		10,710
Total Net cash generated from / (used in) investing activities			20,010		(3,056)
Cash flow from financing activities					
Interest and charges paid		(1,119)		(1,481)	
Repayment of loans		(2,336)		-	
Net cash used in financing activities			(3,455)		(1,481)
Net increase / (decrease) in cash and cash equivalents	B		16,555		(4,537)
Cash and cash equivalents at the beginning of the period at 1 September 2019			16,942		21,479
Cash and cash equivalents at 31 August 2020	C		33,497		16,942

Group consolidated statement of cash flows (continued)
for the year ended 31 August 2020

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

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Net incoming / (outgoing) resources before other recognised gains	4,577	(19,098)
Donation of net assets arising on acquisition	(13,674)	(21,349)
Pensions - adjustment to net incoming resources	6,562	(2,387)
Investment income received	(14)	(285)
Bank charges and interest paid	1,119	1,481
Depreciation and fixed asset write offs	5,768	5,151
Amortisation of goodwill	8,204	11,533
Impairment of goodwill	-	15,859
Net loss on write off/disposal of tangible fixed assets	10,352	1,275
Net loss on write off/disposal of intangible fixed assets	131	-
Net loss on disposal of investments	427	586
Decrease / (increase) in stock	201	(225)
Increase in debtors	(6,232)	(2,472)
Decrease in value of joint ventures	1,016	111
Increase / (decrease) in creditors	15,214	(8,221)
Increase in deferred income	4,959	4,993
Increase / (decrease) in provisions for liabilities and charges	12	(718)
Net cash inflow / (outflow) from operating activities	38,622	(13,766)

Group consolidated statement of cash flows (continued)
for the year ended 31 August 2020

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

	1 September 2019 £'000	Cash Flow £'000	31 August 2020 £'000
Cash pledged as security for guarantee	250	-	250
Unrestricted cash at bank and in hand	16,692	16,555	33,247
Total cash at bank and in hand	16,942	16,555	33,497

c) Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash and cash equivalents consists of:				
Cash at bank and in hand	33,394	16,840	2,359	4,956
Short term deposits	103	102	103	102
Total cash at bank and in hand	33,497	16,942	2,462	5,058

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 2020. 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.

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.

Where assets and liabilities are received on the transfer of an existing academy into the academy trust, the transferred net assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the academy trust. An equal amount of income is recognised for the transfer of an existing academy into the academy trust within Donations and capital grant income to the net assets acquired.

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:

**Principal accounting policies
(continued)**

- 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.

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, are stated at cost less depreciation.

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 Limited acquired Ixion Holdings (Contracts) Limited 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)**

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

Fixed asset 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.

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 Limited defined contribution pension scheme, the Trust operates a number of defined benefit pension arrangements, which are detailed in note 24 to the Financial Statements.

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to net income/(expenditure) are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

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.

**Principal accounting policies
(continued)**

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.

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 Limited, who is also the sponsor company. Through the SET Articles of Association Shaw Trust Limited can appoint members and Trustees to the Shaw Education Trust Board, thereby giving control to the decision making and authority for the work of the Academy Trust. 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.

**Principal accounting policies
(continued)**

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

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 CGU. 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 financial statements an impairment is taken. In the year ended 31 August 2019 this amounted to an additional write-down in goodwill of £15.8m. There was no such adjustment required in the year ended 31 August 2020.

- (ii) Provisions (note 17)

Provision is made for dilapidations, asset retirement obligations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, timing of the cash flows and 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 corporate bond discount rate. 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 statements

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 2020	Year ended 31 August 2019
	£'000	£'000	£'000	£'000
Incoming resources from generated funds				
Donation of net assets arising on mergers	-	13,674	13,674	21,349
Donations and Legacies	49	25,352	25,401	3,689
Other Trading Activities (Note 1a)	2,642	287	2,929	4,660
Income on investments, interests and dividends	14	-	14	285
Covid related grants	1,050	-	1,050	-
Other Income	5	-	5	22
Incoming resources from generated funds	3,760	39,313	43,073	30,005
Incoming resources from charitable activities				
Contract delivery, social enterprises and other charitable activities	116,179	63,990	180,169	178,190
Joint Venture - Intergracja	-	(119)	(119)	(1,828)
Incoming resources from charitable activities	116,179	63,871	180,050	176,362
Total	119,939	103,184	223,123	206,367

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 £25.4million (2019: £21.3 million) was earned. Shaw Education Trust received £43.3 million (2019: £37.4 million) general annual grant from Department for Education.

The fair value of net assets acquired from business combinations are treated as a donation (see note 25).

Notes to the financial statements (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:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Total income	40,919	39,830
Net outgoing (incoming) resources	7,133	18,251

1a. Other Trading Activities

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Income from Charity Shops	2,929	4,660
	2,929	4,660

1b Gain on sale of subsidiaries

	Year ended 31 August 2020 £'000
Proceeds	500
Net Assets divested	
Fixed Assets (see note 8)	86
Net current liabilities	420
	506
Costs incurred to enable the sale	(79)
Gain on sale of subsidiaries	927

The group disposed of two subsidiaries, Gabbitas Limited and 3BM Limited with a gain of £1,166K for Gabbitas and a deficit of £239K for 3BM.

