

**London Academies  
Enterprise Trust**

**Annual Report and Financial  
Statements**

31 August 2018



Company Limited by Guarantee  
Registration Number  
07211219 (England and Wales)

## Contents

### Reports

Reference and administrative information	1
Trustees' report	2
Governance statement	11
Statement on regularity, propriety and compliance	14
Statement of trustees' responsibilities	15
Independent auditor's report	16
Independent reporting accountant's report on regularity	19

### Financial Statements

Statement of financial activities	21
Balance sheet	22
Statement of cash flows	23
Principal accounting policies	24
Notes to the financial statements	30

**Reference and administrative information 31 August 2018**

<b>Members</b>	Academies Enterprise Trust
<b>Trustees</b>	J Boyer, Chair J Chin C Drinkall, Chief Executive A Thraves
<b>Company registration number</b>	07211219 (England & Wales)
<b>Principal and registered office</b>	3 <sup>rd</sup> Floor, 183 Eversholt Street, London, NW1 1BU
<b>Senior Leadership Team</b>	
Group Chief Executive Officer	C Drinkall.
Chief Financial Officer	J Nicholson (appointed 13th November 2017)
Group Finance Director	B Sarkar (resigned 20 <sup>th</sup> October 2017)
National Director of Education	F Soul (appointed 11th December 2017)
Group HR Director	K Parish
National Director of Primary & SEND	L Costello
National Director of Secondary	D Hatchett (appointed 1st December 2017)
Director of Challenge and Intervention	B Perin (resigned 28th February 2018)
Executive Director, SEND and Inclusion	M Reeve (resigned 31st December 2017)
<b>External auditor</b>	Crowe U.K. LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH
<b>Bankers</b>	HSBC plc, 60 Queen Victoria Street, London, EC4N 4TR
<b>Solicitors</b>	Mills and Reeve LLP, Botanic House, 100 Hills Road, Cambridge, CB2 1PH

## **Trustees' Report 31 August 2018**

The Trustees present their annual report which includes the strategic report together with the audited financial statements of London Academies Enterprise Trust ("the Trust") for the year ended 31 August 2018. This annual report serves the purpose of both a Trustees' report, and a directors' report under company law.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

### **PRINCIPAL OBJECT**

The principal object of the Trust is the advancement of education for the public benefit in London through the operation of a group of Academies. In 2017/18, the Trust operated four Academies as noted below (2017: four Academies): Aylward Academy, Bexleyheath Academy, Kingsley Academy and Nightingale Academy.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

#### **Constitution**

The Trust is a company limited by guarantee (registration number 07211219) and an exempt charity. The Trust's Memorandum and Articles of Association dated 1 April 2010 is the primary governing document. The Trustees of the Trust are also the directors of the charitable company for the purposes of company law.

The Trust is a wholly owned subsidiary of Academies Enterprise Trust, a company limited by guarantee and an exempt charity, and is part of the AET Group of companies.

Funding for educational activities is governed by a master funding agreement between the Trust and the Secretary of State for Education.

Details of the Trustees who served during the year are included in the Reference and Administrative Details on page 1.

#### **Members' liability**

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

#### **Trustees', Directors' and Governors' indemnities**

There are no qualifying third-party indemnity provisions in place in respect of Trustees, other than Trustees' insurance, which is in place.

#### **Method of recruitment and appointment or election of Trustees**

It is the Chair's responsibility to consider the range and balance of skills required on the Board of Trustees. Senior educationalists and experts in key functional areas are especially important. The Chair consults with existing Trustees and the Chief Executive on new appointments, and all new Trustees are interviewed by the Board prior to appointment.

## **Trustees' Report 31 August 2018**

The Trustees are appointed in accordance with the provisions set out in the Articles. The Members can appoint up to twelve Trustees and their initial term of office will be three years. A Trustee shall be deemed to retire (but may stand to be re-elected) at the Annual General Meeting following that initial term. Any Trustee re-elected shall be deemed to retire (but again may stand to be re-elected) at each subsequent Annual General Meeting, subject to only one third of the Trustees being required to retire at any Annual General Meeting.

### **Trustees' term of office**

Trustees are appointed for a period of four years. This can be extended for further four-year terms. The Chairman is elected annually by the Trustees.

### **Policies and procedures adopted for the induction and training of Trustees**

Collectively, the Trustees offer a wide range of skills and experience essential to the good governance of the Trust. Each Trustee has an induction programme that includes visits to the Trust's Academies and meetings with the Group Chief Executive and members of the executive team. The Chair is responsible for identifying development needs for Trustees either individually or collectively, and these are met through a bespoke programme of learning and development.

### **Organisational structure**

The Trust has a clear structure in place to control the way in which it is run. The structure consists of three levels: Members; Trustees, and Academies.

The Trust has agreed a scheme of delegation that sets out the matters reserved to the Members and to the Trustees. Matters not reserved to the Members or Trustees are delegated to the Trust's committees or to the Group Chief Executive. The matters reserved to the Members include:

- changes to the Articles;
- appointment of Trustees; and
- disposal of significant assets.

The matters reserved to Trustees include:

- oversight of performance;
- strategy;
- policy;
- corporate structure;
- membership of committees;
- scheme of delegation;
- financial reporting and controls; and
- remuneration.

The Trust has established Local Governing Bodies with clear terms of reference.

The principal/headteacher of each Academy is accountable to the relevant Phase Director and to a Local Governing Boards or Management Board, which has a focus on school improvement and outcomes for pupils.

### Arrangements for determining remuneration of key management personnel

The salary arrangements for key management personnel within the Group are determined by the Remuneration Committee of the Board. HAY Group were originally commissioned by the Group to advise on, and develop, appropriate pay ranges for senior roles and they used appropriate benchmarking data in the public and private sector in this regard. Pay progression within the range is linked to performance in accordance with the relevant Pay Policy and is reviewed annually through a robust appraisal process.

### Relevant union officials

Number of employees who were relevant union officials during the period from 1 April 2017 until 31 March 2018 is 13.

The percentage of time spent on facility time is as follows:

Percentage of time	Number of employees
0%	7
1% - 50%	6
51% - 99%	-
100%	-

The percentage of pay bill spent on facility time is as follows:

Total cost of facility time	£7,476
Total pay bill	£18,691,000
Percentage of the total pay bill spent on facility time, calculated as:	
$(\text{total cost of facility time} \div \text{total pay bill}) \times 100$	0.04%

The time spent on paid trade union activities is as follows:

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:	
$(\text{total hours spent on paid trade union activities by relevant union officials during the relevant period} \div \text{total paid facility time hours}) \times 100$	0.03

### Related parties and other connected charities and organisations

The Trust has connections with the following organisations:

- Academies Enterprise Trust ("The Parent Company"), which provides a range of services to the Trust and its Academies.
- AET Solutions Limited, a trading company for the Group which is currently dormant.
- Unity City Academy Trust, a subsidiary of the Parent Company.

