

REGISTRAR OF COMPANIES

The Sheppard Trust

Annual Report and Financial Statements

31 March 2019

Company Limited by Guarantee
Registration Number
6621820 (England and Wales)

Charity Registration Number 1133356

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Report of the Executive Committee Year to 31 March 2019

The Executive Committee, whose members are the Directors and Trustees of the charity, is pleased to present its annual report together with the consolidated financial statements of The Sheppard Trust (the "Trust") and its subsidiary ST Property Company Limited for the year ended 31 March 2019.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and constitutes a directors' report for the purpose of company legislation.

The financial statements have been prepared in accordance with the accounting policies set out on pages 23 to 28 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) effective from accounting periods commencing 1 January 2015 or later.

OUR PURPOSES AND ACTIVITIES

Providing Homes

Maintaining Independence

Community Spirit

The Sheppard Trust is an almshouse charity founded in 1855.

Its main charitable object is to provide low-cost housing for ladies who are in need, hardship or distress, who are aged 55 or over and who abide by a Christian faith. In practice the trustees normally accept applications from women aged 65 or over, in order to prioritise those most in need of the type of housing and support available.

The Trust's main activity is providing sheltered housing, with some staff support, which enables our residents to live comfortably and independently in their own accommodation. Currently there is accommodation for 29 older women in need of low-cost, comfortable and secure homes. Sheppard Trust residents have the security of knowing that their homes will remain affordable and well maintained, and that support is on hand when needed.

The Trust's activities are underpinned by a strong set of values: that the residents should feel comfortable, warm and secure in their homes; that their independence, privacy and dignity should always be respected; that their homes, the utility services and safety systems should be maintained to a high standard; that they should be well-supported at times of ill health or other need; and that a mutually supportive community spirit should develop through a range of social activities. All the activities undertaken are informed by these values.

OUR PURPOSES AND ACTIVITIES (continued)

Priority is given to those in the greatest need and residents often come to us from insecure or unsettled accommodation. The majority of the residents receive housing benefit and other welfare benefits, and those who are ineligible for this support nevertheless have incomes and savings far from adequate to buy or privately rent a home in London.

The Trust's work contributes to reducing homelessness amongst older people, and reducing social care costs by helping residents remain independent and active. The Executive Committee firmly believes that the provision of affordable housing for those in need is for the public benefit, and confirms that in planning its activities it has had regard to the Charity Commission's general guidance on public benefit.

ACHIEVEMENTS AND PERFORMANCE

The Trust's homes were fully occupied throughout the year, except for short periods for redecoration between residents leaving and new residents moving in. During the year two residents left the Trust, both moving to care homes because their care needs became greater than could be met in our current premises. We welcomed two new residents in their place, both living in unsuitable and unsettled accommodation at the time of their move. Current residents range in age from 69 to 95, with an average age of 80, and at 31 March 2019 six residents were over 90 years of age.

The Trust continues to invest heavily in maintenance and health and safety. As well as the routine programme of servicing and checks, during the year there was a large project to repair and redecorate exterior fabric. Four flats were comprehensively refurbished and another two had bathroom remodelling to install walk in showers.

The Trust's work responds to the continued external changes in adult social care, along with increases in life expectancy. Older people are now being enabled to stay in their homes longer in life and the Trust is increasingly involved in working intensively with families, social services and other agencies to ensure our residents' needs can be met. However, our current buildings are increasingly constraining and we encountered a number of physical difficulties in meeting the needs of individual residents, ranging from the steps and the bathroom facilities to sound and heat insulation issues. A report from the Housing Learning and Improvement Network commissioned during the year concluded "it is evident that the Trust's properties are not suitable for an ageing population with increasing mobility related needs and older people in need of increasing care and support to remain in their own homes". This year we made significant progress in our plans to relocate. (See Future Plans below).

ACHIEVEMENTS AND PERFORMANCE (continued)

Two staff retired during the year after 11 and 20 years' service respectively, and we are grateful for all they have done for the Trust and its residents over long periods of time. Following the retirement of our warden, we took the opportunity to restructure our staff team and we appointed a Resident Support Coordinator who works with residents to help them access health, care and support services from statutory providers, other charities and agencies, and volunteers, so that they can maintain independent living as long as possible. The Trust is not a care provider, but we work actively with social services and care agencies to set up and monitor care packages to ensure residents are getting the right care in their homes at the right time. We also help residents to access benefits and with practical tasks such as ordering online shopping or meal deliveries.

Residents enjoyed a programme of social and community activities including lunches and tea parties, theatre trip, a Christmas carol concert, excursions to places of interest and the ever-popular fish and chip supper. Many residents are active in the local community, volunteering in charity shops, churches and galleries, and taking part in lunch clubs, fitness classes, art and craft and church activities.

FUTURE PLANS

The Sheppard Trust has an ambitious vision for a brand new, fit for purpose housing scheme, where its residents can enjoy excellent facilities and a home that meets their needs for life, and where it can double the number of beneficiaries. This year we took significant steps towards realising this vision.

Housing for older people has never been more important and there is a huge need for good quality, affordable provision for those of limited means to buy or rent property. The Trust's current properties have served their purpose well for many years in providing secure and comfortable homes, but the physical limitations of the current buildings are already restricting us and will not meet the needs for the next generation of older women.

The main issues we face in our current location are:

- Access: no facilities for wheelchair or mobility scooter users, and difficulties for those with other mobility related needs. Five of the flats have steps within them, which are a potential hazard and not appropriate for housing designated for older people. There is no level access to enter the buildings and although there are lifts, there are steps in some of the narrow internal corridors and no level access to some flats.
- Space standards: most of the flats are not suitable for housing for older people, particularly those with mobility related needs or care and support needs. For example, the bathrooms allow insufficient space for those who need support from carers for personal care, and most of the kitchens are unsuitable for those with mobility related needs.

FUTURE PLANS (continued)

- Poor noise and heat insulation, poor energy performance, limited natural light in some areas, and limited communal and circulation spaces.
- Other significant limitations in how the properties could be adapted to meet modern and future best practice in housing for older people, for example to become “dementia friendly” or to include technology to support lifestyle or care and support needs.

As explained in “Achievements and Performance” above, there are already situations in which these issues mean residents’ needs cannot be fully met to the high standards we aspire to.

As a result, the Executive Committee has concluded that continuing to maintain and attempting to upgrade these Victorian homes is not good value for money, as the potential for people to “age in place” is significantly limited, the age of the buildings means it is highly challenging to create homes with low maintenance and running costs, and the properties are unlikely to meet the aspirations of future generations of older people. Therefore for some years it has pursued a strategy to relocate the Trust to modern purpose built homes designed for the needs of older people and located in a more affordable area.

The vision is for housing which will enable residents to remain in their homes much longer in life and in most cases for the rest of their lives, and also to provide for a greater number of beneficiaries. Our vision also includes a tailored on-site support offer and access to care services to meet individual needs and a range of community activity giving choices for an active and fulfilling old age.