Notes to the financial statements (continued)

2. Analysis of total resources expended

	Year ended 31 August 2020	Year ended 31 August 2019 (Restated)
	£'000	£'000
Raw Materials and Consumables	12,463	15,268
Staff Costs – salaries, NI and pensions	123,775	121,358
Staff Costs – travel and pension charges	6,153	(155)
Other Operating Costs	61,592	56,868
Depreciation	5,768	6,246
Amortisation and Impairment of Goodwill	8,204	27,037
Finance Charges	1,122	1,484
Sub total	219,078	228,103
Tax (Note 21)	(1,545)	(3,304)
Total	217,533	224,799

Costs in the year ended 31 August 2019 were restated to better reflect the split between Raw Materials and Consumables & Other Operating Costs. The restatement increases Raw Materials and Consumables by £7,142K. and reduces Other Operating Costs by a corresponding amount.

	Activities undertaken directly	Support costs not directly allocated	2020 Total	2019 Unrestricted funds	2019 Restricted funds	2019 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Raising Funds						
Fundraising	34	-	34	62	-	62
Charity shops	3,781	-	3,781	5,226	-	5,226
Investment management fees	(11)	-	(11)	2	-	2
Total cost of Raising Funds	3,804	-	3,804	5,290	-	5,290
Charitable Activities						
Impairment of goodwill	-	-	-	15,859	-	15,859
Contract delivery, social enterprises & other charitable activities	211,828	1,877	213,705	201,665	1,665	203,332
Usage of fundraising funds	24	-	24	320	-	320
Total Cost of Charitable Activities	211,852	1,877	213,729	217,844	1,665	219,512
Total Resources Expended	215,656	1,877	217,533	223,134	1,665	224,802

Notes to the financial statements (continued)

2. Analysis of total resources expended

Support costs not directly allocated comprise the following:

Support costs	Year ended 31 August 2020	Year ended 31 August 2019
Management	596	742
Corporate Governance	205	227
Finance	246	41
Information Technology	655	447
Human Resources	155	115
Communications and Marketing	20	93
Support costs not directly allocated	1,877	1,665

3. Finance costs

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Bank charges, interest and other finance costs (note 2)	1,122	1,485
Net finance cost on defined benefit pension scheme (note 24)	1,546	1,714
Total	2,668	3,199

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

4. Net incoming resources

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
The net incoming resources are stated after charging:		
Depreciation charge for the year on tangible owned assets	5,768	5,155
Amortisation charge for the year on intangible owned assets	8,204	11,533
Goodwill Impairment Charge	-	15,859
Auditors' remuneration: audit services		
- Parent Company and consolidated financial services	139	90
- Audit of the company's subsidiaries	219	173
Auditors' remuneration: other services		
- services relating to taxation	19	44
- all other services	119	22
Operating leases:		
- others	216	196
- property	2,110	2,051
Net loss on write off / disposal of tangible fixed assets	10,733	1,275

Notes to the financial statements (continued)

5. Employees

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

	Year ended 31 August 2020 Full Time Equivalent Number	Year ended 31 August 2019 Full Time Equivalent Number
Charitable purposes	3,636	3,523
Retail	91	84
Total	3,727	3,607

Employee costs for the above persons during the year were:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Wages and salaries	100,140	102,500
Social security costs	8,166	9,318
Other pension costs (note 24)	15,469	9,461
Total	123,775	121,279

Notes to the financial statements (continued)

5. Employees (continued)

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

	2020 Total Emoluments	2019 Total Emoluments	2020 Total Emoluments excl. severance payments	2019 Total Emoluments excl. severance payments
	Number	Number	Number	Number
£60,001 - £70,000	63	53	63	53
£70,001 - £80,000	25	20	25	20
£80,001 - £90,000	15	10	15	10
£90,001 - £100,000	9	8	9	8
£100,001 - £110,000	3	1	3	1
£110,001 - £120,000	3	5	3	4
£120,001 - £130,000	2	4	2	4
£130,000 - £140,000	2	4	2	4
£140,001 - £150,000	1	-	1	-
£160,001 - £170,000	2	3	2	3
£170,001 - £180,000	-	1	-	1
£185,001 - £190,000	1	-	1	-
£190,001 - £200,000	1	-	1	-
£240,001 - £250,000	-	1	-	1
£250,001 - £260,000	-	1	-	1
	127	111	127	110

The total pension contributions in respect of the above staff, all of which were made to defined contribution schemes, were £903,291 (2019: £828,317).

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 £30,000 (2019: £117,257).