### Equal Opportunities Policy

It is the Trust's policy to ensure equality of opportunities is afforded to staff, students and other stakeholders. Training, career development and promotion opportunities are available to all employees.

### **Disabled Persons**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitude and abilities. In the event of employees becoming disabled then every effort is made to retrain them in order that their employment within the Company may continue.

## **OBJECTIVES AND ACTIVITIES**

### **Objects and aims**

The Trust's charitable objects are set out in its Articles. In summary, the Trust's purpose is to advance for the public benefit education in the United Kingdom, in particular by being the proprietor of Academies.

To do this, the Trust aims to:

- be the local school of choice for children and young people and to do everything it can to ensure that its pupils achieve outstanding results at all stages and ages;
- make each of its Academies the first choice for local families, not because there are no other schools locally, or because it is too far to travel to the next town or beyond, but because it is a centre of excellence for education for the whole community; and
- be the first choice of employer for leaders, teachers and support staff. The Trust wants to recruit, develop and retain the best staff; provide them with good conditions of service and flexible benefits; reward success through effective appraisal; and provide opportunities for ongoing professional development.

### **Public Benefit**

The Trustees confirm that they have complied with the duty set out in Section 4 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

The Trustees have referred to the guidance set out in the Charity Commission's general guidance on Public Benefit when reviewing the Trust's aims and objectives and in planning future activities. In particular the Trustees have considered how planned activities contribute to the aims and objectives they have set.

The Trustees consider that the Trust's aims and objectives are demonstratively to the public benefit.

## **STRATEGIC REPORT**

### **Achievements and performance**

The percentage of pupils achieving grade 9-4 in English and Mathematics is 40% (44% in 2017 achieved the equivalent A\*-C in English and Mathematics.).

The percentage of pupils achieving grade 9-4 in English (Best of English Language and English Literature) is 55% (57% in 2017 achieved the equivalent A\*-C in English).

The percentage of pupils achieving grade 9-4 in Mathematics is 51% (52% in 2017 achieved the equivalent A\*-C in Mathematics).

### Key financial performance indicators

Key financial performance indicators;

- funds, excluding fixed asset and pension funds, as a % of total income (excluding transfer of buildings income) of -5.5% (2017: -9.3%)
- cash ratio of 0.0083 (cash to current liabilities) (2017: 0.0142)
- current ratio of 0.42 (current assets to current liabilities) (2017: 0.40)
- percentage of total income received from DfE (excluding transfer of buildings income) 96% (2017: 95%)

% spend on core support services:

£1.4m (2017: £1.4m) of Academy income was used to support the AET central services functions, which equates to 4.5% (2017: 4.3%) of the Trust's total expenditure for the year and 4.5% (2017: 4.3%) of the Trust's total income.

### Financial performance

The majority of Academy income is obtained from the DfE and the ESFA in the form of recurrent grants, the use of which is restricted to the Trust's educational objectives. The grants received from the DfE and ESFA during the year ended 31st August 2018 and the associated expenditure are reported as restricted funds in the Statement of Financial Activities (SOFA).

The SOFA reports total income for the year of £48.2m (2017: £31.7m), of which £29.7m (2017: £30.0m) was restricted funding received from the DfE and ESFA, and total resources expended for the year of £41.7m (2017: £34.5m).

Other gains for the year amounted to £1.9m (2017: £5.7m), which related to LGPS pension fund movements, resulting in a net movement in funds for the year of positive £8.5m (2017: positive £2.9m).

Total funds at 31st August 2018 were £47.7m (2017: £39.2m), of which £55.0m (2017: £49.2m) were restricted fixed asset funds including unspent capital funds, £0.8m (2017: £nil) were other restricted funds, £2.5m (2017: £2.9m) were unrestricted deficit funds and £5.6m (2017: £7.1m) were Local Government Pension Scheme pension fund deficits.

Total funds excluding fixed asset and pension funds at 31st August 2018 were a deficit of £1.7m (2017: deficit of £2.9m).

Total cash balances at 31st August 2018 were £20,000 (2017: £69,000).

The majority of Academy buildings are leased from Local Authorities for a peppercorn rent. In accordance with the Charities SORP 2015 and the Academies Accounts Direction, the buildings on long term (typically 125 year) leases from Local Authorities have been recognised as tangible fixed assets in the Financial Statements and the value of the buildings were treated as voluntary income in the Financial Statements, in the year of transfer to AET. In accordance with the Charities SORP 2015, such gifts are reported within the restricted fixed asset fund in the SOFA.



## Trustees' Report 31 August 2018

The Academy Trust's fixed assets includes the transfer in of a new building held under a long term lease under the DfE's Priority School Building Programme amounting to £17.5m for Kingsley Academy and the disposal of their old building which had a net book value of £10.7m.

The restricted fixed asset fund balance is reduced by depreciation charges over the expected useful life of the assets concerned.

The buildings of one Academy are leased under a Private Finance Initiative (PFI) contract. The commitment under the PFI contract is disclosed as operating leases in note 18 and as such no valuation is included within fixed assets on the Balance Sheet for these buildings.

At 31st August 2018 the net book value of tangible fixed assets was £55.0m (2017: £49.2m). Movements in tangible fixed assets are reported in note 11 to the Financial Statements. The assets were used exclusively for providing education and associated support services to the pupils of LAET Academies.

The deficit in LGPS pension funds is recognised on the balance sheet in accordance with the provisions of FRS102. The total deficit in the scheme at 31st August 2018 was £5.6m (2017: £7.1m). Movements in the pension fund are reported in note 17 to the Financial Statements.

### **Reserves policy and financial position**

The Trust's reserves policy is that each Academy should build and maintain a sufficient level of funds in order to create stability and sustainability, and to serve the Academy's short and long term plans, including future capital expenditure. The Trust aims to maintain a minimum level of funds, excluding fixed asset and pension funds, of 5% of total annual income, or £1.5m. At 31st August 2018 the Trust had deficit funds, excluding fixed asset and pensions funds, of £1.7m representing 5.7% of total annual income (2017: -9.3%), and therefore a lot of work has been done to meet the long term aim of 5%.

The Trust is considering updating its reserves policy to provide greater flexibility at a group level, in order to direct resources to where there is greatest need across its Academies.

The Trust's deficit has decreased from £2.9m in 2017 to £1.7m in 2018. The decreased deficit is a result of in year gains in all four of the Academies. The overall deficit is managed by the centralised bank account of the parent company, Academies Enterprise Trust. The Trustees note that the deficit levels of reserves held by the Trust do not meet the current reserves policy but the support of Academies Enterprise Trust means that the Trust is not restricted in its day to day operation.