The Trust started its search for a suitable site in the Royal Borough of Kensington and Chelsea, where its current properties are located, but has gradually widened the area of search over the past ten years as it became increasingly apparent that no suitable and affordable sites were viable prospects within the borough. Sites throughout the West London area and just outside have also been considered. After this long search, the Trustees were delighted to announce during the year that an agreement was reached with the Royal Cambridge Home to purchase part of their site in East Molesey, near Hampton Court, subject to planning permission. The site is situated in a very pleasant residential area with access to shopping and leisure facilities and there is easy access to Central London in just over half an hour from Hampton Court station. There are mature trees on all sides and significant green spaces as well as easy level access to the Thames riverside with its walking paths and cafes.

We expect to build 60 large one bedroom flats for the Sheppard Trust for our current residents, women on our waiting list, and local women in need of low cost housing. There will be a range of communal facilities – a lounge, care, hairdressing/therapy room, hobby rooms and other useful spaces for meeting together. The housing will meet high modern standards in terms of space standards, future adaptability including wheelchair use and assistive technologies, sound and heat insulation, energy performance and security, based on the HAPPI standards which set out best practice for older people’s housing. It will have a residential character that promotes independence and avoids an institutional atmosphere.

FUTURE PLANS (continued)

A brand new care home for the Royal Cambridge Home will be built on the remainder of the site. The two buildings, and the two charities, will be separate but will complement each other.

This exciting development will enable us to offer homes which truly meet our residents' needs into old age, enable us to offer homes for life in most cases, and double the number of beneficiaries that the Trust is able to help.

The development work is being undertaken by the Trust's wholly owned subsidiary company, ST Property Company Limited. This is in order to ringfence the charity from some of the risks of entering into construction contracts. The company is entering into a deed of covenant so that all its profits will be gifted to the charity. The company commenced trading on 1 April 2018.

A joint planning application with the Royal Cambridge Home has been submitted. If planning permission is granted and the scheme proceeds we could expect to relocate in late 2022 or early 2023.

The Trustees appreciate that this is an uncertain time for our current residents. All our current residents will be guaranteed a brand new flat in this lovely location, but moving house, particularly at an advanced age, can be daunting and stressful. We will see to all the business of moving at no cost to our residents and support them through the whole process. For some of our residents with close ties to our current location, moving with us may not be the right option. We will offer a package of support and assistance to those residents to help them to find suitable alternatives if they wish to, and to help with moving. During the process we will continue our efforts to communicate well with our residents and to involve them in the detailed design process.

This move will safeguard the future of the Sheppard Trust by providing modern accommodation which meets its current and future residents' needs for many years to come, as well as doubling the number of women in need who we are able to help.

FINANCIAL REVIEW

The financial results of the Trust were satisfactory. There was a surplus for the year of £88,509 before gains on investments and actuarial gains on the defined benefit pension liability. The Trustees had expected to incur a deficit for the year, due to the continued investment in professional fees and other expenses incurred towards the Trust realising its future plans, as described above. The surplus was achieved due to unbudgeted legacy income.

The Executive Committee remains satisfied that the underlying financial position of the Trust is secure, and that it is well placed to maintain the present level of service and to plan for the future.

FINANCIAL REVIEW (continued)

Review of business

There was a surplus of expenditure over income for the year of £88,509 (2018 - £103,857). Gains on investments and actuarial gains resulted in a net increase in funds of £269,041 (2018 - £54,676).

At 31 March 2019, the Trust's total reserves amounted to £13,620,873 (2018 - £13,351,832). Of this, £1,263,205 (2018 - £1,245,814) related to special trust funds, which consist of properties and investments endowed to the unincorporated charity. A further £27,744 and £768,128 (2018 - £26,735 and £787,066) related to the restricted extraordinary repair and capital grant funds respectively. The purposes of these funds are described in more detail on page 35.

Unrestricted reserves have risen from £11,262,217 to £11,561,796. It remains the Trust's policy in due course to invest a very large part of its reserves in new housing for a greater number of beneficiaries.

Reserves policy

The Sheppard Trust holds reserves for three main purposes:

- ◆ To cover fluctuations in working capital, and to cover expenditure in the event of unexpected circumstances such as an unforeseen drop in investment income or vacancies in the accommodation;
- ◆ To ensure funds are available when needed for major property repairs above and beyond the normal annual expenses of maintenance; and
- ◆ To spend, over the next five to ten years, on expanding the charity's activities by providing new, modern accommodation for a much greater number of beneficiaries.

Once a beneficiary has been accepted, the Trust aims to support and enable her to stay in her home in the Trust's property for as long as possible, and it therefore has a long term commitment to maintain its properties to a suitable standard and to support its beneficiaries. The Trust's current properties are large Victorian houses which require considerable maintenance expenditure.

The Executive Committee reviewed the level of reserves required for the first two purposes during the year, having regard to their plans for a new property housing twice as many beneficiaries, for which a greater level of reserves will be needed. Based on the preliminary budgets once this property is built, the Executive Committee concluded that a suitable level of ongoing free reserves is c.£2.7m.

FINANCIAL REVIEW (continued)

Reserves policy (continued)

The Executive Committee intend to spend the reserves in excess of this on the proposed new accommodation, using any additional funds available to improve the facilities available to the residents or to increase the number of residential units available for beneficiaries. Currently reserves are already being used to fund the development of the scheme which is expected to be completed in late 2022 or early 2023.

As at 31 March 2019 the general reserves stood at £11.6m. The trustees therefore consider that £2.7m of this should be held as ongoing reserves and the remainder of £8.9m is available to be spent on this exciting project, as well as the value of the property currently held. The trustees are keeping the levels of reserves under review as the project progresses.

The trustees invest the ongoing reserves in order to contribute to the Trust's income and aim to match the liquidity of the investments to the predicted needs for cash. During the year the trustees decided that reserves intended to be spent on the proposed new accommodation should be liquidated and held as cash or cash equivalents. This was to reduce the risk of falls in investment values as the original date of 29 March for Britain leaving the European Union approached, and also to reduce the risk of fluctuations in value because the project and its timescales had become much more certain as a result of the agreement to purchase a site.

Going concern

The Trust has relatively stable sources of income and a high level of capital and reserves. The Executive Committee are wholly confident that the Trust has adequate resources to continue in existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason it continues to adopt the going concern basis in the financial statements.

Investment policy

The general objectives of the Trust's Investment Policy are to generate sufficient income to meet projected levels of annual expenditure such that residents' maintenance contributions can be kept at a lower level than would otherwise be the case; and, subject to that requirement, to maximise investment growth so that the Trust is able to meet its revenue and capital expenditure programmes over the next 25 years in the interests of current and future beneficiaries.

