

**MIDLAND GROUP TRAINING  
SERVICES LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 March 2022**

**Company No 984899  
Registered Charity No 528785**

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**TRUSTEES' REPORT**  
**31 March 2022**

## **OBJECTIVES AND ACTIVITIES**

### **MGTS an Educational Charity – Employer Led and Membership Based**

#### **Our Aim**

To be a national centre of excellence for education, training and development and assessment supporting both young people and adults in the development of engineering competences associated with engineering.

To achieve improved customer business performance by delivering cost effective employee technical and people development solutions to machinery reliant industries.

#### **Charity Aims**

- To support young people wishing to access the engineering industry
- To support adult employees and learners to develop themselves, engineering functions and systems to improve business performance
- To contribute to the development of specialist engineering competences within the National workforce to encourage economic development
- The main activities of the Charity have continued to be the provision of Apprenticeships, Training Needs Analysis and Administration, Training and Development courses and events

To achieve this, the Charity:

- Consults with members and employers to achieve a clear understanding of industry needs and provide effective solutions
- Consults with Government and Agencies to ensure that MGTS strategy supports industry related people development policies
- Consults with Local Enterprise Partnerships [LEPs], Local Authority and Schools to develop collaborative solutions to support young people's development, understanding and entry into industry

#### **Our Values**

1. MGTS aims to provide our customers with training and assessment activities that are relevant to the individual, their organisation, and its industry sector.
2. We believe that training and assessment activity undertaken should be clear and concise in its design and delivery.
3. That the delivery of any training and assessment activities are undertaken in a way and at a time which fully meets and supports the requirements of our customers, whatever those requirements may be.
4. MGTS will endeavour to take the lead in a professional manner, applying wisdom and knowledge whilst being supporting and encouraging.

#### **Our Commitment**

MGTS commit to provide our customers with access to competent staff, learning opportunities, comprehensive equipment and technology and rapid response to meet their training and assessment requirements.

We will achieve this through the application in all instances of our core values by consistently maintaining a high level of knowledge and understanding of the markets and environments within which our customers operate.

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### **Public Benefit**

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular the trustees consider how planned activities will contribute to the aims and objectives they have set.

### **Our Strategic Objectives**

1. Annually increase the number of customers strategically investing in people development; achieving local, regional and national growth.
2. Develop and deliver products and services offering progression through education, training and development and assessment; unlocking potential and delivering improved customer business performance.
3. Continually improve quality of content, quality of delivery and quality of learning management.
4. Work in partnership with customers and stakeholders to provide solutions to their requirements and the greater community, locally, regionally and nationally.
5. Utilise the charity's resources responsibly in pursuit of the strategic objectives.

### **CHALLENGES, ACHIEVEMENTS AND PERFORMANCE**

Two years on from the first COVID-19 lockdown the business has returned to its **NEW** normal. The COVID-19 potential to impact MGTS and the subsequent threat that this poses still exist, but as in everyday life the business has adjusted to its ongoing presence. Should the need arise for a move to more distance-based learning or the unfortunate situation of a lockdown, then MGTS is well positioned to operate effectively and with minimal disruption. For the Fiscal Year period 21/22 overall income was up by 19% against prior year and significant cost control measures continue to deliver a healthy income to expenditure ratio improving by almost 3% on a year-over year basis.

Recruitment rates for the September 21 apprentice intake were 62% up on the 2020 intake and represent an 85% capacity utilisation for apprenticeship delivery. Commercial course activity has more than doubled year on year returning close to pre-pandemic income realisation.

Despite the disruption of the COVID-19 pandemic MGTS continues to achieve high levels of learner success rates and maintain a position of at least 12% above the national achievement rate. This is underpinned by the levels of work and progress continuing at pace on executing the MGTS Quality Framework Strategy, particularly around curriculum development and teaching and learning. Monthly Quality Improvement Meetings take place and link directly to the QIP (Quality Improvement Plan) and SAR (Self-Assessment Report).

Throughout the year MGTS has partnered with Illuminate who are a company specialising in Wellbeing and Mental Health. This is particularly important as the number of learners joining MGTS on apprentice programmes with support needs continues to grow year on year. We are not alone in this position as other GTA members all report an increase. This topic is a growing area of focus for OFSTED, and it is only prudent for MGTS to ensure that we are providing a high level of pastoral care that not only meets but exceeds the expectations of today's society. The increased level of understanding and overall support will have the added benefit of being available to employees, should the need occur.

The decision to cease the provision of training for the EDEN programme, effectively the forerunner of the FDEM apprenticeship programme was taken during the past 12 months. This programme since its inception has been based at the Reaseheath/MGTS Engineering Academy. With dwindling interest from the EDEN employer group leading to limited numbers of apprenticeship places, resulted in the inevitable outcome that there would be no future Cohorts at the

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Reaseheath facility and MGTS would concentrate on building the FDEM apprentice intake at Redditch. Face-to-face classroom and practical delivery will be concluded in early April 2022 and following this a decommissioning period will commence, concluding at the end of July 2022.