### **Going Concern**

As at 31 August 2018 LAET has negative unrestricted funds of £2.3m and positive £0.6m restricted funds (excluding the pension and fixed asset funds). The overall negative position of funds is not considered to be a significant concern as LAET continues to receive support from the Parent Trust (AET). The Parent Trust also has a 4 year Turnaround Strategic Plan for the entire group, which has been approved by the ESFA and will see the position of unrestricted and restricted funds improve in the near future. The strategy embraces financial performance, educational improvement and portfolio realignment amongst the group and

aims to deliver efficiency and cost savings across the group with the support of the ESFA through a combination of funding.

With this in mind the Board of Trustees is confident that with the ongoing support of the Parent Trust the Trust has adequate resources to continue its activities for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

#### **Investment Policy**

The Trustees take account of the requirements of the Academies Financial Handbook when investing funds and the need to not place capital at risk. The Trustees maximise income from surplus cash by investing in short term cash deposits.

#### **Fundraising**

The Trust receives the vast majority of its income from the Department of Education in the form of grants to operate Academies. The Academies fundraise through specific activities, including non-uniform day and particular fundraising events and pupils and staff choose third party charities to donate to.

The Trust does not fundraise on its own behalf and therefore, does not employ professional fundraisers. The Trust is not registered with the Fundraising regulator, but does adhere to all good standards of practice. Any complaints relating to fundraising are dealt with in the first instance by the Trust who follow the Parent Company's complaints procedure. No complaints were received in the year.

#### **Funds Held as Custodian on behalf of others and Agency Arrangements**

The Trust receives 16-19 bursary payments from the Education Funding Agency. The Trust does not recognise this income as its own income and pays out all monies received for its primary purpose to the relevant parties.

#### **Principal risks and uncertainties**

The Trustees have assessed the principal risks to which the Trust is exposed, in particular those related to the charitable operations, principal activities and also finances of the Trust, and are satisfied that systems and procedures are in place to mitigate its exposure to major risks.

In terms of the major risks to which the Trust is currently exposed and the actions taken to mitigate those risks, these relate to:

#### **Safeguarding**

The safety of students and staff is of the utmost importance to the Trust. Robust safeguarding and child protection policies and procedures, which are available online, support Academies to ensure that students are safe and feel supported, and that everyone working in the Trust knows when and how to raise any concerns that they may have about safeguarding.

Implementation and effectiveness of these policies which conform to the latest DfE guidance are monitored regularly.

### Governance

The Nominations Committee has worked relentlessly, and successfully, during the year under review to recruit experienced people to serve as Trustees. Meanwhile executive level governance has been reviewed and updated as set out previously. These initiatives mean that the Trust is in much stronger governance position than it had been.

### People

The Trust's success is dependent on recruiting, developing and retaining the best people for every position in its Academies and Academy support team. The recruitment of strong school leaders and teachers continues to be a challenge, particularly in some areas of the country and in core subject areas. The Trust has implemented a people strategy to address this issue including a varied program of top class training along with a wide range of opportunities for greater career development.

The financial risks to the Trust:

- The sector faces uncertainty over the level of future finances. The National Funding Formula aims to direct resources where they are most needed, helping to ensure that every child can get the high-quality education that they deserve, wherever they live. The Trust operates Academies throughout England and so the financial consequences of this change in the methodology of allocating funding are not yet clear. Consequently, the Trust's Academies are planning, through multi-year financial planning, to ensure that they are both educationally and financially viable during a period of rising costs.
- The Trust receives £1,493,000 of Pupil Premium funding; this grant is specifically directed towards students who need more assistance due to their backgrounds. If this grant were to be reduced then the Trust would be unable to put in place the current level of support afforded to those pupils.
- The Trust's estate comprises buildings of varying ages some of which, before becoming part of the Trust, were not adequately looked after. The cost of repairs and maintenance of the estate is considerable. The expenditure is funded through a capital grant received from the DfE. If this grant were to be reduced, or to disappear the Trust would have to reduce the amount of resource that it could invest in the pupils' education.

### **PLANS FOR THE FUTURE**

The AET Group is well advanced on the implementation of our Turnaround Strategy. Phases 1 and 2 are largely complete and the coming years will see us implement the next two phases.

- **Phase 1:** Call-to-action; providing immediate remediation for the poorest performing Academies (Key Academies Of Concern) and beginning the process of change across the Trust.
- **Phase 2:** Establishing One AET; building the culture, team and governance platform for future success.
- **Phase 3:** Investing in future capacity; a step-up in curriculum innovation and support, combined with sector-leadership in recruitment, retention and development of top talent through 2018/19.

## Trustees' Report 31 August 2018

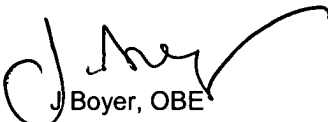
- **Phase 4:** Expansion; growing AET where it makes sense to do so and leading innovations in tackling some of the more intractable challenges across all phases of education starting 2018/19 and developing through 2019/2020 onwards.

### AUDITORS

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The Trustees' report, incorporating a strategic report, was approved by the order of the Board of Trustees and signed on its behalf by:

  
J Boyer, OBE  
Chair  
Date: 19/12/2018

## Governance Statement Year to 31 August 2018

### Scope of responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that the Trust has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the AET Group Chief Executive Officer, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The Board of Trustees has formally met 3 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Board members	Number of meetings attended	Out of a possible
J Boyer, Chair	3	3
J Chin	3	3
A Thraves	3	3
C Drinkall, Group Chief Executive	3	3

### Review of value for money

As Accounting Officer the AET Group Chief Executive Officer has responsibility for ensuring that the Trust delivers good value in the use of public resources. Value for money means the educational and wider societal outcomes achieved in return for the taxpayer resources received.

Each academic year, the Accounting Officer reports to the AET Group Board of Trustees where value for money can be improved. The following value for money improvements have been delivered across the Group this year:

- improvements in educational outcomes at all key stages;
- consolidation of procurement and supplier spend across the Trust, leveraging the buying power of the Trust as the largest multi-academy Trust;
- supporting our individual Academies on tendering and supplier quotations, resulting in reduced costs, improved value for money and enabling Academy staff to focus on front-line services and spend less time on procurement processes, whilst giving confidence that all relevant procurement regulations are adhered to;
- improving procurement practice, resulting in identified contract life savings of £2.049m during the year across a range of areas, including stationery, ICT hardware and broadband services, copiers, insurance, telephony line rental and call costs, utilities, catering services, audio visual equipment, employee benefits, recruitment advertising, software and classroom materials;

## **Governance Statement Year to 31 August 2018**

- negotiating improved discounts and reduced prices with a number of key suppliers. These new arrangements offer more favourable pricing and terms than individual Academies have been able to secure in the past.