The objectives are to be achieved by investing prudently and cautiously in a broad range of fixed interest securities and equities which are quoted by a recognised Investment Exchange, in Common Investment Funds and in unit trusts and open-ended investment companies which are authorised under the Financial Services and Markets Act 2000. Investments in derivatives are not permitted except with the written permission of the Executive Committee.

FINANCIAL REVIEW (continued)

Investment policy (continued)

There are no ethical or geographical restrictions with regard to investment, but the Trust has confirmed with its investment managers that they should have regard to socially responsible investment issues when managing its portfolio.

The Trust has appointed Investec Wealth and Investment Ltd., who have confirmed that they are an authorised person within the meaning of the Financial Services and Markets Act 2000, as investment managers with delegated discretionary powers of investment. Investec reports on performance quarterly.

The equity portfolio is measured against a customised benchmark comprising: 15% FTSE Gov. All Stocks, 45% FTSE All Share, 30% FTSE World ex UK, 5% Monthly IPD, 3% alternative assets and 2% prevailing cash rates. The Trust's investment policy requires its investment managers to outperform the agreed benchmark by 1% p.a. over a rolling three year period. Over the 12 month period the portfolio underperformed against the benchmark by 4.4% but this was distorted by the changes in investment strategy and the high level of cash that was held for a period and then withdrawn whilst the changes to the portfolio were made. Over the three year period the portfolio has underperformed against the benchmark by 1.4% which was due to the same factors and also some specific underperformance around the time of the Brexit vote. The trustees have examined the reasons for the underperformance with the investment managers in detail, and are satisfied that the performance is now back on track.

During the year, the Trustees continued to adjust the investment objectives to reduce the risk profile and prioritise liquidity ready for future investment in new accommodation. Towards the end of the year, the trustees instructed the investment managers to liquidate that part of the portfolio that they anticipated spending on the proposed new facilities. The risk profile for the remaining portfolio was returned to an appropriate profile for ongoing long term investments.

Principal funding sources

The Trust's total income for the year ending 31 March 2019 was:

	2019 £	%	2018 £
Income from residents' maintenance contributions	443,478	54	432,061
Investment income	242,210	29	269,774
Donations and legacies	143,015	17	234,083
	828,703	100	935,918

Fundraising

The Trust is very grateful to the donors who supported our work during the year. They enabled us to provide additional support and services to our residents that might not otherwise be possible. The Trust is also grateful to those who have supported the work with a legacy. Legacy income is helping us to fund our future plans to help more beneficiaries in modern accommodation.

FINANCIAL REVIEW (continued)

Fundraising (continued)

Donations (other than legacies) form a very small proportion of the Trust's income (under 1% in 2019). There is a small group of regular donors giving either annually or more frequently. The main fundraising methods are writing annually to our supporters about our work, and placing legacy advertising in suitable journals. The Trust does not use any professional fundraisers or commercial participators. As the Trust is small and fundraising is a minor part of its activity, it has not yet signed up to any voluntary fundraising schemes or standards. The Trustees are not aware of any external fundraising carried out on the Trust's behalf nor have they encouraged any.

No complaints were received about the Trust's fundraising activity during the year. The Trust has taken steps to protect vulnerable people and others from unreasonable activity, persistent approaches or undue pressure to give. All our supporters are invited to express their contact preferences and contact is only made in accordance with these preferences. For most supporters this is a single letter and annual report once each year. We include clear contact details on all communications so that our supporters can raise any issues or change their contact preferences. We respect our supporters' decisions including a decision to stop giving, with gratitude for their past support.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Sheppard Trust is a company limited by guarantee (Company No. 6621820) and a charity registered with the Charity Commission in England and Wales registered charity (Charity No. 1133356). It was incorporated on 17 June 2008 and its governing documents are the Memorandum and Articles of Association.

The charity has a linked subsidiary charity, also known as Sheppard Trust, governed by a scheme of 1932 as subsequently amended. The Charity Commission issued a uniting direction on 5 August 2010 to link it with the incorporated charity. The unincorporated charity remains a separate entity and subsidiary of the incorporated charity, with the trusteeship of the endowment fund being vested in the incorporated charity.

The charity owns the entire issued share capital of £1 in ST Property Company Limited, a company registered in England and Wales (Company Registration Number 09555468). The subsidiary was set up on 22 April 2015 and commenced trading on 1 April 2018. The company has been set up to carry out property development projects on behalf of the charity.

The charity's Articles of Association stipulate that the Executive Committee shall consist of not fewer than six or more than eleven trustees/directors and that at least four of the trustees/directors shall be female. New trustees/directors are appointed by resolution of the Committee. The Committee's policy, when vacancies arise, has been to review the skills available to it through its members and to recruit to fill identified gaps in knowledge or expertise.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

The following members of the Executive Committee served during the period:

Appointed/Retired
Linda Davis, Chair
Jonathan Cole, Hon Treasurer
Martyn Carter
Amelia Gosal
Christina Jordan
Keith Perry
Yvette Ruggins
Claire Watson
Neil White

The Executive Committee takes responsibility for all strategic decisions and monitors the Trust's performance throughout the year. The Executive Committee normally meets six times each year. It is supported by two sub-committees – Finance Committee, and Appointments and Wellbeing Committee. The Executive Committee delegates responsibility for the day-to-day operation of the Trust to the Chief Executive. A Project Control Group has been set up to support the Executive Committee with its strategic development plans.

The Sheppard Trust is a member of both the National Housing Federation and the National Association of Almshouses. The Trust has adopted the latter body's 'Standards of Almshouse Management, a Guide to Good Practice'.

The Trust is also a member of the National Council for Voluntary Organizations (NCVO) and the Charity Finance Group. Membership of all these bodies brings training opportunities and an awareness of developments and initiatives in other parts of the voluntary sector.

None of the Executive Committee receives any remuneration from the charity. No related party transactions were reported, other than transactions with the charity's subsidiary.

Key management personnel

The Executive Committee consider that they, together with the Chief Executive, are the key management personnel in charge of directing and controlling, running and operating the Trust on a day-to-day basis.

The remuneration of the Chief Executive and other staff is reviewed annually by the Executive Committee taking into account increases in average earnings and other relevant market information.

No members of the Executive Committee were remunerated for their services to the Trust during the year.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Risk management

The Executive Committee is responsible for the management of risks faced by the Trust and, through its Chief Executive, ensures that appropriate systems are maintained, that new risks are identified as they arise and appropriate controls established. The Executive Committee has established a new risk policy and a register of key risks which focuses on high-impact risks and which is regularly updated and presented at each meeting. By managing risk effectively, we try to ensure that:

- significant risks are known and monitored, enabling trustees to make informed decisions and take timely action;
- the charity makes the most of opportunities and develops them with the confidence that any risks will be managed;
- forward and strategic planning are improved;
- the charity's aims are achieved more successfully.

The systems of control operated by the Trust are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The key controls include detailed consideration by the Finance Committee of proposed budgets and regular management accounting information; agreed financial procedures defining, among other things, spending levels and which are regularly reviewed; regular review of the waiting list and resident welfare by the Appointments and Wellbeing Committee and regular review of health and safety compliance information by the Executive Committee.