Notes to the financial statements (continued)

6. Trustees' and senior executives' remuneration

- a) During 2020 and 2019, no Trustee received any emoluments from the Trust. Incidental travelling costs of £964 (2019: £8,084) were reimbursed, or paid on behalf of 9 (2019: 9) Trustees by the Trust.
- b) The 'directorships' outlined on page 26 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 £9,385 (2019: £10,000) 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 £1,509,478 (2018: £1,661,613) for the year

Notes to the financial statements (continued)

7. Intangible Assets

Group	Goodwill	Computer software	Total
	£'000	£'000	£'000
Cost			
At 1 September 2019	56,575	8,031	64,606
Additions	-	255	255
Transfers	-	(2)	(2)
Disposal of subsidiary	(3,040)	-	(3,040)
Disposals	-	(1,262)	(1,262)
At 31 August 2020	53,535	7,022	60,557
Accumulated Amortisation			
At 1 September 2019	(34,893)	(7,341)	(42,234)
Charge for the year	(7,643)	(561)	(8,204)
Disposal of subsidiary	2,881	-	2,881
Disposals	-	1,292	1,292
At 31 August 2020	(39,655)	(6,610)	(46,265)
Net book value			
At 31 August 2020	13,880	412	14,292
At 1 September 2019	21,682	690	22,372

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) Limited 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 2020 was £10.6m.

The Gabbitas group of subsidiary companies was disposed of during the year resulting in a disposal of the assets and their associated accumulated amortisation.

Notes to the financial statements (continued)

7. Intangible Assets (continued)

Amortisation will occur in line with Shaw Trust Limited 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 2019	7,914	7,914
Additions	238	238
Transfers	(2)	(2)
Disposals	(1,265)	(1,265)
At 31 August 2020	6,885	6,885
Accumulated Amortisation		
At 1 September 2019	(7,212)	(7,212)
Transfers	1	1
Charge for the year	(435)	(435)
Disposals	1,249	1,249
At 31 August 2020	(6,397)	(6,397)
Net book value		
At 31 August 2020	488	488
At 1 September 2019	702	702

Notes to the financial statements (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 2019	48,899	96,670	2,850	2,509	8,154	159,082
Acquisitions of academies	-	11,573	-	-	-	11,573
Additions	-	25,097	1,654	85	468	27,304
Transfers of academies	47	12,091	(2,994)	4	-	9,148
Reclassifications	208	2,642	-	3,637	(629)	5,858
Disposals of subsidiary	-	-	-	(427)	-	(427)
Disposals	(7,426)	(11,736)	-	(663)	(878)	(20,703)
At 31 August 2020	41,728	136,337	1,510	5,145	7,115	191,835
Accumulated depreciation						
At 1 September 2019	(3,179)	(6,406)	-	(1,370)	(5,303)	(16,258)
Charge for the year	(775)	(3,702)	-	(502)	(789)	(5,768)
Transfers	(43)	43	-	(3)	1	(2)
Reclassifications	(1,678)	(593)	-	(3,416)	(171)	(5,858)
Disposals of subsidiary	-	-	-	341	-	341
Disposals	1,572	599	-	384	841	3,396
At 31 August 2020	(4,103)	(10,059)	-	(4,566)	(5,421)	(24,149)
At 31 August 2020	37,625	126,278	1,510	579	1,694	167,686
At 1 September 2019	45,720	90,264	2,850	1,139	2,851	142,824
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 2019	280	3,364	224	592	5,190	9,650
Additions	-	-	11	-	104	115
Transfers	-	(47)	-	-	(3)	(50)
Disposals	-	(212)	-	(40)	(596)	(848)
At 31 August 2020	280	3,105	235	552	4,695	8,867
Accumulated depreciation						
At 1 September 2019	(73)	(1,409)	-	(548)	(4,137)	(6,167)
Charge for the year	(7)	(52)	-	(21)	(257)	(337)
Transfers	-	43	-	-	1	44
Disposals	-	21	-	35	561	617
At 31 August 2020	(80)	(1,397)	-	(534)	(3,832)	(5,843)
Net book value						
At 31 August 2020	200	1,708	235	18	863	3,024
At 1 September 2019	207	1,955	224	44	1,053	3,483

Notes to the financial statements (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 £158,333,000. (2019: £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 Gabbitas group of subsidiary companies was disposed of during the year resulting in a disposal of the assets and their associated accumulated depreciation.

Balances previously disclosed in the prior year financial statements, have been reclassified to better reflect the nature of the balances.

9. Investments in Subsidiary Undertakings and Joint Ventures

Company interests in group undertakings

	2020
	£'000
At 1 September 2019	19,955
At 31 August 2020	19,955
<hr/>	
Amortisation	
At 1 September 2019	(600)
At 31 August 2020	(600)
<hr/>	
Net book value	
At 31 August 2020	19,355
At 1 September 2019	19,355

Notes to the financial statements (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.

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 Limited	7708678		England and Wales	100%	Company Limited by Shares
Ixon Holdings (Contract) Limited	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, B69 2DG.

The registered address for Shaw Education Trust is; Kidsgrove Secondary School, Gloucester Road, Kidsgrove, Stoke-on-Trent ST7 4DL.

The registered address for Forth Sector is; Duddingston Yards, Duddingston Park South, Edinburgh, Lothian, EH15 3NT

Notes to the financial statements (continued)

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

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
STAR Skills Limited	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 STAR Skills Limited is; Black Country House, Rounds Green Road, Oldbury, West Midlands, B69 2DG. STAR is a dormant company.

	Motivation Romania Foundation		Intergracja Foundation		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Total Shaw Trust Limited share of:						
Total assets	-	1,694	78	105	78	1,799
Total liabilities	-	(696)	(31)	(40)	(31)	(736)
Net assets	-	998	47	65	47	1,063
Gross incoming resources	-	1,753	119	75	119	1,828
Net surplus of income over expenditure	(998)	(67)	(15)	(13)	(1,013)	(80)

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.