Specific areas of procurement focus across the Trust in the year ended 31 August 2018 included:

- The renegotiation of the copier contracts for Aylward and Nightingale achieved estimated annual savings of £13,088 and £36,529 respectively.
- Other savings during the year included for ICT hardware, vending and franking machines.

### **The purpose of the system of internal control**

The Trust follows the system of internal control for the AET Group.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the Trust for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

### **The risk and control framework**

The Trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the AET Group Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

The AET Group Board of Trustees has considered the need for a specific internal audit function and has engaged RSM as its internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the AET Group's financial systems. On a quarterly basis, the internal auditor reports to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

## Governance Statement Year to 31 August 2018

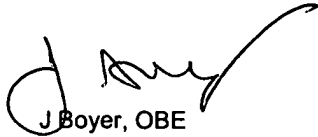
### Review of effectiveness

As Accounting Officer, the AET Group Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor; and
- the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the AET Group Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees and signed on their behalf by:



J Boyer, OBE  
Chair



C Drinkall  
Accounting Officer

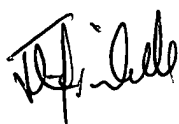
Date: 19/12/2018

## **Statement on Regularity, Propriety and Compliance Year to 31 August 2018**

As Accounting Officer for London Academies Enterprise Trust ('the Trust'), I have considered my responsibility to notify the Trust's Board of Trustees, Audit & Finance Committee and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Trust, under the Funding Agreement in place between the Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the Trust's Board of Trustees are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook 2017.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and ESFA.



C Drinkall  
AET Group Chief Executive and Accounting Officer



## Independent auditor's report on the financial statements 31 August 2018

The Trustees of London Academies Enterprise Trust ('the Trust') (who are also the directors of the Trust for the purposes of company law and who are the formal Governors of the Trust) are responsible for preparing the Trustees' report and the financial statements in accordance with the Academies Accounts Direction published by the Education and Skills Funding Agency (ESFA), United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Trust and of its income and expenditure for that period. In preparing these financial statements, the Trustees are required to:

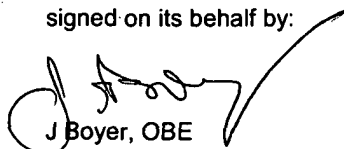
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2017 to 2018;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the Board of Trustees on 19th December 2018 and signed on its behalf by:

  
J Boyer, OBE  
Chair  
Date:

## **Independent auditor's report on the financial statements 31 August 2018**

Independent auditor's report to the members of London Academies Enterprise Trust

### **Opinion**

We have audited the financial statements of London Academies Enterprise Trust for the year ended 31 August 2018 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Academies' Accounts Direction 2017 to 2018 issued by the ESFA; 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.

### **Material uncertainty relating to going concern**

We draw attention to the going concern note in the principal accounting policies on page 26, which indicated that the Trust's ability to continue as a going concern depends upon the implementation of the Turnaround Strategic Plan submitted to the ESFA in the prior year and on the ongoing support of the Parent Company (AET) until the Trust is able to eliminate the current deficit on unrestricted funds. As stated on page 24, these events or condition indicate a material uncertainty exists that may cast significant doubt on the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **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 auditor's report thereon. Our opinion on the financial statements does not cover the other

## **Independent auditor's report on the financial statements 31 August 2018**

information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the Trustees' report, which includes the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report included within the Trustees' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In 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 strategic report included within 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
- 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.

### **Responsibilities of Trustees**

As explained more fully in the Trustees' responsibilities statement, 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

## Independent auditor's report on the financial statements 31 August 2018

the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

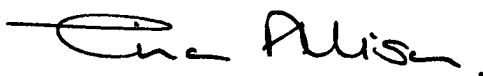
### **Auditor's responsibilities for the audit of the financial statements**

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](http://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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tina Allison, Senior Statutory Auditor  
For and on behalf of  
Crowe U.K. LLP  
Statutory Auditor

St Bride's House  
10 Salisbury Square  
London  
EC4Y 5EH

20 December 2018

## **Independent reporting accountant's report on regularity 31 August 2018**

### **Independent reporting accountants' assurance report on regularity to London Academies Enterprise Trust and The Education and Skills Funding Agency**

In accordance with the terms of our engagement letter dated 13 July 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by London Academies Enterprise Trust (the 'Trust') during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

### **Respective responsibilities of London Academies Enterprise Trust's accounting officer and the reporting accountant**

The Accounting Officer is responsible, under the requirements of the Trust's funding agreement with the Secretary of State for Education dated 21 January 2014, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Trust's income and expenditure. The work undertaken to draw to our conclusion includes a review of the design and implementation of the Trust's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the Trust and specific transactions identified from our review.

## **Independent reporting accountant's report on regularity 31 August 2018**

### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### **Use of this report**

This report is made solely to the Trustees and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Trust and the ESFA those matters we are required to state in a report for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees and the ESFA, for our work, for this report, or for the conclusion we have formed.



Crowe U.K. LLP  
Statutory Auditor  
London

**20** December 2018

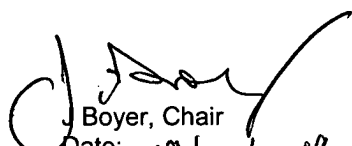
**Statement of Financial Activities 31 August 2018**  
(Including Income and Expenditure Account)

	Notes	Unrestricted funds 2018 £'000	Restricted funds 2018 £'000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
<b>Income from:</b>						
Donations and capital grants	1	-	157	94	251	-
Transfer in of buildings	11	-	-	17,455	17,455	-
Charitable activities						
Funding for the Academy Trust's educational operations	2	200	29,868	-	30,068	31,402
Other trading activities	3	459	-	-	459	336
Investments		-	-	-	-	2
<b>Total income</b>		<b>659</b>	<b>30,025</b>	<b>17,549</b>	<b>48,233</b>	<b>31,740</b>
<b>Expenditure on:</b>						
Raising funds		-	-	-	-	298
Charitable activities						
Academy Trust's Educational Operations	4	182	29,216	1,562	30,960	34,234
Building disposals	11	-	-	10,720	10,720	-
<b>Total expenditure</b>	5	<b>182</b>	<b>29,216</b>	<b>12,282</b>	<b>41,680</b>	<b>34,532</b>
<b>Net income / (expenditure) before transfers, gains and (losses)</b>		<b>477</b>	<b>809</b>	<b>(5,267)</b>	<b>6,553</b>	<b>(2,792)</b>
Transfers between Funds	15	-	(515)	515	-	-
Actuarial gains / (losses) on defined benefit pension scheme	17	-	1,948	-	1,948	5,714
<b>Net movement in funds</b>		<b>477</b>	<b>2,242</b>	<b>5,782</b>	<b>8,501</b>	<b>2,922</b>
<b>Reconciliation of funds</b>						
Total fund balances brought forward at 1 September 2017		(2,944)	(7,072)	49,176	39,160	36,238
<b>Total fund balances carried forward at 31 August 2018</b>		<b>(2,467)</b>	<b>(4,830)</b>	<b>54,958</b>	<b>47,661</b>	<b>39,160</b>