The key risks currently facing the charity are

- external and internal factors preventing its future development plans being achievable at an acceptable cost or because insufficient resources are available;
- the risks associated with maintaining the health, safety and welfare of its elderly residents, including safeguarding risks;
- the risk of loss of income or excessive expenditure.

The Executive Committee has carried out a risk assessment specifically to identify the risks associated with the Trust's development strategy. The main areas of risk include external factors affecting the value of the current property, future construction costs, and government policy on revenue funding.

The Trust is addressing these risks by

- Scrutiny and monitoring of the development project by a designated Project Control Group so that mitigating actions can be taken, regular budget and resource reporting and development of a project governance system.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Risk management (continued)

- Reviewing and enhancing its health and safety systems which include regular maintenance of all mechanical and electrical services, including particularly all fire precautions and central heating systems. Periodic fire and legionella risk assessments are undertaken. In addition, the condition of the fabric of the Trust's properties is kept under regular review and comprehensive insurances are in place. Ensuring that safeguarding policies and procedures are in place and that a safeguarding culture is developed.
- Maintenance of a waiting list and targets for property turnaround times, and periodic value for money exercises on specific aspects of expenditure.

The Executive Committee recognises that its systems provide reasonable, but not absolute, assurance that risks are being adequately managed, but believes that the major risks facing the Trust have been identified and that systems are in place to mitigate the effects of them.

STATEMENT OF THE EXECUTIVE COMMITTEE'S RESPONSIBILITIES

The Executive Committee (whose members are also the directors of The Sheppard Trust for the purposes of company law) is responsible for preparing the Executive Committee report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Executive Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the income and expenditure of the group for that period.

In preparing these financial statements, the Executive Committee is required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- ♦ make judgements and estimates that are reasonable and prudent;
- ♦ state whether applicable United Kingdom Accounting Standards 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 operation.

STATEMENT OF THE EXECUTIVE COMMITTEE'S RESPONSIBILITIES (continued)

The Executive Committee is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable it to ensure that the financial statements comply with the Companies Act 2006. It is 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.

Each member of the Executive Committee confirms that:

- ◆ so far as the Committee Member is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ the Committee Member has taken all the steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Statement as to disclosure to our auditors

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Executive Committee and signed on its behalf by:

Chair



(LINDA DAVIS)

Date:

23/09/19

Report of the Executive Committee Year to 31 March 2019

**Executive Committee
as at 23 September 2019**

Linda Davis, Chair
Jonathan Cole, Hon Treasurer
Martyn Carter
Amelia Gosal
Christina Jordan, Vice Chair
Keith Perry
Yvette Ruggins
Claire Watson
Neil White

Chief Executive and Secretary

Clare Scott Booth

Registered address

12 Lansdowne Walk
London
W11 3LN

Company registration number

6621820 (England and Wales)

Charity registration number

1133356

Auditor

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Investment Managers

Investec Wealth and Investment Limited
2 Gresham Street
London
EC2V 7QN

Royal London Asset Management Limited
55 Gracechurch Street
London
EC3V 0UF

Report of the Executive Committee Year to 31 March 2019

Principal Bankers

Unity Trust Bank plc
Nine Brindleyplace
Birmingham
B1 2HB

Solicitors

Bircham Dyson Bell LLP
50 Broadway
London
SW1H 0BL

Trowers and Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

The Sheppard Trust

Tel: 020 7727 5500

Fax: 020 7727 7730

Email: chiefexec@sheppardtrust.org

www.sheppardtrust.org

Independent auditor's report to the members of The Sheppard Trust

Opinion

We have audited the financial statements of The Sheppard Trust (the 'charitable parent company') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of financial activities, the group and parent company balance sheets, the consolidated statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group and of the charitable parent company's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- ◆ the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Independent auditor's report Year to 31 March 2019

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the Report of the Executive Committee for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Report of the Executive Committee has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ◆ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of trustees' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Independent auditor's report Year to 31 March 2019

Responsibilities of trustees

As explained more fully in the Executive Committees' responsibilities statement, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Edward Finch (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

11/12/19

Consolidated statement of financial activities Year to 31 March 2019
(incorporating the income and expenditure account)

	Notes	Unrestricted funds £	Restricted funds £	Special trust funds £	Total 2019 £	Total 2018 £
Income from:						
Charitable activities	1	443,478	—	—	443,478	432,061
Investments and interest receivable	2	230,859	11,351	—	242,210	269,774
Donations and legacies	3	143,015	—	—	143,015	234,083
Total income		817,352	11,351	—	828,703	935,918
Expenditure on:						
Charitable activities	4	653,011	29,673	19,458	702,142	790,261
Raising funds	5	38,052	—	—	38,052	41,800
Total expenditure		691,063	29,673	19,458	740,194	832,061
Net income (expenditure) before gains (losses) on investment assets						
		126,289	(18,322)	(19,458)	88,509	103,857
Net investment gains (losses)	9, 10	147,290	393	6,849	154,532	(50,181)
Net income (expenditure)		273,579	(17,929)	(12,609)	243,041	53,676
Other recognised gains and losses						
Gains on recognition of full share of defined benefit scheme liability	18	48,000	—	—	48,000	—
Actuarial (losses) gains	18	(22,000)	—	—	(22,000)	1,000
Net movement in funds		299,579	(17,929)	(12,609)	269,041	54,676
Reconciliation of funds						
Fund balances at 1 April 2018		11,262,217	813,801	1,275,814	13,351,832	13,297,156
Fund balances at 31 March 2019		11,561,796	795,872	1,263,205	13,620,873	13,351,832

All the charity's activities derived from continuing operations during the above two financial periods.

The charity has no recognised gains or losses other than those shown above.

Consolidated statement of financial activities Year to 31 March 2019
(incorporating the income and expenditure account)

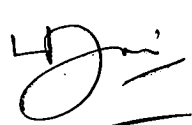
Comparative statement of financial activities


	Notes	Unrestricted funds £	Restricted funds £	Special trust funds £	Total 2018 £
<i>Income from:</i>					
Charitable activities	1	432,061	—	—	432,061
Investments and interest receivable	2	257,833	11,941	—	269,774
Donations and legacies	3	234,083	—	—	234,083
Total income		923,977	11,941	—	935,918
<i>Expenditure on:</i>					
Charitable activities	4	740,557	30,247	19,457	790,261
Raising funds	5	41,800	—	—	41,800
Total expenditure		782,357	30,247	19,457	832,061
<i>Net income (expenditure) before transfers and (losses) gains on investment assets</i>		141,620	(18,306)	(19,457)	103,857
<i>Net investment (losses) gains</i>	9, 10	(48,004)	(115)	(2,062)	(50,181)
Net income (expenditure)		93,616	(18,421)	(21,519)	53,676
<i>Other recognised gains and losses</i>					
Actuarial gains	18	1,000	—	—	1,000
Net movement in funds		94,616	(18,421)	(21,519)	54,676
<i>Reconciliation of funds</i>					
Fund balances at 1 April 2017		11,167,601	832,222	1,297,333	13,297,156
Fund balances at 31 March 2018		11,262,217	813,801	1,275,814	13,351,832