MGTS partnered with Citation Health and Safety in the early part of 2022. The increased awareness following the NEBOSH training and certification of the Chief Executive and the Quality and Compliance Manager, and the recognition of our potential vulnerability in this area due to the populous of young people that we train, led us to the decision to engage with a professional organisation for consultation and support. In this arrangement Citation support MGTS in the role of a Competent Person.

### **Financial review**

As the restrictions imposed from the pandemic continue to ease, the financial situation of MGTS is slowly returning to pre-pandemic levels.

The financial year result was an unrestricted surplus of £233,052 (2020 £92,893), before adjustments to the fair value of the pension scheme deficit. A total of £757,700 was paid into the pension scheme during the year as per the approved recovery plan.

#### *Income*

Total unrestricted income of £4.4M was generated in 2021-2022, an increase of 18% from last year. Apprentice training income represented 81.5% of this, with commercial income making up the balance. Commercial course income has continued to bounce back towards pre-pandemic levels and for 2021-2022 was 20% below the 2019-2020 level.

#### *Expenditure*

Unrestricted expenditure in 2021-2022 increased to £4.1M, an increase of 15% on last year. £0.9 million of this is related to our commercial activities, and the remaining £3.2 million was spent supporting our charitable aims.

#### *Funds*

Total funds on 31 March 2022 were £2.1M (2021 £1.9M) of which all but £363,577 were unrestricted.

### **Principal Risks and Uncertainties**

The principal risk to the business is the rising cost of living with energy prices being the biggest single driver of rising inflationary pressures with the April 2022 increase which is expected to be followed by another 30% increase in October 2022. In addition, the conflict in Ukraine is expected to lead to rising food prices as well as higher prices of some metals and other commodities.

Ongoing challenges of operating in a COVID-19 pandemic recovering economy still pose a potential to cause business disruption. Although we are seeing increased levels of apprenticeship uptake and a rising level of commercial course activity the ever-present threat remains of a return to restrictions particularly during the winter period of late 2022 and early 2023.

Having gone through our last full OFSTED inspection in 2017 with a four-year cycle of assessment it would be prudent to assume that 2021 would have been the likely timeframe for this to take place. The impact of COVID-19 has understandably disrupted the timings with late 2022 or early 2023 looking more likely, however we maintain a continuing focus on our quality of apprenticeship delivery in anticipation of this critical assessment and grading.

Ever present are the risks and uncertainties from modifications to structure and funding of the apprenticeship education and training sector made by Government. This is most likely to become a reality with the pending revision of the Food and Drink Engineering Maintenance standard.



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**TRUSTEES' REPORT**  
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**Policies**

a) Reserves

The trustees have forecast the level of free reserves (that is those funds not tied up in fixed assets, designated and restricted funds) required to sustain its operations in the event that some incoming generating activities are curtailed temporarily whilst the charitable activities are continued. The trustees consider that the most appropriate level of free reserves at 31 March 2022 would be 9 months of the group's budgeted expenditure i.e. £2.95 million. The actual free reserves at 31 March 2022 were £1.85 million being £1.1m (2021: £490K) short of the target figure. This deterioration is due to the large payment to the pension fund during the year.

b) Investments

Under the Memorandum and Articles of Association, the charity has the power to invest in any way the trustees wish. The trustees have determined that the Charity investments should be in the form of interest-bearing cash deposits with major banks or financial institutions and investment property. Interest rates should be competitive and free of risk to the capital.

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Charity is a company, limited by guarantee, and has no share capital. It was incorporated on 17 July 1970. Its governing document is its Memorandum and Articles of Association, which were updated on 6<sup>th</sup> March 2019. The liability of each member in the event of winding up is limited to £20.

Charity number	528785
Company number	984899
Principal Office	Gulson Road, Coventry, CV1 2JG

The principal objects of the charitable company are: "To advance the theoretical and practical education and training of persons engaged or intending to be engaged in engineering general industrial and commercial activities"

To allow the charitable company to trade in activities complementary to its objects a subsidiary company 'MGTS Business and Training Services Limited' was incorporated on 22 September 2000. The Charity owns the 1,000 issued shares of £1 each. Taxable profits arising from the subsidiary are Gift Aided to the Charity.

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**TRUSTEES' REPORT**  
**31 March 2022**

**Trustees/ Directors**

The Trustees are elected by the Members of the Company and serve for five years before retiring. The Articles of the Company allow for unlimited Trustees/Directors. The Trustees may co-opt to fill casual vacancies arising during the year.

The following were Trustees during the whole of the year under review:

Mr K Kane	Mrs T Reynolds
Mr G F Lawton	Mrs R Ritchie
Mr D Montgomery	Mr A Watson

The following resigned as Trustees during the year:

Mr S Brown

The following were appointed as Trustees during the year:

Ms Carolyn Bell

The Trustees of the Charity meet at least 4 times per year. They set budgets for the Charity and monitor its financial performance through detailed quarterly financial reports. Major decisions affecting the Charity's operations are taken by the Trustees.