**Balance sheet 31 August 2018**

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
<b>Fixed assets</b>					
Tangible fixed assets	11		54,958		49,162
<b>Current assets</b>					
Stock	12	35		35	
Debtors	13	653		1,818	
Cash at bank and in hand		20		69	
		<u>708</u>		<u>1,922</u>	
<b>Liabilities</b>					
Creditors: amounts falling due within one year	14	(2,409)		(4,852)	
<b>Net current assets</b>			<u>(1,701)</u>		<u>(2,930)</u>
<b>Total assets less current liabilities</b>			<u>53,257</u>		<u>46,232</u>
<b>Net assets excluding pension scheme liabilities</b>			53,257		46,232
Defined benefit pension scheme liabilities	17		<u>(5,596)</u>		<u>(7,072)</u>
<b>Total net assets</b>			<u>47,661</u>		<u>39,160</u>
<b>Funds of the Academy Trust:</b>					
<b>Restricted funds</b>					
. Restricted fixed asset funds	15		54,958		49,176
. Restricted general funds	15		766		-
. Pension reserve	15		<u>(5,596)</u>		<u>(7,072)</u>
			<u>50,128</u>		<u>42,104</u>
<b>Unrestricted funds</b>					
. Unrestricted general funds	15		<u>(2,467)</u>		<u>(2,944)</u>
<b>Total funds</b>			<u>47,661</u>		<u>39,160</u>

The financial statements on pages 21 to 42 were approved by the Board of Trustees of London Academies Enterprise Trust (Company Registration Number 07211219) and signed on its behalf by:

  
 J. Boyer, Chair  
 Date: 19/12/2018



# Statement of cash flows 31 August 2018

		2018 £'000	2017 £'000
<b>Net cash inflow from operating activities</b>			
Net cash provided by operating activities	A	480	119
<b>Cash flows from investing activities</b>	B	(529)	(64)
<b>Change in cash and cash equivalents in the year</b>		(49)	55
<b>Reconciliation of net cash flow to movement in net funds:</b>			
Cash and cash equivalents at 1 September 2017		69	14
<b>Cash and cash equivalents at 31 August 2018</b>	C	20	69
<b>A Reconciliation of net (expenditure) income to net cash flow from operating activities</b>			
		2018 £'000	2017 £'000
<b>Net income/(expenditure) for the year (as per the statement of financial activities)</b>		6,553	(2,792)
<b>Adjusted for:</b>			
Depreciation charge		1,562	1,499
Transfer in of buildings		(17,455)	-
Building disposals		10,720	-
Decrease in stocks		-	(2)
Interest receivable		-	(2)
(Increase)/decrease in debtors		1,165	(522)
Increase/(decrease) in creditors		(2,443)	801
Capital grants from DfE and other capital income		(94)	-
Defined benefit pension scheme cost less contributions payable		297	886
Defined benefit pension scheme finance cost		175	251
<b>Net cash provided by operating activities</b>		480	119
<b>B Cash flows from investing activities</b>			
		2018 £'000	2017 £'000
Interests received		-	2
Purchase of tangible fixed assets		(623)	(66)
Capital grants from DfE/ESFA		94	-
<b>Net cash used in investing activities</b>		(529)	(64)
<b>C Analysis of cash and cash equivalents</b>			
		2018 £'000	2017 £'000
Cash at bank and in hand		20	69
<b>Total cash and cash equivalents</b>		20	69

London Academies Enterprise Trust is a company limited by guarantee, incorporated in England. The address of the registered office and principal place of operation are detailed on page 1. The nature of the Trust's operations and principal activity are detailed in the Trustees' Report.

**Statement of accounting policies**

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

**Basis of preparation**

The financial statements of the Trust have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Trust meets the definition of a public benefit entity under FRS 102. These financial statements are presented in sterling and rounded to the nearest thousand pounds.

**Going concern**

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

As at 31 August 2018 the Trust has negative unrestricted funds of £2.5m and positive restricted funds of £0.8m (excluding fixed asset and pension funds). The overall negative position of funds is not considered to be a significant concern and the Trust continues to receive support from the Parent Trust (AET). The Parent Trust has a 4 year Turnaround strategic Plan for the entire group, which was approved by the ESFA in the prior year. This Plan will see the position of unrestricted and restricted funds improve in the near future, an improvement has already happened compared to last year.

The strategy embrace financial performance, educational improvement and portfolio realignment amongst the group and aims to deliver efficiency and cost savings across the group with the support of the ESFA through a combination of funding.

With this in mind the Board of Trustees is confident that with the ongoing support of the Parent Trust, the Trust has adequate resources to continue its activities for the foreseeable future. For this reason the Trustees continue to adopt the going concern basis in the financial statements.

### **Income**

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

Donations are recognised on a receivable basis where receipt is probable and the amount can be reliably measured. Donations of fixed assets includes the recognition of long term leases on buildings held by the Trust.

Other income, including the hire of facilities, is recognised in the period in which it is at receivable and to the extent the goods have been provided or on completion of the service.

Where assets are received by the Academy Trust on the conversion of Local Authority maintained school to an Academy or gifted by the DfE/ESFA, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risk and rewards of ownership pass to the Academy Trust. An equal amount of income is recognised as a transfer on conversion within income from donations and capital grants.

### **Expenditure**

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit 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 inclusive of irrecoverable VAT.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on raising funds includes all expenditure incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Expenditure on charitable activities are costs incurred on the Academy Trust's educational operations, including support costs and those costs relating to the governance of the Academy Trust appointed to charitable activities.

Termination benefits are recognised at the leaving date of the member of staff and measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

#### **Fund accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the Trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education and Skills Funding Agency where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder and include grants from the Education and Skills Funding Agency.

#### **Tangible fixed assets**

All assets costing more than £5,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet.

For the purposes of these financial statements, freehold land is deemed to have no commercial value on the basis that the original lease agreements specify that the land can only be used for educational purposes and those outlined in the funding agreement.