In September 2019 the Shaw Trust Limited resigned from the board of both Motivation Romania Foundation and Motivation Romania Foundation and have surrendered all shares.

Notes to the financial statements (continued)

10. Investments

As a part of the Trust's investment policy, a portion of funds available for investment was 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 2019 with the balance sold during the current year. At the balance sheet date, these investments are held in the following classes:

Group and company	2020	2019
	£'000	£'000
Other investments (including those transferred from DLF)	-	213
At 31 August 2020	-	213

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

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

	2020	2019
	£'000	£'000
At 1 September 2019	213	17,505
Additions to investments at cost	-	7,159
Disposals at carrying value	(213)	(23,868)
Loss on disposal of assets	-	(585)
Net gain on revaluation	-	2
At 31 August 2020	-	213

Notes to the financial statements (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 2020, Palmer Gardens has a Revenue Fund of £Nil (2019: £Nil) and a Capital Fund of £547,000 (2019: £566,000). The income and expenditure account for the Revenue Fund is set out below:

Revenue Fund	2020	2019
	£'000	£'000
Turnover	287	761
Cost of sales	(249)	(329)
Gross Profit	38	432
Selling and distribution	(301)	(340)
Administration	(68)	(74)
Finance	(1)	1
Operating (deficit) / surplus	(332)	19
Support costs	(21)	(80)
Depreciation	(19)	(21)
Net deficit	(372)	(82)
Palmer Gardens Revenue Fund brought forward	-	-
Transfer from capital fund	19	21
Donation from Shaw Trust Limited to Palmer Gardens	353	61
Balance of restricted revenue reserve (see note 19)	-	-

Notes to the financial statements (continued)

11. Palmer Gardens (continued)

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

Capital Fund	2020	2019
	£'000	£'000
Fixed assets		
Palmer Gardens	547	566
Analysis of net assets:		
Current assets – stock	121	130
Current liabilities - creditors Shaw Trust Limited	(121)	(130)
Net current assets	-	-
Total assets less current liabilities	547	566
Funds		
Restricted capital funds	547	566
Total (see note 19)	547	566

12. Stocks

Finished goods	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Plants, shrubs and nursery	439	575	214	370
Shop stock	68	132	68	132
Other	41	42	41	42
Total	548	749	323	544

13. Debtors

Amounts falling due within 1 year:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	11,111	14,203	2,018	4,477
Amounts due from group undertakings	-	-	12,205	8,906
Loans to group undertakings	-	-	400	-
Deferred tax asset	106	325	-	-
Other debtors	567	3,856	37	408
Prepayments and accrued income	19,004	7,945	2,509	2,112
Total	30,788	26,329	17,169	15,903

13. Debtors (continued)

Balances within Prepayments and Accrued income have risen substantially primarily due to different timing of invoicing.

Amounts falling due after 1 year:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred tax asset	12,386	10,613	-	-

14. Deferred Taxation

	2020 £'000	2019 £'000
Accelerated capital allowances	75	253
Short term timing differences - trading	12,417	10,685
	12,492	10,938

Analysed as:

Amount due within one year	106	325
Amount due after more than one year	12,386	10,613
	12,492	10,938

Movement in year

Opening balance	10,938	7,541
Changes in deferred tax	1,554	3,304
Prior year adjustment	-	93
Closing balance	12,492	10,938

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 unrecognised deferred tax assets (2019: £nil).

15. Cash at bank and in hand

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash at bank and in hand	33,497	16,942	2,462	5,058

Notes to the financial statements (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	
	2020	Restated 2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	2,683	3,308	894	749
Taxation and social security	11,504	2,961	3,427	1,226
Other creditors	3,155	1,140	-	-
Loans	1,233	174	1,000	-
Accruals	25,105	19,825	5,439	5,098
Deferred income	13,977	9,017	8,627	4,627
Total	57,657	36,425	19,387	11,700

Balances previously disclosed within other creditors in the prior year financial statements, have been restated to accruals and tax and social security to better reflect the nature of the balance. This resulted in Taxation and social security increasing by £2,052K, Accruals increasing by £11,722K and Other creditors reducing by £13,774K.

16b. Creditors - amounts falling due after one year

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts falling due after one year:				
Loans and Borrowings	3,493	6,888	1,961	5,499
Total	3,493	6,888	1,961	5,499

Notes to the financial statements (continued)

16b. Creditors - amounts falling due after one year (continued)

Loans include a bank loan amounting to £2.9m (2019: £5.4m) which is secured by a fixed charge on all Shaw Trust Limited Group assets, excluding Shaw Education Trust.

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 were recognised as part of the interest expense, amortised over the term of the bank loan.

Borrowings by Forth Sector amounting to £1.3m are secured by floating charges and standard securities over the assets of that company.