The Chief Executive, David Bridgens is responsible for implementing the Trustees policies. He reports on a quarterly basis to the Trustees. Additional ad hoc Trustees meetings are called whenever it is felt necessary either by the Trustees or the Chief Executive.

**Trustee induction and training**

New trustees undergo a series of briefings to inform them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and recent financial performance of the charity. During the induction they meet key employees and other trustees. Trustees are encouraged to attend appropriate training events where these will facilitate the understanding of their role.

**Key Management Personnel**

The following were key management personnel during the whole of the year under review: -

Chief Executive Officer	David Bridgens
Director of Delivery and Operations	Steve Palmer
Director of Finance and HR	Ruth Smith
Business Systems and Contracts Manager	Adrian Lawrence
Quality and Compliance Manager	Ruth Plane
Customer Engagement Manager	Adrian Simkiss

**Arrangements for setting pay and remuneration**

Trustees do not receive any form of remuneration and give their time freely.

The trustees review pay annually in October for all staff, including key personnel. Consideration is taken of the rate of inflation, and benchmark pay rates within the industry.

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**31 March 2022**

**Risk management**

We confirm that major risks have been reviewed and that systems and procedures have been established to manage those risks.

**Government and Agencies**

The government is committed to supporting apprenticeships through innovation and increased funding. In September 2021 a new online service launched to make it easier for large employers that pay the Apprenticeship Levy to spend their funds, and for other employers to review and apply for funding. Government funding for apprenticeships is set to increase by £170 million to £2.7 billion in 2024-25.

The ESFA have updated the apprenticeship accountability framework technical specification which outlines the quality indicators that form part of the apprenticeship accountability framework and how these are applied for this first year. It has been updated to include information about the thresholds for OTJT (Off the Job Training), achievement rates and retention rates. In response to feedback from training providers, the ESFA have also amended the thresholds for withdrawals, learners past planned end date and breaks in learning for providers that fall into the “needs improvement” category.

The thresholds included in the framework are not targets for the apprenticeships programme and should not be used by providers as targets to benchmark their provision against. Instead, these thresholds reflect minimum expectations and will be used to inform any intervention actions the ESFA will take in response to concerns about the quality of delivery at a provider.

Both the Kickstart Scheme and additional apprenticeship funding incentives started in September 2020 have now finished as of the 31 January 2022. The Kickstart Scheme had 250,000 targeted roles to fill and only 100,000 available roles have been filled. The employer incentive payment scheme for taking on an apprentice will now revert back to the £1,000.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**TRUSTEES' REPORT**  
**31 March 2022**

**Small Companies Exemption**

This report is prepared in accordance with special provisions of part 15 of the Companies Act 2006 relating to small companies.

The trustees who are the charitable company's directors are pleased to present their report together with the financial statements of the charitable company for the year ending 31 March 2022.

**AUDITORS**

A resolution will be put to the forthcoming AGM to reappoint Luckmans Duckett Parker Limited as Auditors for the year ending 31 March 2023.

**Statement as to disclosure of information to auditors**

The trustees who were in office on the date of approval of these financial statements have confirmed as far as they are aware, that there is no relevant audit information of which the auditors are unaware. The trustees have confirmed that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**PROFESSIONAL ADVISORS**

The Charity is provided with professional services on a commercial basis by:

Luckmans Duckett Parker Limited	-	Audit
Lloyds TSB Plc	-	Banking
Band Hatton Button Solicitors	-	Legal
Loveitts Estate Agents	-	Property
Jensten Group	-	Insurance

On behalf of the Board



G Lawton  
Chairman

Gulson Road  
Coventry  
CV1 2JG  
23 November 2022

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS**  
**31 March 2022**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors 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 of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business;
- d. observe the methods and principles in the Charity SORP

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**AUDITOR'S REPORT**  
**Independent auditor's report to the members of Midland Group Training Services Limited**

**Opinion**

We have audited the financial statements of Midland Group Training Services Ltd (the 'charitable company') for the year ended 31 March 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2022 and of its incoming resources and application of resources, including 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 Auditors 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.

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

<p style="text-align: center;"><b>MIDLAND GROUP TRAINING SERVICES LIMITED</b> <b>AUDITOR'S REPORT</b> <b>Independent auditor's report to the members of Midland Group Training Services Limited</b></p>
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**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 Report of the Trustees.

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

- adequate accounting records have not been kept 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 take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

**Responsibilities of trustees**

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

In preparing the financial statements, the trustees are responsible for assessing the 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.

**Our 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 a Report of the Independent Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting these irregularities, including fraud is detailed below:

In identifying and assessing the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- reference to past history and experience of the Entity,
- enquiry of management, including obtaining and reviewing supporting documentation concerning the Entity's procedures relating to:
  - identifying and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detection and response to risk of fraud and whether they were aware of any actual or suspected instances of fraud.
- assessment of the controls and processes that the Entity has in place to mitigate risk.