Depreciation on the relevant assets is charged directly to the restricted fixed asset funds in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund. Any fixed assets which are donated are recognised at fair value on the date of donation.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

- Freehold Property 2%
- Long Term Leasehold Property 2%

## Principal Accounting Policies 31 August 2018

• Motor vehicles	33.3%
• Fixtures and fittings	33.3%
• Computer equipment	33.3%

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the statement of financial activities.

### **Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

### **Taxation**

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

### **Cash at Bank and in hand**

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

### **Liabilities and provisions**

Liabilities 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. Liabilities are recognised at the amount that the Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

### **Operating leases**

Rentals under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

London Academies Enterprise Trust has 1 Academy where the buildings are subject to a contract under the Private Finance Initiative (PFI). Under this contract the school premises are maintained and managed for a period of up to 25 years by the PFI contractor subject to contractual annual fees payable by the Academy. Upon expiry of the PFI contract the residual benefit of the premises passes to the Academy.

This transaction is accounted for as a leasing transaction. As the Academy only enjoys the benefit of the Premises subject to the restrictions under the PFI agreement, in the opinion of the Board. The Academy does not hold substantially all the risks and rewards of ownership of the premises and the property is therefore accounted for as an operating lease. The premises are therefore not recognised as assets in the financial statements of AET. The annual charges under the PFI agreement are subject to a fixed formula but will vary over time, therefore the annual charges are expensed to the profit and loss account in the year they relate to as this treatment is considered to be more appropriate than recognition on a strict straight-line basis.

#### **Financial instruments**

The Academy Trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the Academy Trust and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments and taxation are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

#### **Pensions benefits**

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 19, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate Trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of financial activities incorporating income and expenditure account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

**Critical accounting estimates and assumptions**

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in the notes to the financial statements, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**Critical areas of judgement**

There have been no judgements made in the preparation of these financial statements which are considered to have had a significant impact.

**1. Donations and capital grants**

	Unrestricted funds £'000	Restricted funds £'000	Restricted fixed asset funds £'000	2018 Total funds £'000	2017 Total funds £'000
Donations	-	157	-	157	-
DfE / ESFA capital grants	-	-	94	94	-
	-	157	94	251	-

**2. Funding from the Academy Trust's educational operations**

	Unrestricted funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
<b>DfE/ESFA grants</b>				
General Annual Grants (GAG)	-	27,761	27,761	27,601
Start-up grants	-	5	5	11
Other DfE/ESFA revenue grants	-	1,784	1,784	2,453
NCTL grants	-	23	23	-
	-	29,573	29,573	30,065
<b>Other government grants</b>				
Local authority grants	-	295	295	954
	-	295	295	954
<b>Other income</b>				
Catering income	132	-	132	42
Other funding for the Academy Trust's educational operations	68	-	68	341
<b>2018 total funds</b>	<b>200</b>	<b>29,868</b>	<b>30,068</b>	<b>31,402</b>

All grants received are used to fulfil the Trust's primary objective, grant income is duly recognised within the financial statements when the Trust becomes entitled to the grant and not on actual receipt of the monies.

**3. Income from other trading activities**

	Unrestricted fund £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Lettings	358	-	358	277
Provided services	-	-	-	1
Sale of other goods and services	101	-	101	58
	459	-	459	336



4. Expenditure

	Staff costs £'000	Non pay expenditure		2018 Total funds £'000	2017 Total funds £'000
		Premises £'000	Other costs £'000		
Expenditure on raising funds	-	-	-	-	298
Academies' educational operations					
Direct costs	16,079	1,468	1,984	19,531	23,310
Allocated support costs	4,469	1,721	5,239	11,429	10,924
<b>2018 total funds</b>	<b>20,548</b>	<b>3,189</b>	<b>7,223</b>	<b>30,960</b>	<b>34,532</b>
<b>Net income for the year includes:</b>				<b>2018 £'000</b>	<b>2017 £'000</b>
Operating lease rentals				101	159
PFI Leases				1,605	1,676
Depreciation				1,562	1,499

5. Expenditure on charitable activities:

	Unrestricted funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Direct costs – educational operations	163	19,368	19,531	23,310
Support costs – educational operations	19	11,410	11,429	10,924
	182	30,778	30,960	34,234
<b>Analysis of support costs</b>			<b>2018 Total funds £'000</b>	<b>2017 Total funds £'000</b>
Support staff costs			4,469	3,105
Depreciation			94	225
Technology costs			202	298
Premises costs			1,627	1,661
Other support costs			5,036	5,617
Governance costs			1	18
<b>Total support costs</b>			<b>11,429</b>	<b>10,924</b>

6. Staff costs

Staff costs during the year were:

	2018 Total funds £'000	2017 Total funds £'000
Wages and salaries	15,020	17,683
Social security costs	1,641	1,821
Pension costs	2,395	2,721
Apprenticeship levy	72	31
	<b>19,128</b>	<b>22,256</b>

## Notes to the Financial Statements 31 August 2018

Supply staff costs	1,150	758
Staff restructuring costs	270	464
	<b>20,548</b>	<b>23,478</b>

<b>Staff restructuring costs comprise</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Redundancy payments	186	464
Severance payments	84	-
	<b>270</b>	<b>464</b>

### Staff numbers

The number of persons (including the senior management team) employed by the charitable company during the year ended 31 August 2018 expressed as average headcount and full time equivalents was as follows:

	<b>2018 No</b>	<b>2017 No</b>
Teachers	198	255
Administration and support	277	285
Management	19	32
	<b>494</b>	<b>572</b>

	<b>2018 FTE</b>	<b>2017 FTE</b>
Teachers	187	241
Administration and support	146	150
Management	19	32
	<b>352</b>	<b>423</b>

### Higher paid staff

The number of employees whose emoluments fell within the following bands was:

	<b>2018 No</b>	<b>2017 No</b>
£60,001 - £70,000	10	13
£70,001 - £80,000	5	3
£80,001 - £90,000	1	3
£90,001 - £100,000	1	1
£100,001 - £110,000	1	1
£110,001 - £120,000	1	-

The above employees participated in both the Teachers' Pension Scheme and the Local Government Pension Scheme.

The key management personnel of the Academy Trust comprise the Trustees and the Senior Leadership Team as listed on page 1. The total amount of employee and consultant benefits (including employer pension contributions) received by key management personnel for their services to the Trust together with the cost of employer's social security costs in respect of these individuals has been paid for by the Parent Trust, Academies Enterprise Trust. The Senior Management Team are not directly employed by the Trust.

**7. Trustees' remuneration and expenses**

During the year no Trustees received any remuneration nor other benefits from an employment with the Academy Trust (2017: £nil).

During the year ended 31 August 2018, no Trustees received any reimbursement of expenses (2017: £nil to no Trustees).

**8. Trustees' and Officers' insurance**

In accordance with normal commercial practice, the Academy Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2018 was not separately identifiable (2017 – not separately identifiable).