17. Provision for liabilities and charges

Group	Dilapidations £'000	Contract Risk £'000	Total £'000
At 1 September 2019	162	1,950	2,112
Created during the Year	146	-	146
Utilised during the year	(134)	-	(134)
At 31 August 2020	174	1,950	2,124

Company	Dilapidations £'000	Contract Risk £'000	Total £'000
At 1 September 2019	162	1,950	2,112
Utilised during the year	(134)	-	(134)
At 31 August 2020	28	1,950	1,978

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 Limited 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.

Notes to the financial statements (continued)

18. Unrestricted funds

Group	Movement in Funds				At 31 August 2020 £'000
	At 1 September 2019 £'000	Incoming £'000	(Outgoing) £'000	Transfer £'000	
Designated funds:					
Fixed assets fund	1,733	104	(326)	-	1,511
Total designated funds	1,733	104	(326)	-	1,511
General funds	35,430	119,720	(131,241)	(353)	23,556
Total unrestricted funds before pension surplus / (deficit)	37,163	119,824	(131,567)	(353)	25,067
Pension deficit	(60,537)	-	(4,118)	-	(64,655)
Total unrestricted funds	(23,374)	119,824	(135,685)	(353)	(39,588)

Company	Movement in Funds				At 31 August 2020 £'000
	At 1 September 2019 £'000	Incoming £'000	(Outgoing) £'000	Transfer £'000	
Designated funds:					
Fixed assets fund	1,528	104	(326)	-	1,306
Total designated funds	1,528	104	(326)	-	1,306
General funds	20,612	41,180	(47,014)	(353)	14,425
Total unrestricted funds before pension surplus / (deficit)	22,140	41,284	(47,340)	(353)	15,731
Pension deficit	14	-	(29)	-	(15)
Total unrestricted funds	22,154	41,284	(47,369)	(353)	15,716

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 Cheshire Pension Fund and Derbyshire 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.

Notes to the financial statements (continued)

19. Restricted Funds

Group and Company	At 1 September 2019	Incoming	Movement in funds			At 31 August 2020
			(Outgoing)	Impact of Foreign Currency Translations	Transfers	
	£'000	£'000	£'000	£'000	£'000	£'000
The Big Lottery Fund						
DIG for Dinner	38	-	-	-	-	38
Doncaster Borough Council (guarantee)	250	-	-	-	-	250
Palmer Gardens Fund (Capital)	566	-	(19)	-	-	547
Palmer Gardens Fund (Revenue)	-	287	(640)	-	353	-
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	1,742	-	(17)	-	-	1,725
Other	10	-	(7)	-	-	3
Total company	3,807	287	(683)	-	353	3,764
Shaw Education Trust	100,587	102,897	(84,815)	-	-	118,669
The Integracja Foundation	64	119	(135)	(4)	-	44
Motivation Romania Foundation	997	-	(997)	-	-	-
Total group	105,455	103,303	(86,630)	(4)	353	122,477

Notes to the financial statements (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 £547,000 (2019: £566,000) 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 (2019: £nil).

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 are treated as restricted funds because those funds can only be used for charitable purposes in those countries.

Notes to the financial statements (continued)

20. Analysis of net assets between funds

Group	Designated £'000	Unrestricted (including pension deficit) £'000	Restricted £'000	Total funds 2020 £'000	Total funds 2019 £'000
Fund balances at 1 September are represented by:					
Intangible fixed assets	-	14,277	15	14,292	22,372
Tangible fixed assets	1,511	4,334	161,841	167,686	142,824
Share of net assets of joint ventures	-	-	47	47	1,063
Current assets	-	60,475	16,744	77,219	54,846
Current liabilities	-	(50,807)	(6,850)	(57,657)	(36,425)
Long-term liabilities	-	(2,627)	(866)	(3,493)	(6,888)
Provisions for liabilities and charges	-	(2,124)	-	(2,124)	(2,112)
Pension deficit	-	(64,655)	(48,426)	(113,081)	(93,599)
Total net assets at 31 August 2020	1,511	(41,127)	122,505	82,889	-
Total net assets at 1 September 2019	1,733	(25,118)	105,466	-	82,081

Company	Designated £'000	Unrestricted (including pension surplus) £'000	Restricted £'000	Total funds 2020 £'000	Total funds 2019 £'000
Fund balances at 1 September are represented by:					
Intangible fixed assets	-	488	-	488	702
Tangible fixed assets	1,306	(22)	1,740	3,024	3,483
Investment in Joint Ventures	-	19,355	-	19,355	19,355
Current assets	-	17,930	2,024	19,954	21,718
Current liabilities	-	(19,387)	-	(19,387)	(11,700)
Long-term liabilities	-	(1,961)	-	(1,961)	(5,499)
Provisions for liabilities and charges	-	(1,978)	-	(1,978)	(2,112)
Pension deficit	-	(15)	-	(15)	14
Total net assets at 31 August 2020	1,306	14,410	3,764	19,480	-
Total net assets at 1 September 2019	1,528	20,626	3,807	-	25,961

Notes to the financial statements (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.