Our assessments included the identification of the following potential areas for fraud:

- Management override of control; and
- Revenue recognition - specifically the recognition according to timing of the provision of training services, and manipulation of revenue through management override of journals.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**AUDITOR'S REPORT**  
**Independent auditor's report to the members of Midland Group Training Services Limited**

We design audit procedures by tailored and directed testing to aid and support the level of determined level of risk. In response to the assessed risk we plan audit tests and procedures that target specific areas where misstatement may occur. These procedures and the extent to which they are capable of detecting irregularities, including fraud, are detailed below:

- We critically assessed the appropriateness and tested the application of the revenue and cost recognition policies.
- We tested the appropriateness of accounting journals and other adjustments made in the preparation of the financial statements.
- We reviewed the Entity's accounting policies for non-compliance with relevant standards.
- We made enquiries of management and reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations.

In performing an audit in accordance with UK GAAP, we exercise professional judgement and maintain professional scepticism throughout the audit process.

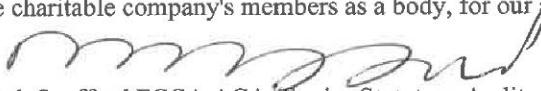
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion or override of internal controls. There are inherent limitations in the audit procedures performed.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Independent Auditors.

#### **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 auditors' 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.



Mark Spafford FCCA ACA (Senior Statutory Auditor)  
for and on behalf of Luckmans Duckett Parker Limited  
1110 Elliott Court  
Coventry Business Park  
Herald Avenue  
Coventry  
West Midlands  
CV5 6UB

Date: 23 November 2022



**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
for the year ended 31 March 2022

	Note	Unrestricted funds £	Restricted funds £	Total 2022 £	Total 2021 £
<b>Income:</b>					
<i>Income from donations and legacies:</i>					
Coronavirus Job Retention Scheme income	1	8,242	-	8,242	138,763
<i>Income from Charitable activities:</i>					
Subscriptions, training, projects, course fees and extra services	4	3,281,874	100,300	3,382,174	3,031,883
<i>Income from other trading activities:</i>					
Commercial trading operations	9	1,120,082	-	1,120,082	613,095
Investment income	3	2,130	-	2,130	12,395
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total incoming resources</b>		<b>4,412,328</b>	<b>100,300</b>	<b>4,512,628</b>	<b>3,796,136</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditure:</b>					
<i>Costs of raising funds:</i>					
Investment management costs		-	-	-	-
Commercial trading operations	9	882,591	-	882,591	501,391
<i>Expenditure on charitable activities</i>	5	3,296,685	171,984	3,468,669	3,255,936
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total expenditure</b>		<b>4,179,276</b>	<b>171,984</b>	<b>4,351,260</b>	<b>3,757,327</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (loss)/income before other recognised gains</b>	6	<b>233,052</b>	<b>(71,684)</b>	<b>161,368</b>	<b>38,809</b>
<b>Other recognised losses</b>					
Change in fair value of pension scheme liability	12	-	-	-	(3,646,183)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net movement in funds for the year</b>		<b>233,052</b>	<b>(71,684)</b>	<b>161,368</b>	<b>(3,607,374)</b>
Fund balance brought forward at 1 April 2021		1,468,539	435,261	1,903,800	5,511,174
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance carried forward at 31 March 2022</b>		<b>1,701,591</b>	<b>363,577</b>	<b>2,065,168</b>	<b>1,903,800</b>
		<hr/>	<hr/>	<hr/>	<hr/>


The statement of financial activities includes all gains and losses recognised in the year and in the previous year.  
All the company's activities are classed as continuing.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**BALANCE SHEETS**  
**at 31 March 2022**  
**Company No 984899**

		Group		Charity	
	Note	2022 £	2021 £	2022 £	2021 £
<b>Fixed assets</b>					
Tangible fixed assets	8	2,981,849	2,991,551	2,981,849	2,991,551
Investment in subsidiary undertaking	9	-	-	1,000	1,000
		<hr/>	<hr/>	<hr/>	<hr/>
		2,981,849	2,991,551	2,982,849	2,992,551
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Current assets</b>					
Debtors	10	587,457	548,670	381,907	382,340
Short term deposits		2,472,463	3,076,780	2,472,463	3,076,780
Bank balance and cash		107,109	115,718	59,371	51,447
		<hr/>	<hr/>	<hr/>	<hr/>
		3,167,029	3,741,168	2,913,741	3,510,567
<b>Creditors - amounts falling due within one year</b>	11	(1,318,514)	(1,940,436)	(1,303,717)	(1,822,539)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current assets</b>		1,848,515	1,800,732	1,610,024	1,688,028
<b>Creditors - amounts falling due after more than one year</b>	11	(2,765,196)	(2,888,483)	(2,765,196)	(2,888,483)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets</b>		2,065,168	1,903,800	1,827,677	1,792,096
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Funds:</b>					
Restricted funds	13	363,577	435,261	363,577	435,261
Unrestricted funds	13	1,464,100	1,356,835	1,464,100	1,356,835
Non-charitable trading funds	13	237,491	111,704	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total funds</b>		2,065,168	1,903,800	1,827,677	1,792,096
		<hr/>	<hr/>	<hr/>	<hr/>

The financial statements have been prepared in accordance with special provisions of part 15 of the Companies Act 2006 relating to small charitable companies.