**9. Central services**

LAET does not provide central services to its Academies. These services are provided to the Academies of the LAET by the Parent Trust, Academies Enterprise Trust.

**10. Comparative information:**

Analysis of income and expenditure in the year ended 31 August 2017 between restricted and unrestricted funds:

	Notes	Unrestricted funds £'000	Restricted funds £'000	Restricted fixed asset funds £000	Total funds £000
<b>Income from:</b>					
Charitable activities					
· Funding for the Academy Trust's educational operations	2	383	31,019	-	31,402
Other trading activities	3	336	-	-	336
Investments	4	2	-	-	2
<b>Total income and expenditure</b>		<b>721</b>	<b>31,019</b>	<b>-</b>	<b>31,740</b>
<b>Expenditure on:</b>					
Raising funds		298	-	-	298
Charitable activities					
· Academy Trust's Educational Operations	6	297	32,438	1,499	34,234
<b>Total expenditure</b>	5	<b>595</b>	<b>32,438</b>	<b>1,499</b>	<b>34,532</b>
<b>Net income / (expenditure) before transfers, gains and (losses)</b>		<b>126</b>	<b>(1,419)</b>	<b>(1,499)</b>	<b>(2,792)</b>
Transfers between Funds	16	(66)	-	66	-
Actuarial gains on defined benefit pension scheme	20	-	5,714	-	5,714
<b>Net movement in funds</b>		<b>60</b>	<b>4,295</b>	<b>(1,433)</b>	<b>2,922</b>
<b>Reconciliation of funds</b>					
Total fund balances brought forward at 1 September 2016		(3,004)	(11,367)	50,609	36,238
<b>Total fund balances carried forward at 31 August 2017</b>		<b>(2,944)</b>	<b>(7,072)</b>	<b>49,176</b>	<b>39,160</b>

## 11. Tangible Fixed Assets

	Long-term Leasehold property £'000	Computer equipment £'000	Fixture and Fittings £'000	Total £'000
<b>Cost</b>				
At 1 September 2017	56,038	2,322	1,400	59,760
Transfer in of buildings	17,455	-	-	17,455
Additions	389	228	6	623
Disposals	(12,022)	-	-	(12,022)
At 31 August 2018	61,860	2,550	1,406	65,816
<b>Depreciation</b>				
At 1 September 2017	6,954	2,254	1,390	10,598
Charge for the year	1,472	83	7	1,562
Disposals	(1,302)	-	-	(1,302)
At 31 August 2018	7,124	2,337	1,397	10,858
<b>Net book value</b>				
At 31 August 2018	54,736	213	9	54,958
At 31 August 2017	49,084	68	10	49,162

The Academy Trust's transactions relating to land and buildings includes the transfer in of a new building held under a long term lease under the DfE's Priority School Building Programme amounting to £17,455,000 for Kingsley Academy and the disposal of old buildings relating to Kingsley Academy with a net book value of £10,720,000.

## 12. Stock

	2018 £'000	2017 £'000
Finished goods and goods for resale	35	35
	35	35

## 13. Debtors

	2018 £'000	2017 £'000
Trade debtors	148	81
Other debtors	27	46
Amounts owed by group undertakings	42	896
Prepayments and accrued income	419	539
VAT Recoverable	17	256
	653	1,818

Prepayments as at 31 August 2018 amounted to £174,000.

**14. Creditors: Amounts falling due within one year**

	2018 £'000	2017 £'000
Trade creditors	583	295
Taxation and social security	319	377
Amount owed to group undertakings	-	2,246
Accruals and deferred income	1,220	1,685
Other creditors	287	249
	<b>2,409</b>	<b>4,852</b>
	2018 £'000	2017 £'000
<b>Deferred Income</b>		
Deferred income at 1 September 2017	139	168
Resources deferred during the year	(139)	(168)
Amounts released from previous years	55	139
	<b>55</b>	<b>139</b>

Deferred income held at 31 August 2018 largely related to 2018/2019 Devolved Formula Capital Grant.

**15. Funds**

	Balance at 1 September 2017 £'000	Income £'000	Expenditure £'000	Gains/ (Losses) and Transfers £'000	Balance at 31 August 2018 £'000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	27,761	(26,480)	(515)	766
Other DfE/ ESFA	-	291	(291)	-	-
Other government grants	-	1,498	(1,498)	-	-
Pension reserve	(7,072)	-	(472)	1,948	(5,596)
	<b>(7,072)</b>	<b>29,550</b>	<b>(28,741)</b>	<b>1,433</b>	<b>(4,830)</b>
<b>Other restricted funds</b>					
Local authority grants	-	295	(295)	-	-
Other restricted funds	-	180	(180)	-	-
	<b>-</b>	<b>475</b>	<b>(475)</b>	<b>-</b>	<b>-</b>
<b>Total restricted funds</b>	<b>(7,072)</b>	<b>30,025</b>	<b>(29,216)</b>	<b>1,433</b>	<b>(4,830)</b>
<b>Restricted fixed asset funds</b>					
DfE/ ESFA capital grants	49,176	17,549	(12,282)	515	54,958
	<b>49,176</b>	<b>17,549</b>	<b>(12,282)</b>	<b>515</b>	<b>54,958</b>
<b>Unrestricted funds</b>					
General funds	(2,944)	659	(182)	-	(2,467)
<b>Total unrestricted funds</b>	<b>(2,944)</b>	<b>659</b>	<b>(182)</b>	<b>-</b>	<b>(2,467)</b>
<b>Total funds</b>	<b>39,160</b>	<b>48,233</b>	<b>(41,680)</b>	<b>1,948</b>	<b>47,661</b>

### Restricted funds

Restricted funds represent the balance of funds available from revenue grants received from local/central government and other donors, the application of which is limited to the conditions imposed by the grantor/donor. The principal funding receivable from the government is the General Annual Grant (GAG) provided by the Education and Skills Funding Agency. Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

Restricted funds also include the pension reserve which identifies the pension deficit inherited from the Local Authority upon conversion to Academy status, and through which the pension scheme movements are recognised.

### Restricted fixed asset funds

This fund equates to the net book value of the Trust's tangible fixed assets plus any capital funding received from central/local government and other donors which has not been expended by the balance sheet date. The capital funding may be used to complete capital projects or undertaken maintenance works on existing tangible fixed assets.

The fund balance includes the carrying value of school buildings (and other tangible fixed assets) inherited by the Trust where a school has converted or joined from another Academy Trust, and the carrying value of all other assets donated to the Trust.

### Unrestricted funds

The unrestricted general funds represent monies which may be applied for any purpose within Academies Enterprise Trust's charitable objects.