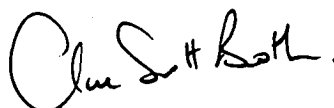
Balance sheet 31 March 2019

	Notes	Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £
Fixed assets					
Tangible fixed assets	8	1,763,039	1,763,039	1,816,130	1,816,130
Investments	9	4,501,191	4,501,192	7,628,421	7,628,421
		<u>6,264,230</u>	<u>6,264,231</u>	<u>9,444,551</u>	<u>9,444,551</u>
Current assets					
Debtors	11	1,653,696	1,902,847	90,434	90,434
Investments	10	2,310,086	2,310,086	2,889,945	2,889,945
Short term deposits		1,500,000	1,500,000	—	—
Cash at bank and in hand		2,102,258	2,001,402	1,116,057	1,116,057
		<u>7,566,040</u>	<u>7,714,335</u>	<u>4,096,436</u>	<u>4,096,436</u>
Creditors: amounts falling due within one year	12	(138,397)	(58,534)	(103,155)	(103,155)
Net current assets		<u>7,427,643</u>	<u>7,655,801</u>	<u>3,993,281</u>	<u>3,993,281</u>
Total assets less current liabilities		<u>13,691,873</u>	<u>13,920,032</u>	<u>13,437,832</u>	<u>13,437,832</u>
Creditors: amounts fallings due in more than one year	13	—	—	(86,000)	(86,000)
Provision for liabilities	14	(71,000)	(71,000)	—	—
Total net assets		<u>13,620,873</u>	<u>13,849,032</u>	<u>13,351,832</u>	<u>13,351,832</u>
The funds of the charity:					
Funds and reserves	15				
Unrestricted funds					
General fund		11,561,796	11,789,955	11,262,217	11,262,217
Restricted funds		795,872	795,872	813,801	813,801
Special trust funds		1,263,205	1,263,205	1,275,814	1,275,814
		<u>13,620,873</u>	<u>13,849,032</u>	<u>13,351,832</u>	<u>13,351,832</u>

The accounts were approved by the Executive Committee on 23 September 2019 and signed on their behalf by:

Chair  (LINDA DAVIS)

Treasurer  (JONATHAN COLE)

Chief Executive  (CLARE SCOTT BOOTH)

The Sheppard Trust, Company Limited by Guarantee
Registration Number 6621820 (England and Wales)

Consolidated statement of cash flows Year to 31 March 2019

	Notes	2019 £	2018 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(1,617,630)	(120,119)
Cash flows from investing activities:			
Investment income		242,210	269,774
Purchase of tangible fixed assets		—	(32,353)
Proceeds from the disposal of investments		5,641,940	2,456,643
Purchase of investments		(1,737,892)	(1,376,949)
Net cash provided by investing activities		4,146,258	1,317,115
Change in cash and cash equivalents in the year		2,528,628	1,196,996
Cash and cash equivalents at 1 April 2018		1,751,327	554,331
Cash and cash equivalents at 31 March 2019	B	4,279,955	1,751,327

Notes to the statement of cash flows for the year to 31 March 2019.

A Reconciliation of net movement in funds to net cash used in operating activities

	2019 £	2018 £
Net movement in funds (as per the statement of financial activities)	269,041	(54,676)
Adjustments for:		
Depreciation charge	53,091	54,139
(Gains) losses on investments	(154,532)	50,181
Investment income	(242,210)	(269,774)
Decrease (Increase) in debtors	(1,563,262)	6,342
Increase (Decrease) in creditors	53,242	(15,683)
(Decrease) in provisions (pension liabilities)	(33,000)	—
Net cash used in operating activities	(1,617,630)	(120,119)

B Analysis of cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	2,102,258	1,116,057
Short term deposits	1,500,000	—
Cash held by investment managers	677,697	635,270
Total cash and cash equivalents	4,279,955	1,751,327

Principal accounting policies Year to 31 March 2019

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 March 2019.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Companies Act 2006 and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Basis of consolidation

The consolidated statement of financial activities and group balance sheet consolidate each reporting line of the financial statements of The Sheppard Trust and its subsidiary company, ST Property Company Limited, made up at the balance sheet date.

No separate statement of financial activities has been presented for the charity alone, as permitted by s408 of the Companies Act 2006 and the Charities SORP FRS 102. The charity had total income in the year of £828,703 (2018 - £935,918), total expenditure of £512,035 (2018 - £832,061) and investment and actuarial gains of £180,532 (2018 - £49,181 losses) resulting in a net surplus of £497,200 (2018 – surplus £54,676).

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Executive Committee and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ valuation of listed investments using published market prices as a best indicator of fair value;
- ◆ estimating the useful economic life of tangible fixed assets; and
- ◆ assessing the probability of receipt and estimating the amount receivable in respect of legacies of which the charity has been notified.

Principal accounting policies Year to 31 March 2019

Assessment of going concern

The Executive Committee have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Executive Committee have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Executive Committee of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors. The Executive Committee are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations, legacies, investment income and residents' maintenance contributions.

Donations received are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Income recognition (continued)

Entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title of the asset having being transferred to the charity.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. Dividend income is apportioned between funds in the ratio of the market value of the separate funds at the beginning of the accounting period.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Income from residents' maintenance contributions is credited on an accruals basis.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the charity. This includes investment management fees, staff costs associated with fundraising, and an allocation of support costs.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include property expenditure, social expenditure and grants to residents.

The charity makes grants to self-funded residents to support the payment of weekly maintenance contributions. These grants are recognised in full in the year they are awarded, unless the recipient has to fulfil performance conditions before the grant is released.

All expenditure is stated inclusive of irrecoverable VAT.

Principal accounting policies Year to 31 March 2019

Allocation of support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

Support costs and governance costs are apportioned on the basis of staff time.

Tangible fixed assets

The cost of the freehold property was split between the land and buildings elements in 2000 using the Property Market Report Matrix. Land is not depreciated but buildings are depreciated on a straight line basis over their estimated useful life, assessed as 50 years. Improvements to the freehold property are depreciated on a reducing balance basis at a rate of 6.67%.

Expenditure on furniture, computer equipment, fixtures and fittings is written off in the year in which it is incurred except in the case of amounts of a non-recurring nature in excess of £10,000. These are capitalised and depreciated on a straight-line basis over four years.

Listed investments

Listed investments held as non-current assets and current asset investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value is acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Gains or losses are apportioned between funds in the ratio of the market value of separate funds at the beginning of the accounting period.