Tax charge for the year is:

	2020	2019
	£'000	£'000
Total current tax	-	(14)
Deferred taxation		
Origination and reversal of timing differences	(208)	872
Adjustment in respect of prior periods	282	62
Impact of changes in tax rates	(810)	(92)
Short term timing differences	146	-
Total deferred tax	(590)	842
Tax on loss	(590)	828
Other comprehensive income items	(955)	(4,132)
Total tax charge (See note 2)	(1,545)	(3,304)

Notes to the financial statements (continued)

21. Taxation (continued)

Loss before taxation	(2,346)	681
Loss before tax multiplied by the UK Corporation Tax rate of 19%	(446)	129
Expenses not deduct-able for tax purposes	321	264
Qualifying charitable donations	(76)	(227)
Losses	(69)	712
Adjustments in respect of prior periods (current tax)	260	62
Adjustments in respect of prior periods (deferred tax)	(808)	(88)
Other timing differences	228	(24)
	<u>(590)</u>	<u>828</u>

22. Financial commitments

At 31 August 2020 the group and company had annual commitments under non-cancellable operating leases expiring as follows:

Group	Property		Other	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Within one year	3,116	2,934	188	180
Between one and five years	7,263	4,511	79	79
After five years	1,664	1,543	-	-
Total	12,043	8,988	267	259

Company	Property		Other	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Within one year	1,039	1,515	188	180
Between one and five years	1,799	1,270	79	79
After five years	164	43	-	-
Total	3,002	2,828	267	259

Other operating leases relate to motor vehicles and office equipment.

Notes to the financial statements (continued)

23. Capital commitments

As at 31 August 2020 the Trust had £nil capital commitments (2019: £nil).

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 five 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, Cheshire County Council Fund and Derbyshire Pension Fund. Derbyshire Pension Fund 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 of the assets of the schemes were:

Notes to the financial statements (continued)

24. Pension commitments (continued)

Year ended 31 August 2020	Total Share of scheme assets	Present value of scheme liabilities	Net pension (deficit) / surplus
	£'000	£'000	£'000
South Yorkshire Pension Scheme (Shaw Trust)	3,037	(3,093)	(56)
Platinum Pension Scheme (Shaw Trust)	1,243	(1,202)	41
Staffordshire Council (LGPS), West Midland Pension Fund, Greater Manchester Pension Fund, Cheshire County Council Fund and Derbyshire Pension Fund(Shaw Education Trust)	38,324	(86,750)	(48,426)
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)	135,927	(200,567)	(64,640)
At 31 August 2020	178,531	(291,612)	(113,081)

Year ended 31 August 2019	Total Share of scheme assets	Present value of scheme liabilities	Net pension (deficit) / surplus
	£'000	£'000	£'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 Pension Fund and Derbyshire Pension 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 statements (continued)

24. Pension commitments (continued)

	Assets	Liabilities	2020 Total
	£000	£000	£000
Deficit in the scheme as at 1 September 2019	163,869	(257,468)	(93,599)
Acquired in year	6,920	(15,144)	(8,224)
Benefits paid	(4,776)	4,776	-
Employer contributions	4,929	-	4,929
Contribution from employees	1,110	(1,110)	-
Administration expenses	(174)	-	(174)
Current service cost	-	(8,008)	(8,008)
Past service costs including curtailments	-	(356)	(356)
Interest income / (expense)	3,388	(4,934)	(1,546)
Re-measurement gains / losses			
- Actuarial loss	(2,089)	(9,114)	(11,203)
- Other assumptions	-	(1,407)	(1,407)
- Return on plan assets excluding interest income	5,354	1,153	6,507
Deficit in the scheme as at 31 August 2020	178,531	(291,612)	(113,081)

Company

	Total Share of scheme assets	Present value of scheme liabilities	Net pension (deficit) / surplus
	£'000	£'000	£'000
Year ended 31 August 2020			
South Yorkshire Pension Scheme	3,037	(3,093)	(56)
Platinum Pension Scheme	1,243	(1,202)	41
At 31 August 2020	4,280	(4,295)	(15)
Year ended 31 August 2019			
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

Notes to the financial statements (continued)

24. Pension commitments (continued)

South Yorkshire Pension Scheme

	2020	2019
Expected rate of salary increases	3.65%	3.55%
Expected rate of increase of pensions in payments	2.5%	2.4%
Rate of inflation	2.4%	2.3%
Discount rate	1.7%	1.8%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners

- Men	87.4	88.1
- Women	90.2	90.9

Longevity at 65 for future pensioners:

- Men	88.9	90.3
- Women	92.1	93.3

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total	2019
	£000	£000	£000	£'000
Deficit in the scheme as at 1 September 2019	3,052	(3,072)	(20)	321
Benefits paid	(84)	84	-	-
Employer contributions	9	-	9	12
Contribution from employees	3	(3)	-	-
Current service cost	-	(21)	(21)	(18)
Past service cost	-	(22)	(22)	-
Interest income / (expense)	54	(55)	(1)	9
Re-measurement gains / losses				
- Actuarial gain / (loss)	-	59	59	(313)
- Other assumptions	-	(63)	(63)	-
- Return on plan assets excluding interest income	3	-	3	(31)
Surplus in the scheme as at 31 August 2020	3,037	(3,093)	(56)	(20)

Notes to the financial statements (continued)

24. Pension commitments (continued)

Total cost recognised as expense:	2020	2019
	£'000	£'000
Current service cost	21	18
Interest cost	1	(9)
	22	9