The financial statements on pages 12 to 26 were approved by the Board of Directors and authorised for issue on 23 November 2022, and were signed on its behalf by:



G Lawton  
Chairman

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**CASH FLOW STATEMENT**  
for the year ended 31 March 2022

	Note	2022 £	Group 2021 £
<b>Cash flows from operating activities:</b>			
Cash generated from operations	1	(335,603)	332,370
		<hr/>	<hr/>
<b>Net cash provided by (used in) operating activities</b>		(335,603)	332,370
		<hr/>	<hr/>
<b>Cash flows from investing activities:</b>			
Purchase of tangible fixed assets		(334,539)	(49,523)
Sale of tangible fixed assets		55,086	20,916
Interest received		2,130	12,395
		<hr/>	<hr/>
<b>Net cash provided by (used in) investing activities</b>		(277,323)	(16,212)
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the reporting period</b>		(612,926)	316,158
<b>Cash and cash equivalents at the beginning of the reporting period</b>		3,192,498	2,876,340
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the reporting period</b>		2,579,572	3,192,498
		<hr/>	<hr/>

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES TO THE CASH FLOW STATEMENT**  
for the year ended 31 March 2022

**1 Reconciliation of net income to net cash flow from operating activities**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Net income for the reporting period (as per the statement of financial activities)</b>	161,368	(3,607,374)
Adjustments for:		
Depreciation charges	313,680	299,817
Profit on disposal of fixed assets	(27,544)	(6,668)
Change in fair value of pension scheme liability	46,219	3,646,183
Interest received	(2,130)	(12,395)
(Increase)/decrease in debtors	(38,787)	44,412
Increase/(decrease) in creditors	(788,409)	(31,605)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(335,603)	332,370
	<hr/>	<hr/>

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**ACCOUNTING POLICIES**  
**31 March 2022**

## **1 Accounting Policies**

### **Basis of preparation**

The financial statements of the charitable company, which is a public benefit entity under FRS102, have been prepared in accordance with the Charities SORP (FRS102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard in the UK and Republic of Ireland (FRS102)( effective 1 January 2019)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value.

### **Accounting changes**

The significant accounting policies adopted are described below.

### **Significant judgements and estimates**

The preparation of the financial statements requires management to make significant judgements and estimates that affect the amounts reported within the balance sheet and statement of financial activities. The following are the Company's key sources of estimation uncertainty:

- **Multi- employer defined benefit pension scheme liability**

The schedule of contributions for the multi-employer defined benefit pension scheme is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The mortality rate is based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the respective country.

The Company has included a liability within the financial statements to reflect its own future funding obligations based upon a discounted cash flow basis. The discounted cash flow has been calculated by using predicted future inflation rates of 10% in years 1 and 2 and 6% thereafter. The discount rate used is 0.85%.

In determining the appropriate discount rate, management considers the interest rate of AA corporate bonds denominated in Great British pound sterling, with a bond maturity similar in duration to the defined benefit funding obligation.

### **Group financial statements**

The statement of financial activities (SOFA) and group balance sheet consolidate the financial statements of the charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

A separate SOFA and income and expenditure account are not presented for the charity itself following the exemptions afforded by Section 408 of the Companies Act 2006.

### **Income recognition policy**

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received, and the amount can be measured reliably and is not deferred.

The charitable company recognises support from the Coronavirus Job Retention Scheme on a receivable basis as an unrestricted donation to the charitable company.

Investment income is recognised on a receivable basis.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**ACCOUNTING POLICIES (continued)**  
**31 March 2022**

**Resources expended and Irrecoverable VAT**

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods and services are supplied.

Charitable activities include expenditure associated in the provision of training services and include both the direct costs and support costs relating to these activities.

The charitable company recognises the cost of contractual redundancy payments as being part of the cost of the delivery of charitable activities.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Support costs include the central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g., staff costs by the estimated time spent and other costs by their estimated usage.

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

**Taxation**

The company is a registered charity and is exempt from taxation on its charitable activities. The subsidiary company has no tax liability as it donates its taxable profits to the charity under gift aid.

**Tangible fixed assets**

Fixed assets costing £3,000 or more are capitalised at cost.

Depreciation is charged by instalments at rates estimated to write off the cost of the asset less any residual value over the expected useful lives at the following rates:-

2½% per annum on freehold buildings
4% per annum on freehold building improvements
10% per annum on leasehold building improvements
10% to 25% per annum on equipment and vehicles
33⅓% per annum on computer equipment

On disposal of assets in the ordinary course of business adjustments are made to the depreciation charge to reflect differences between the actual and estimated aggregate depreciation.