Listed investments (continued)

The Trustees monitor the underlying risks to which the investments are exposed by regular meetings and reviews with the investment managers. The risks to which the investments are exposed include market and credit risk. The exposure to market risk is mitigated by the Trust investing in a diverse portfolio of investment across various markets. Current asset investments are exposed to credit risk by this pooled fund being invested in short dated bonds and near cash investments. The risk is mitigated by the pooled fund being actively managed by the fund manager.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Subsidiary undertaking

The charity owns the entire issued share capital of £1 in ST Property Company Limited, a company registered in England and Wales (Company Registration Number 09555468). The subsidiary was set up on 22 April 2015.

The company was active from 1 April 2018. Results have been consolidated on a line by line basis.

Principal accounting policies Year to 31 March 2019

Fund accounting

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

Unrestricted funds represent those monies which are freely available for application towards achieving any charitable purpose that falls within the Trust's charitable objects.

Designated funds comprise monies set aside out of unrestricted funds for specific future purposes or projects.

Special trust funds comprise monies for which the charity has responsibility in trustee capacity. Income from the endowment fund can be used for general purposes and is credited directly to unrestricted reserves, unless under the terms of the endowment such income must be used for specific purposes in which case it is credited to restricted funds.

Pension contributions

The Trust participates in The Social Housing Pension Scheme (SHPS), a multi-employer pension plan which is funded and contracted out of the state scheme. Pension liabilities in respect of the defined benefits section of the Scheme are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities within the charity's defined benefit scheme expected to arise from employee service in the period is allocated to the respective expense category within the statement of financial activities. Actuarial gains and losses are recognised in the statement of financial activities

In the year ended 31 March 2018 the it was not possible to separately identify the assets and liabilities of participating employers, therefore the Trust's normal pension costs in respect of the defined benefit section of the plan were accounted for on a defined contribution basis, with the present value of the expected deficit recovery contributions are recognised as a liability at the balance sheet date.

Additional disclosures in relation to the pension plan are given in note 16.

Pension costs in respect of the defined contribution section of the plan are recognised when payable on an accruals basis.

Share capital

The company is limited by guarantee and has no share capital. Each member of the company guarantees to subscribe such amount as may be required for the purposes of the company, not exceeding £1 sterling.

Notes to the financial statements Year to 31 March 2019

1 Income from charitable activities

	Unrestricted funds	
	2019 £	2018 £
Residents' maintenance contributions	443,478	432,061

2 Income from investments

	Unrestricted funds £	Restricted funds £	Total 2019 £
UK listed investments			
. Equities and unit trusts	118,384	11,351	129,735
. Fixed interest	76,776	—	76,776
. Charities Property Fund	13,515	—	13,515
Investment deposit interest	20,141	—	20,141
Bank interest	2,043	—	2,043
2019 Total funds	230,859	11,351	242,210

	Unrestricted funds £	Restricted funds £	Total 2018 £
UK listed investments			
. Equities and unit trusts	122,421	11,941	134,362
. Fixed interest	115,574	—	115,574
. Charities Property Fund	12,709	—	12,709
Investment deposit interest	7,129	—	7,129
2018 Total funds	257,833	11,941	269,774

3 Donations and legacies

	Unrestricted funds	
	2019 £	2018 £
Donations	8,354	8,066
Legacies	134,661	226,017
	143,015	234,083

4 Expenditure on charitable activities

	Direct costs £	Support costs (note 6) £	Total 2019 £
Property expenditure:			
. Service costs	137,731	99,173	236,904
. Repairs	179,903	129,540	309,443
. Property depreciation	53,091	—	53,091
. Professional and consultancy fees	66,691	—	66,691
	437,416	228,713	666,129
Governance	—	14,378	14,378
Social expenditure	12,485	—	12,485
Grants to residents	9,150	—	9,150
	459,051	243,091	702,142

	Direct costs £	Support costs (note 6) £	Total 2018 £
Property expenditure:			
. Service costs	134,299	102,903	237,202
. Repairs	124,586	96,178	220,764
. Property depreciation	54,140	—	54,140
. Professional and consultancy fees	239,663	—	239,663
	552,688	199,081	751,769
Governance	—	14,902	14,902
Social expenditure	10,946	—	10,946
Grants to residents	12,644	—	12,644
	576,278	213,983	790,261

5 Costs of raising funds

	Unrestricted funds	
	2019 £	2018 £
Investment management fees	30,920	34,812
Advertising costs	7,132	6,988
	38,052	41,800

6 Support costs

	2019 £	2018 £
Staff costs	175,759	151,645
Professional fees	21,928	20,714
General office costs	30,026	25,722
Pension interest costs	1,000	1,000
Governance costs		
· Auditor's remuneration	12,600	12,600
· Accounts preparation fees	1,778	2,302
	243,091	213,983

7 Staff costs

a) Executive Committee members and employees

	Total 2019 £	Total 2018 £
Committee expenses		
Travel expenses for four Committee members (2018 – five)	2,608	1,228
Trustee training	—	1,876
Staff costs		
Salaries	201,611	190,625
Social security costs	21,747	20,159
Pension costs	27,389	16,286
	250,747	227,070

Staff costs have been allocated as follows:

	Total 2019 £	Total 2018 £
Charitable activities	74,988	75,425
Support costs	175,759	151,645
	250,747	227,070

7 Staff costs (continued)

b) Number of employees

The average number of employees expressed as full time equivalents was as follows:

	2019 No.	2018 No.
Management staff	4	4
Cleaners	1	1
	5	5

c) Higher paid employees

	2019 No.	2018 No.
£70,001 - £80,000	—	1
£80,001 - £90,000	1	—

d) Key management personnel

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the Executive Committee and the Chief Executive. The total cost of employment (including taxable benefits employers pension contributions and employers national insurance contributions) of the key management personnel for the year was £99,076 (2018 - £90,834).

8 Tangible fixed assets

Group and charity	Freehold property £	Improvements to freehold property £	2019 £
Cost			
As at 1 April 2018 and at 31 March 2019	2,330,204	415,186	2,745,390
Depreciation			
At 1 April 2018	734,496	194,764	929,260
Charge for year	38,396	14,695	53,091
At 31 March 2019	772,892	209,459	982,351
Net book values			
At 31 March 2019	1,557,312	205,727	1,763,039
At 31 March 2018	1,595,708	220,422	1,816,130

The Executive Committee considers the market value of land and buildings to be in excess of carrying value. However, it is not practical to quantify the difference.

As at 31 March 2019, the charity had no capital commitments (2018 - £nil).