	Value at 31 August 2020	Value at 31 August 2019
	£'000	£'000
Equities	1,441	1,596
Bonds	446	436
Gilts	267	223
Property	255	266
Cash	109	98
Other	519	433
Total market value of assets	3,037	3,052
Present value of scheme liabilities	(3,093)	(3,072)
Net pension deficit	(56)	(20)

The return on the plan assets was:

	2020	2019
	£'000	£'000
Interest income	54	77
Return on pension scheme assets less interest income	3	(31)
Total return on plan assets	57	46

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:

Notes to the financial statements (continued)

24. Pension commitments (continued)

	2020	2019
Expected rate of salary increases	N/A	N/A
Expected rate of increase of pensions in payments	2.7%	3.0%
Rate of inflation	1.9%	2.2%
Discount rate	1.6%	1.8%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	87.0	86.6
- Women	89.3	88.6
Longevity at 65 for future pensioners:		
- Men	88.7	88.3
- Women	91.0	90.5

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total	2019
	£000	£000	£000	£'000
Deficit in the scheme as at 1 September 2019	1,247	(1,213)	34	193
Benefits paid	(18)	18	-	-
Employer contributions	45	-	45	47
Contribution from employees	-	-	-	-
Administration expenses	(21)	-	(21)	(21)
Current service cost	-	-	-	(5)
Interest income / (expense)	23	(22)	1	5
Re-measurement gains / losses				
- Actuarial gain / (loss)	-	15	15	(262)
- Return on plan assets excluding interest income	(33)	-	(33)	77
Surplus in the scheme as at 31 August 2020	1,243	(1,202)	41	34

Total cost recognised as expense:

	2020	2019
	£'000	£'000
Current service cost and administration expenses	21	26
Interest cost	(1)	(5)
Total operating charge	20	21

Notes to the financial statements (continued)

24. Pension commitments (continued)

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

	Value at 31 August 2020	Value at 31 August 2019
	£'000	£'000
Equities	518	536
Bonds	264	245
Gilts	240	242
Other	221	224
Total market value of assets	1,243	1,247
Present value of scheme liabilities	(1,202)	(1,213)
Total pension surplus	41	34

The return on the plan assets was:

	2020	2019
	£'000	£'000
Interest income	23	30
Return on pension scheme assets less interest income	(33)	77
Total return on plan assets	(10)	107

Notes to the financial statements (continued)

24. Pension commitments (continued)

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

(Shaw Education Trust Pension Schemes)

Staffordshire Council (LGPS)

Principal actuarial assumptions:

	2020	2019
Expected rate of salary increases	2.6%	2.7%
Expected rate of increase of pensions in payments	2.2%	2.3%
Rate of inflation	2.2%	2.3%
Discount rate	1.7%	1.9%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	86.2	86.1
- Women	88.6	87.2
Longevity at 65 for future pensioners:		
- Men	87.1	88.5
- Women	90.0	89.8

West Midland Pension Fund

Principal actuarial assumptions:

	2020	2019
Expected rate of salary increases	3.3%	3.7%
Expected rate of increase of pensions in payments	2.3%	2.7%
Rate of inflation	2.3%	2.2%
Discount rate	1.6%	1.9%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	86.9	85.9
- Women	89.1	88.2
Longevity at 65 for future pensioners:		
- Men	88.8	87.6
- Women	90.1	89.1

Notes to the financial statements (continued)

24. Pension commitments (continued)

Greater Manchester Pension Fund

Principal actuarial assumptions:

	2020	2019
Expected rate of salary increases	3.0%	2.7%
Expected rate of increase of pensions in payments	2.1%	2.3%
Rate of inflation	2.2%	2.3%
Discount rate	1.0%	1.9%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	85.5	85.6
- Women	88.1	88.1
Longevity at 65 for future pensioners:		
- Men	87.0	87.0
- Women	90.0	89.8

Cheshire Pension Fund

Principal actuarial assumptions:

	2020	2019
Expected rate of salary increases	2.9%	2.6%
Expected rate of increase of pensions in payments	2.2%	2.3%
Rate of inflation	2.2%	2.3%
Discount rate	1.7%	1.9%

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	86.2	86.2
- Women	88.6	88.5
Longevity at 65 for future pensioners:		
- Men	86.9	87.1
- Women	90.0	90.0

24. Pension commitments (continued)

Derbyshire Pension Fund

Principal actuarial assumptions:

	2020	2019
Expected rate of salary increases	2.9%	N/A
Expected rate of increase of pensions in payments	2.2%	N/A
Rate of inflation	2.2%	N/A
Discount rate	1.7%	N/A

The mortality assumptions used were as follows:

Longevity at age 65 for current pensioners		
- Men	86.6	N/A
- Women	88.7	N/A
Longevity at 65 for future pensioners:		
- Men	87.6	N/A
- Women	90.1	N/A

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

	Value at 31 August 2020	Value at 31 August 2019
	£'000	£'000
Equities	24,681	18,929
Corporate bonds	7,901	6,357
Property	3,040	2,320
Cash and other liquid assets	2,082	988
Other assets	620	364
Total market value of assets	38,324	28,958
Present value of scheme liabilities	(86,750)	(62,020)
Net pension deficit	(48,426)	(33,062)