**Pensions – Defined Benefit Scheme**

The defined benefit scheme was closed to new contributions on 31st August 2010. In accordance with paragraph 28.11 of FRS102 the company as a participating employer to the scheme, has recognised the present value of its share of the agreed contributions on the balance sheet as a liability on a discounted cash flow basis. MGTS's estimated liability as at 31<sup>st</sup> March 2021 was £3.6M and is recalculated each year, with movements in the liability reflected in the Statement of Financial Activities and the element relating to the unwinding of the discount in interest payable. The Company has renegotiated its recovery plan as a result of the latest actuarial valuation on 31<sup>st</sup> March 2020.

Further information in relation to an update on the current status of the pension scheme deficit and the most recent valuation can be found in note 12 on page 23.

The Company is liable for its own funding obligations and is also liable for those of the other sponsoring employers, should those sponsoring employers default on their obligations.

**Pension costs - Defined Contribution Scheme**

The amount charged to the Statement of Financial Activities in respect of pension costs is the contribution payable in the year. Any differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2022**

**Funds structure**

The charity has a number of restricted income funds to account for situations where a donor requires that a donation must be spent on a particular purpose or where funds have been raised for a specific purpose.

All other funds are unrestricted income funds.

**2 Legal status of the Charity**

The Charity is a company, limited by guarantee, and has no share capital. It was incorporated on 17 July 1970. Its governing document is its Memorandum and Articles of Association. The liability of each member in the event of winding up is limited to £20.

<b>3 Investment income</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Short term deposit interest receivable	2,130	12,395

**4 Income from Charitable Activities**

Training services provided	3,281,874	2,966,283
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**5 Charitable Activities Costs**

The charity undertakes direct charitable activities and does not make grant payments

Provision of training services and projects	3,387,721	3,178,770
Support costs – salaries and office costs	80,948	77,166
	<u>3,468,669</u>	<u>3,255,936</u>

**Governance costs**

Salaries and office costs	13,533	13,375
Interest on pension scheme liabilities	46,219	-
Auditors' remuneration		
- Audit	9,925	8,100
- Other services	1,500	750
	<u>71,177</u>	<u>22,225</u>

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2022**

	<b>2022</b>	<b>2021</b>
<b>6 Net incoming resources</b>		
Net incoming resources are stated after charging/ (crediting):		
Directors' and officers' indemnity insurance	-	-
Depreciation of tangible fixed assets:		
- owned assets	246,909	233,808
- leased assets	66,771	66,009
(Profit)/loss on disposal of tangible fixed assets	(27,544)	(6,668)
Change in fair value of pension liability	-	3,646,183
	<hr/>	<hr/>
<b>7 Staff costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	1,602,275	1,695,055
Social security costs	194,635	195,502
Pension costs	130,042	246,857
	<hr/>	<hr/>
	1,926,952	2,137,414
	<hr/>	<hr/>
Average number of FTE employees	40	43
	<hr/>	<hr/>
<b>Key management personnel</b>		
Emoluments	410,062	377,558
Pension contributions to defined contribution scheme	27,054	25,387
	<hr/>	<hr/>
	437,116	402,945
	<hr/>	<hr/>
The number of employees who received emoluments of more than £60,000 in the year was as follows:		
£60,001 - £70,000	3	1
£70,001 - £80,000	-	1
£80,001 - £90,000	2	1
£110,000 - £120,000	1	1
	<hr/>	<hr/>

Midland Group Training Services paid £27,054 (2021: £20,187) into a defined contribution pension scheme for 6 (2021: 4) higher-paid employees.

The directors do not receive emoluments or expenses.

**Pension costs - Defined Benefit Scheme**

In addition to the above, the Company made a payment of £757,700 (2021: £114,936) to the multi-employer defined benefit scheme (see note 12 on page 23).

**Pension costs - Defined Contribution Scheme**

The company provides pensions for current employees, through a defined contribution scheme. The employer contributions for the period were £101,370 (2021 £108,215). The running costs of the scheme are amalgamated with the Defined Benefit scheme and cannot be separately identified. There were no outstanding or prepaid contributions at the balance sheet date.



**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2022**

**8 Tangible fixed assets – group and charity**

	<b>Freehold Property £</b>	<b>Leasehold Improvements £</b>	<b>Equipment &amp; vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
1 April 2021	2,154,429	1,237,449	2,931,337	6,323,215
Additions	9,722	17,484	304,314	331,520
Disposals	-	-	(273,332)	(273,332)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2022	2,164,151	1,254,933	2,962,319	6,381,403
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
1 April 2021	958,136	371,703	2,001,825	3,331,664
Charge for year	11,181	66,771	235,728	313,680
Disposals	-	-	(245,790)	(245,790)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2022	969,317	438,474	1,991,763	3,399,554
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
31 March 2022	1,194,834	816,459	970,556	2,981,849
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2021	1,196,293	865,746	929,512	2,991,551
	<hr/>	<hr/>	<hr/>	<hr/>