9 Investments

a) Listed investments

Group and charity	2019 £	2018 £
At 1 April 2018	6,993,151	8,131,251
Purchases at cost	1,717,751	1,373,396
Disposal proceeds	(5,041,940)	(2,456,643)
Increase (decrease) in market value	154,532	(54,853)
Market value as at 31 March 2019	3,823,494	6,993,151
Cash on deposit and dealing account	677,697	635,270
Total investments as at 31 March 2019	4,501,191	7,628,421
Analysis by type – UK listed investments		
• Equities and unit trusts	1,773,462	3,870,161
• Fixed interest	1,868,663	2,700,531
• Charities Property Fund	110,629	274,850
• Alternative assets	70,740	147,609
	3,823,494	6,993,151
Cash on deposit and dealing account	677,697	635,270
	4,501,191	7,628,421
Historical cost of the above	3,268,930	5,750,185

As at 31 March 2019 no individual investment holding represented a material amount of the total portfolio valuation.

Notes to the financial statements Year to 31 March 2019

9 Investments (continued)

b) Investment in subsidiary undertaking

The charity owns the entire issued share capital of £1 in ST Property Company Limited, a company registered in England and Wales (Company Registration Number 09555468). The subsidiary was set up on 22 April 2015. The results of the subsidiary for the year ended 31 March 2019 are set out below.

	2019 £	2018 £
Turnover	—	—
Cost of sales	—	—
Operating expenses	148,295	—
Operating loss	(148,295)	—
Amount donated to The Sheppard Trust	—	—
Retained loss	(148,295)	—

At 31 March 2019, ST Property Company Limited had retained losses of £148,295 (2018 – £nil) and called up share capital of £1 (2018 – £1). The results and balance sheet figures have been consolidated on a line by line basis within the accounts of the Sheppard Trust.

10 Current asset investments

Group and charity	2019 £	2018 £
At 1 April 2018	2,889,945	2,881,721
Net withdrawals	(600,000)	—
Interest re-invested	20,141	3,552
Increase in market value	—	4,672
Market value at 31 March 2019	2,310,086	2,889,945
Analysis by type – UK listed investments		
Equities and unit trusts	2,310,086	2,889,945
Historical cost of the above	2,219,591	2,819,591

As at 31 March 2019, all current asset investments were invested in the Royal London Cash Plus Fund Y (Inc)

11 Debtors

	Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £
Legacies receivable	210,678	210,678	76,017	76,017
Residents' maintenance contributions	12,840	12,840	6,684	6,684
Gift aid receivable	1,893	1,893	1,027	1,027
VAT recoverable	63,352	—	—	—
Prepayments – operational	3,836	3,836	2,857	2,857
Prepayments – development costs	1,360,621	500,000	—	—
Due from subsidiary undertaking	—	1,173,124	—	—
Other debtors and interest receivable	476	476	3,849	3,849
	1,653,696	1,902,847	90,434	90,434

12 Creditors: amounts falling due within one year

	Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £
Social security and taxation	4,526	4,526	7,421	7,421
Accruals	133,871	54,008	73,726	73,726
Other creditors	—	—	4,008	4,008
Pension deficit liabilities (note 16)	—	—	18,000	18,000
	138,397	58,534	103,155	103,155

13 Creditors: amounts falling due in more than one year

	2019 £	2018 £
Group and charity		
Pension deficit liabilities (note 16)	—	86,000

14 Provision for liabilities

	2019 £	2018 £
Group and charity		
Pension deficit liabilities (note 16)	71,000	—

15 Reserves

	At 1 April 2018 £	Income £	Expenditure £	Gains and losses £	As at 31 March 2019 £
Group and charity					
Unrestricted funds					
General fund	11,262,217	817,352	(691,063)	173,290	11,561,796
	11,262,217	817,352	(691,063)	173,290	11,561,796
Restricted funds					
Extraordinary repair fund	26,735	616	—	393	27,744
Capital grant fund	787,066	—	(18,938)	—	768,128
Maintenance fund	—	10,735	(10,735)	—	—
	813,801	11,351	(29,673)	393	795,872
Special trust funds					
Endowment fund	1,274,814	—	(19,458)	6,849	1,262,205
Restricted fund	1,000	—	—	—	1,000
	1,275,814	—	(19,458)	6,849	1,263,205
Total funds	13,351,832	828,703	(740,194)	180,532	13,620,873

Restricted funds

The Extraordinary Repair Fund may only be used for extraordinary repair, improvement or development of the Trust's property. The Capital Grant Fund represents unamortized portion of the Social Housing Grant received towards the cost of land and buildings. The Maintenance Fund may only be used for the maintenance of the Trust's property.

15 Reserves (continued)

Special trust funds

The Special Trust Funds are properties and investments endowed to the unincorporated charity which cannot be fully transferred. The properties are depreciated as per the accounting policy on page 22 and any income earned on the investments may only be used on the maintenance of the Trust's properties.

Allocation between funds

Repairs are allocated firstly against the income of the Maintenance Fund which is originally generated from the Endowment and Maintenance Fund. Any excess expenditure is then allocated to the Extraordinary Repairs Fund before being spent from unrestricted funds.

Investment income and the valuation adjustment are apportioned between funds in the ratio of the market value of the separate funds at the beginning of the accounting period.

Group and charity	At 1 April 2017 £	Income £	Expenditure £	Gains and losses £	Transfers between funds £	As at 31 March 2018 £
Unrestricted funds						
General fund	11,167,601	923,977	(769,713)	(47,004)	(12,644)	11,262,217
Revenue grant fund	—	—	(12,644)	—	12,644	—
	<u>11,167,601</u>	<u>923,977</u>	<u>(782,357)</u>	<u>(47,004)</u>	<u>—</u>	<u>11,262,217</u>
Restricted funds						
Extraordinary repair fund	26,217	633	—	(115)	—	26,735
Capital grant fund	806,005	—	(18,939)	—	—	787,066
Maintenance fund	—	11,308	(11,308)	—	—	—
	<u>832,222</u>	<u>11,941</u>	<u>(30,247)</u>	<u>(115)</u>	<u>—</u>	<u>813,801</u>
Special trust funds						
Endowment fund	1,296,333	—	(19,457)	(2,062)	—	1,274,814
Restricted fund	1,000	—	—	—	—	1,000
	<u>1,297,333</u>	<u>—</u>	<u>(19,457)</u>	<u>(2,062)</u>	<u>—</u>	<u>1,275,814</u>
Total funds	<u>13,297,156</u>	<u>935,918</u>	<u>(832,061)</u>	<u>(49,181)</u>	<u>—</u>	<u>13,351,832</u>

16 Net assets between funds

Fund balances at 31 March 2019 are represented by:

Group	Unrestricted funds £	Restricted funds £	Special trust funds £	Total 2019 £
Tangible fixed assets	205,727	—	1,557,312	1,763,039
Investments	3,999,426	27,744	474,021	4,501,191
Net current assets	7,427,643	—	—	7,427,643
Inter-fund account (note 17)	—	768,128	(768,128)	—
Provisions	(71,000)	—	—	(71,000)
	<u>11,561,796</u>	<u>795,872</u>	<u>1,263,205</u>	<u>13,620,873</u>