The actual return on scheme assets was £2,372,000 (2019: £1,670,000)

Total cost recognised as an expense:

24. Pension commitments (continued)

	Value at 31 August 2020	Value at 31 August 2019
	£'000	£'000
Current service cost	6,319	3,819
Past service cost	333	330
Interest income	(982)	(710)
Interest cost	1,442	1,331
Total operating charge	7,112	4,770

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 2020 by qualified independent actuaries. The major assumptions used across the schemes described above, were:

	2020	2019
Expected rate of salary increases *	2.2% - 2.8% plus PSS	2.3% - 3.1% plus PSS
Expected rate of increase of pensions in payments	1.5% - 3.4%	2.6% - 3.8%
Rate of inflation	2.0% - 2.3%	2.3% - 2.6%
Discount rate	1.6% - 1.7%	1.4% - 1.9%
PSS = Promotional salary scale		
The mortality assumptions used were as follows:		
Longevity at age 65 for current pensioners		
- Men	86.0 - 87.0	85.6 - 87.4
- Women	88.7 - 89.4	88.6 - 89.6
Longevity at 65 for future pensioners:		
- Men	87.3 - 88.7	87.3 - 89.0
- Women	90.1 - 91.1	90.5 - 91.4

* London Pensions Fund Authority and Platinum schemes are now closed to active members and therefore the rate on increase in salaries is zero.

24. Pension commitments (continued)

Reconciliation of scheme assets and liabilities:

	Assets £000	Liabilities £000	Total £000	2019 £'000
Deficit in the scheme as at 1 September 2019	130,612	(191,163)	(60,551)	(42,539)
Benefits paid	(4,277)	4,277	-	-
Employer contributions	1,485	-	1,485	1,655
Contribution from employees	264	(264)	-	1
Administration expenses	(153)	-	(153)	(137)
Current service cost	-	(1,668)	(1,668)	(1,674)
Past service cost	-	(1)	(1)	(571)
Interest income / (expense)	2,329	(3,415)	(1,086)	(1,107)
Re-measurement gains / losses				
- Actuarial gain / (loss)	283	(8,142)	(7,859)	(29,700)
- Other assumption	-	(1,344)	(1,344)	6,247
- Return on plan assets excluding interest income	5,384	1,153	6,537	7,274
Surplus in the scheme as at 31 August 2020	135,927	(200,567)	(64,640)	(60,551)

The actual return on plan assets over the period ending 31 August 2020 was £5,484,000 (2019: £8,672,000).

25. Business combinations

Academy conversions: Shaw Education Trust (SET)

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 year a further four schools were converted to SET (2018–19: four) and another existing academy transferred. The figures are shown in the following table.

- 1) St Andrews Academy – transferred 1st September 2019;
- 2) Ivy House School – transferred 1st October 2019;
- 3) Meadows Primary Academy – transferred 1st January 2020; and
- 4) St Martins School – transferred 1st May 2020.

In addition, an existing academy; the Valley Park School and the connecting Valley Park Pru were transferred into Shaw Education Trust on 1st March 2020.

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 SET has been fully consolidated into the Group financial statements from their date of transfer.

Notes to the financial statements (continued)

25. Business combinations (continued)

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.

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)

	2020 Total	2019 Total
	£'000	£'000
Fixed assets - tangible fixed assets	20,716	24,961
Cash at bank	1,239	262
Liabilities < 1 year	(57)	-
Pension liability	(8,224)	(3,874)
Net assets acquired	13,674	21,349
Acquisition Cost	-	-
Goodwill arising from acquisition	-	-

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

	2020	2019
	Total	Total
	£'000	£'000
Total incoming resources	10,132	8,768
Outgoing resources	(8,802)	(8,401)
Net incoming resources for the period	1,330	367
Donation of net assets	13,674	21,349
Group net incoming resources derived from acquired activities	15,004	21,716

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 2020. These transactions were as a result of normal business activity.

Related Party	Value of revenue received from Related Party	Outstanding revenue balance at 31 August 2020	Value of expenditure made to Related Party	Outstanding expenditure balance at 31 August 2020
	£'000	£'000	£'000	£'000
RNIB	5,590	(1,363)	52,486	(124)

27. Financial Instruments

	Note	Group		Company	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Financial Assets:					
Trade debtors	13	11,111	14,203	2,018	4,477
Inter company		-	-	12,205	8,906
Other debtors	13	567	3,856	37	408
Investments in short-term deposits		-	315	-	315
Total Financial Assets		11,678	18,374	14,260	14,106
Financial Liabilities					
Trade creditors	16	2,683	3,308	894	749
Other creditors	16	3,155	14,914	-	-
Loans	16/16b	4,726	7,062	2,961	5,499
Accruals	16	25,105	8,103	5,439	5,098
Total Financial Liabilities		35,669	33,387	9,294	11,346

28. Post Balance Sheet Events

From March 2020, and continuing post year end Covid-19 has had a significant impact on the operations of the Trust and its activities, 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. Extensive scenario planning and modelling of the new restrictions has taken place, to include best, mid and worst case sensitivities and the Trust is confident that it has sufficient financial and operational resources to operate through this period of disruption.