On 30<sup>th</sup> June 2021 the Company granted in favour of the Trustees of the EEF Staff Pension Fund an uncapped charge over the freehold property at Gulson Road, Coventry, included in the balance sheet at £1.2m.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2022**

	<b>Group</b>		<b>Charity</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>9 Fixed asset investment</b>				
Shares in subsidiary undertaking	-	-	1,000	1,000

**Subsidiary undertaking**

MGTS Business and Training Services Limited which was incorporated in England on 22 September 2000 pays all its taxable profits to the charity by Gift Aid. MGTS Business and Training Services Limited operates as an executive arm of the charity. The charity owns the entire issued share capital of 1,000 ordinary shares of £1 each. A summary of the trading results is shown below.

**Summary of profit and loss account**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Turnover	1,120,082	613,095
Cost of sales and administrative expenses	(878,491)	(497,591)
Governance costs	(4,100)	(3,800)
Net profit	237,491	111,704
Retained profit brought forward	111,704	227,413
Amount gifted to the charity	(111,704)	(227,413)
Retained in the subsidiary	237,491	111,704

**The assets and liabilities of the subsidiary were:**

Fixed assets	-	-
Current assets	914,648	771,724
Creditors: amounts falling due within one year	(676,157)	(659,020)
Net assets	238,491	112,704
Aggregate share capital and reserves	238,491	112,704

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2022**

	<b>Group</b>		<b>Charity</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>10 Debtors</b>				
Amounts falling due within one year:				
Trade debtors	471,919	392,835	271,269	273,530
Prepayments	115,239	153,723	110,339	106,698
Accrued income	299	2,112	299	2,112
Amount due from subsidiary undertaking	-	-	-	-
	<u>587,457</u>	<u>548,670</u>	<u>381,907</u>	<u>382,340</u>
<b>11 Creditors</b>				
Amounts falling due within one year:				
Trade creditors	861,184	901,467	209,222	261,476
Taxation and social security payable	117,329	98,005	100,907	85,815
Accruals	170,495	183,264	162,722	176,424
Pension deficit liability	169,506	757,700	169,506	757,700
Amount due to subsidiary undertaking	-	-	661,360	541,124
	<u>1,318,514</u>	<u>1,940,436</u>	<u>1,303,717</u>	<u>1,822,539</u>
Amounts falling due after one year:				
Pension deficit liability	<u>2,765,196</u>	<u>2,888,483</u>	<u>2,765,196</u>	<u>2,888,483</u>

Included within trade creditors is deferred income of £353,000 (2021 £383,318). These amounts are deferred because the income relates to future periods.

Deferred income at 1 April 2021	338,318
Used in year	(304,905)
Deferred in year	<u>319,587</u>
Deferred income at 31 March 22	<u>353,000</u>

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2022**

## 12 Pensions

The Company provides pensions for its employees through participation in the Engineering Employers' Federation Staff Pension Fund (the Fund), which is administered by a Trustee and maintained independently of the Company's finances for defined benefit members and a separate Master Trust for defined contribution members. The Fund was established to enable a number of autonomous but related employers to operate a scheme through the sharing of risk within a wider membership base. As such it is not possible for an underlying employer to identify its share of the underlying assets and liabilities. For multi-employer schemes where this is the case, paragraph 28.40A of FRS102 requires that Midland Group Training Services Limited account for its share of the present value of the agreed pension contributions payable to the scheme and where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit to the Company.

### 2020 Valuation

At the date of the last completed valuation of the fund (31<sup>st</sup> March 2020), the market value of the Fund's assets amounted to £184m. The valuation was carried out by an independent qualified actuary adopting a market-based approach using the projected unit method and the following main assumptions:

Single equivalent average rates (in practise term-dependent curves are used)	% per Annum
Rate of investment return (initial portfolio)	2.2
Rate of investment return (long term portfolio)	1.2
Rate of price inflation	2.8 (RPI)
Rate of increase in salaries	n/a
Rate of pension increases:	
RPI up to 5%	2.7
RPI up to 5%: minimum 3%	3.4
CPI up to 5%	2.4
CPI up to 2.5%	1.9

As at the valuation date these assets were insufficient, on the assumptions adopted, to meet the cost of the Fund's accrued liabilities. The Fund had a deficit of £60m on an ongoing funding basis. Due to the extreme volatility of the market around the valuation date, the Pension Regulator issued guidance that the Trustee can consider post valuation experience as part of the valuation. The Trustee considered the position rolled forward to 31<sup>st</sup> August 2020 which revealed a deficit of £47m resulting from some recovery in financial markets.

The split between participating employers was re-evaluated on 31<sup>st</sup> March 2020 based on updated assumptions, resulting in the proportion attributed to MGTS's members increasing to £3.9m (8.3%) 2019: 4.4%.