16 Net assets between funds (continued)

Charity	Unrestricted funds £	Restricted funds £	Special trust funds £	Total 2019 £
Tangible fixed assets	205,727	—	1,557,312	1,763,039
Investments	3,999,427	27,744	474,021	4,501,192
Net current assets	7,655,801	—	—	7,655,801
Inter-fund account (note 17)	—	768,128	(768,128)	—
Provisions	(71,000)	—	—	(71,000)
	<u>11,789,955</u>	<u>795,872</u>	<u>1,263,205</u>	<u>13,849,032</u>

Group and charity	Unrestricted funds £	Restricted funds £	Special trust funds £	Total 2018 £
Tangible fixed assets	220,422	—	1,595,708	1,816,130
Investments	7,134,514	26,735	467,172	7,628,421
Net current assets	3,993,281	—	—	3,993,281
Creditors falling due in more than one year	(86,000)	—	—	(86,000)
Inter-fund account (note 17)	—	787,066	(787,066)	—
	<u>11,262,217</u>	<u>813,801</u>	<u>1,275,814</u>	<u>13,351,832</u>

17 Inter-fund accounts

Group and charity	Unrestricted funds £	Restricted funds £	Special trust funds £	Total 2019 £
Amount due to Sheppard Trust (1133356)	—	768,128	(768,128)	—

	Unrestricted funds £	Restricted funds £	Special trust funds £	Total 2018 £
Amount due to Sheppard Trust (1133356)	—	787,066	(787,066)	—

This amount represents the interest in the Trust's freehold property arising from the unamortised proportion of Housing Corporation grants received for their development.

This portion of the property's value demonstrably did not arise from the endowments of the charity and has therefore been transferred to the Incorporated Charity, represented as a debt due should the value of the property be crystallised.

18 Pension Scheme

From 1 October 2010, the Trust offers new joiners participation in the defined contribution section of the Social Housing Pension Scheme, having previously offered entry into the defined benefit section. The Trust closed the defined benefit section to new entrants at the same date.

Social Housing Pension Scheme (Defined Contribution)

This scheme is administered by The Pensions Trust and is a defined contribution scheme. The employer contribution rate payable by the Trust per annum is 6%.

Social Housing Pension Scheme (Defined Benefit)

The Trust participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Trust is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The latest estimated employer debt on withdrawal from the scheme, being as at 30 September 2017, is £210,193.

Defined benefit liability

	2019 £	2018 £
Fair value of plan assets	267,000	242,000
Present value of defined benefit obligation	(338,000)	(298,000)
Deficit in plan recognised	(71,000)	(56,000)

During the year to March 2019, sufficient information became available to allow the actuary to the Social Housing Pension Scheme (the Scheme) to calculate the share of the Scheme's deficit applicable to each of the participating employers. To facilitate this change it has been necessary to recognise £48,000 of gains on our income statement in relation to the adjustment of the prior year's deficit of £104,000 to the above restated deficit of £56,000.

18 Pension Scheme (continued)

Social Housing Pension Scheme (Defined Benefit) (continued)

Reconciliation of opening and closing balances of defined benefit obligation

	Year to 31 March 2019 £
Defined benefit obligation at start of period	298,000
Current service cost	17,000
Expenses	2,000
Interest expense	7,000
Contributions by plan participants	5,000
Actuarial losses (gains) due to scheme experience	9,000
Actuarial losses (gains) due to changes in demographic assumptions	1,000
Actuarial losses (gains) due to changes in financial assumptions	12,000
Benefits paid and expenses	(13,000)
Defined benefit obligation at end of period	<u>338,000</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	Year to 31 March 2019 £
Fair value of plan assets at start of period	242,000
Interest income	6,000
Contributions by the employer	27,000
Contributions by plan participants	5,000
Benefits paid and expenses	(13,000)
Fair value of plan assets at end of period	<u>267,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £6,000.

Defined benefit costs recognised in the statement of financial activities

	Year to 31 March 2019 £
Included in expenditure on charitable activities	
Current service cost	17,000
Expenses	2,000
Net interest expense	1,000
	<u>20,000</u>

18 Pension Scheme (continued)

Social Housing Pension Scheme (Defined Benefit) (continued)

	Year to 31 March 2019 £
Included in other recognised gains (losses)	
Experience gains and losses arising on the plan liabilities	9,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	1,000
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	12,000
	22,000

Defined benefit recovery plan

From 1 April 2019, the deficit contributions required from the charity are £8,442 per annum.

Assets

The charity's share of assets held within the Scheme at 31 March 2019 were as follows:

	2019 £	2018 £
Absolute Return	23,000	30,000
Alternative Risk Premia	15,000	9,000
Corporate Bond Fund	12,000	10,000
Credit Relative Value	5,000	—
Distressed Opportunities	5,000	2,000
Emerging Markets Debt	9,000	10,000
Fund of Hedge Funds	1,000	8,000
Global Equity	45,000	48,000
Infrastructure	14,000	6,000
Insurance-Linked Securities	8,000	6,000
Liability Driven Investment	97,000	89,000
Long Lease Property	4,000	—
Net Current Assets	1,000	—
Private Debt	4,000	2,000
Property	6,000	11,000
Risk Sharing	8,000	2,000
Secured Income	10,000	9,000
Total assets	267,000	242,000

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

18 Pension Scheme (continued)

Social Housing Pension Scheme (Defined Benefit) (continued)

Key assumptions

	31 March 2019 % p.a.	31 March 2018 % p.a.
Discount rate	2.04	2.33
Inflation (RPI)	3.29	3.13
Inflation (CPI)	2.29	2.13
Salary Growth	3.29	3.13
	75%	75%
Allowance for commutation of pension for cash at retirement	maximum	maximum

Mortality assumptions at 31 March 2019 imply the following life expectancies

	Life expectancy at age 65
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

19 Trustees and indemnity insurance

As a member of the National Housing Federation, the Trust is covered by a Directors and Officers Liability Insurance policy. The total amount of cover for the Trust is £7.5 million, subject to an annual aggregate limit of £45 million for the policy as a whole.

20 Contingent liability

The properties at Lansdowne Walk are owned by The Sheppard Trust, but refurbishments to them in the 1980s and 1990s were partially funded through a Housing Corporation Social Housing Grant amounting to £1.3 million. Should the properties at Lansdowne Walk be sold, repayment provisions for the total grant may crystallise resulting in an amount of up to £1,339,524 becoming repayable.

The Executive Committee has asked the Greater London Authority, the successor body to the Housing Corporation in London, to exercise its discretion to allow the Trust to defer repayment of the grant if it sells its present properties and uses the sale proceeds to develop replacement social housing.

21 Related party transactions

The charity owns the entire share capital in ST Property Company Limited (note 9b). During the year, the charity recharged costs of £148,295 (2018 - £nil) to the company. At 31 March 2019, ST Property Company Limited owed the charity £1,173,124 (2018 - £nil) relating to costs settled by the charity in order to support the company's cash flow needs.

Other than Executive Committee members expenses, as disclosed in note 7, there were no further related party transactions.