Subsequently, participating employers agreed contribution schedules with the Trustee that are expected to be sufficient to eliminate their share of the revised deficit over a period acceptable to the Trustee. Under this agreement Midland Group Training Services Limited is liable to make the following contributions in respect of its share of the deficit in the defined benefits section:

Amount	Dates	Frequency
£39,426	Payable from 1 <sup>st</sup> April 2021 to 30 <sup>th</sup> June 2021 inclusive.	Monthly
£718,274	Payable July 2021	One off
£157,680 pa	Payable from 1st April 2022 to 31st March 2034 inclusive. This will be increased in line with the increase in the RPI (on a preceding December to December basis).	Annually
£500,000	Payable April 2026	One off

In addition, the Company has granted an uncapped charge to the Trustee of the Fund, over the freehold property at Gulson Road, Coventry included in the Balance Sheet at 31<sup>st</sup> March 2022 at £1.2m (see note 8 page 20). It should be noted that the defined benefit scheme was closed to all future accruals during 2010.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2022**

**13 Movement in funds**

	<b>1 April 2021</b>	<b>Incoming resources</b>	<b>Resources expended and losses</b>	<b>Capital Expenditure</b>	<b>31 March 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Restricted funds					
- 24+ Loan Fund	2,000	-	-		2,000
- Employer Incentives	28,000	100,300	(123,300)		5,000
- LEP Funding	405,261	-	(48,684)		356,577
Unrestricted funds	1,356,835	3,292,246	(3,184,981)		1,464,100
Non-charitable trading funds	111,704	1,120,082	(994,295)		237,491
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,903,800	4,512,628	(4,351,260)	-	2,065,168
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**24+ Advanced Learning Loan Fund**

These are funds made available to be loaned to eligible learners. These loans will help learners aged 24 or above pay the fees charged by colleges and training providers for courses at Level 3 and Level 4, or Advanced and Higher Apprenticeships.

**Employer Incentives**

The Education and Skills Funding Agency has made a number of incentive payments available to employers taking on an apprentice aged 16-18. These incentives payments are paid to the training provider at set points during the training and must be paid out to the employer.

**LEP Funding**

MGTS has invested in a new Advanced Engineering and Manufacturing Centre in Redditch, Worcestershire. Our £875,000 investment was matched by funding of £700,000 from the Worcestershire and Birmingham Local Enterprise Partnerships. The funding will be released over the life of the assets.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2022**

**14 Analysis of net assets between funds**

	Unrestricted £	Non-charitable trading funds £	Restricted £	Total £
Intangible fixed assets	-	-	-	-
Tangible fixed assets	2,625,272	-	356,577	2,981,849
Current assets	2,245,381	914,648	7,000	3,167,029
Current liabilities	(642,357)	(676,157)	-	(1,318,514)
Long term liabilities	(2,765,196)	-	-	(2,765,196)
	<u>1,463,100</u>	<u>238,491</u>	<u>363,577</u>	<u>2,065,168</u>

**15 Operating lease commitments**

The following operating lease payments are committed to be paid:

	2022	2021
	£	£
Within one year	95,615	98,965
Between two and five years	364,905	365,626
In more than five years	619,917	706,417
	<u>1,080,437</u>	<u>1,171,008</u>

**16 Capital Commitments**

The charitable company had capital commitments at the year-end of £36,990 (2021 £18,415).

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2022**

**17 Post Balance Sheet Events**

The triennial pension deficit valuation was based upon a spot point date of 31<sup>st</sup> March 2020, a point in time when the COVID-19 pandemic was responsible for a significant shock in financial markets. As a result of this substantial fall in financial markets, and a corresponding fall in bond yields, the pension deficit increased materially for the Company.

In order to address this increased deficit, the Company negotiated a long-term plan with the Trustee of the pension scheme such that the deficit repair contributions are maintained at an affordable level over a longer period of 14 years. A combination of one-off payments and regular contributions together with granting the pension Trustee uncapped security over the freehold building (as referenced in note 8 on page 20) has enabled the 2022-23 onwards contribution to be maintained at £158K plus RPI rather than £180K plus RPI under the original plan. This recovery plan was approved by the Pension Trustees and MGTS Board of Trustees in June 2021, and payment of the agreed contribution was made in full.

It should be noted that based upon external valuations carried out by professional valuers in April 2021, the freehold property over which the Trustee has security and is currently carried in the balance sheet at historic cost, has a market value (on a vacant possession basis) which is around £3.7m higher than the book carrying value.

Since the valuation, pension scheme fund investments have performed significantly better than expected which has in turn improved the deficit position as of March 2021 to £32m on an actuarial basis. Whilst this will not immediately or directly improve the Company's reported deficit on the balance sheet, the Company is exploring options with the Trustee to capitalise on this investment gain in order to reduce the risk of greater exposure to future downside risks, increase the likelihood of member benefits being paid and increase the chances of the Company recovery payment period being potentially shortened at a later date.

Notwithstanding the above, at the time of approving the financial statements the Trustees believe the Company has enough sufficient resources to be able to continue trading for the foreseeable future and specifically for at least 12 months after signing.