### Transfers between funds

Transfers from either restricted general funds or unrestricted funds to the restricted fixed asset funds are made where a shortfall exists in the capital reserves available to fully fund the cost of tangible fixed assets owned by the Academy Trust.

Comparative information for the year to 31 August 2017:

	Balance at 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains/ (Losses) and Transfers £'000	Balance at 31 August 2017 £'000
<b>Restricted funds</b>					
General Annual Grant (GAG)	274	27,601	(27,875)	-	-
Other DfE/ ESFA	8	2,464	(2,472)	-	-
Pension reserve	(11,649)	-	(1,137)	5,714	(7,072)
	<u>(11,367)</u>	<u>30,065</u>	<u>(31,484)</u>	<u>5,714</u>	<u>(7,072)</u>
<b>Other restricted funds</b>					
Other restricted funds	-	954	(954)	-	-
	<u>-</u>	<u>954</u>	<u>(954)</u>	<u>-</u>	<u>-</u>
<b>Total restricted funds</b>	<u>(11,367)</u>	<u>31,019</u>	<u>(32,438)</u>	<u>5,714</u>	<u>(7,072)</u>
<b>Restricted fixed asset funds</b>					
DfE/ ESFA Capital Grants	50,609	-	(1,499)	66	49,176
	<u>50,609</u>	<u>-</u>	<u>(1,499)</u>	<u>66</u>	<u>49,176</u>

## Notes to the Financial Statements 31 August 2018

<b>Unrestricted funds</b>					
General funds	(3,004)	721	(595)	(66)	(2,944)
<b>Total unrestricted funds</b>	<b>(3,004)</b>	<b>721</b>	<b>(595)</b>	<b>(66)</b>	<b>(2,944)</b>
<b>Total funds</b>	<b>36,268</b>	<b>31,740</b>	<b>(34,532)</b>	<b>5,714</b>	<b>39,160</b>

### Total funds analysis by Academy

In accordance with our funding agreement and our group ethos of #OneAET, funds have been pooled at year end as follows:

	<b>Total 2018 £'000</b>	<b>Total 2017 £'000</b>
Aylward Academy	-	(1,073)
Bexleyheath Academy	-	(191)
Kingsley Academy	-	137
Nightingale Academy	-	(1,817)
London Academies Enterprise Trust	(1,701)	-
Total before fixed asset and pension reserve	(1,701)	(2,944)
Restricted fixed asset funds	54,958	49,176
Pension reserve	(5,596)	(7,072)
Total funds	47,661	39,160

### Analysis of net assets between funds at 31 August 2018:

	<b>Unrestricted funds £'000</b>	<b>Restricted general funds £'000</b>	<b>Restricted fixed asset funds £'000</b>	<b>Total funds 2018 £'000</b>
<b>Fund balances at August 2018 are represented by:</b>				
Tangible fixed assets	-	-	54,958	54,958
Current assets	(2,467)	3,175	-	708
Current liabilities	-	(2,409)	-	(2,409)
Pension scheme liability	-	(5,596)	-	(5,596)
Total net assets	(2,467)	(4,830)	54,958	47,661

### Analysis of net assets between funds at 31 August 2017:

	<b>Unrestricted funds £'000</b>	<b>Restricted general funds £'000</b>	<b>Restricted fixed asset funds £'000</b>	<b>Total funds 2017 £'000</b>
<b>Fund balances at August 2017 are represented by:</b>				
Tangible fixed assets	-	-	49,162	49,162
Current assets	482	1,426	14	1,922
Current liabilities	(3,426)	(1,426)	-	(4,852)
Pension scheme liability	-	(7,072)	-	(7,072)
Total net assets	(2,944)	(7,072)	49,176	39,160

## 16. Analysis of expenditure by Academy

Expenditure incurred by each Academy during the year was as follows:

	Teaching and Educational Support Staff costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs excluding dep'n £'000	Total 2018 £'000	Total 2017 £'000
Aylward Academy	5,097	1,592	449	1,023	8,161	9,664
Bexleyheath Academy	5,234	1,369	592	2,420	9,615	11,143
Kingsley Academy	3,026	808	236	690	4,760	6,611
Nightingale Academy	2,359	768	432	980	4,539	5,615
	15,716	4,537	1,709	5,113	27,075	33,033

## 17. Pension commitments

The Academy Trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and various Local Government Pension Schemes (LGPS) for non-teaching staff, which are managed by three different Local Authorities (London Borough of Enfield, London Borough of Bexley and London Borough of Hounslow). The TPS and the various LGPS are all multi-employer defined benefit pension schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS, 31 March 2016.

Contributions amounting to £162,000 were payable to the schemes at 31 August 2018 (2017 – £248,000) and are included within creditors.

### Teachers' Pension Scheme

#### *Introduction*

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. Membership is automatic for full-time teachers in Academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis — these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

#### *Valuation of the Teachers' Pension Scheme*

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap)



## Notes to the Financial Statements 31 August 2018

Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge.
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million.
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be. Early indications from the valuation are that the amount employers will be required to pay towards the scheme may increase substantially from September 2019.

The employer's pension costs paid to TPS in the period amounted to £1,546,000 (2017 - £1,902,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website ([www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx](http://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx)).

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The Academy Trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy Trust has set out above the information available on the scheme.

### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £921,000 (2017 - £1,095,000), of which employer's contributions totalled £717,000 (2017 - £829,000) and employees' contributions totalled £204,000 (2017 - £266,000). The agreed contribution rates for future years are variable based on pay.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of Academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

The following are the average principal assumptions used in the local authority pension funds.

## Notes to the Financial Statements 31 August 2018

	At 31 August 2018 %	At 31 August 2017 %
<b>Principal Actuarial Assumptions</b>		
Discount rate for scheme liabilities	2.70	2.50
Rate of increase in salaries	3.30	3.80
Rate of increase for pensions in payment / inflation	2.30	2.30
Inflation assumption (CPI)	2.20	2.30

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 August 2018	At 31 August 2017
<i>Retiring today</i>		
Males	22.6	22.9
Females	25.1	26.0
<i>Retiring in 20 years</i>		
Males	24.6	25.1
Females	27.3	28.3

The effect on the net pension liability as a result of changes in actuarial assumption would be as follows:

	At 31 August 2018 £'000	At 31 August 2017 £'000
Discount rate +0.1 %	(474)	(429)
Discount rate -0.1 %	478	432
Mortality assumption - 1 year increase	(23)	432
Mortality assumption - 1 year decrease	28	(427)

The Academy's share of the assets and liabilities in the scheme were:

	Fair value at 31 August 2018 £'000	Fair value at 31 August 2017 £'000
Equities	7,658	7,873
Gilts	1,755	1,330
Corporate bonds	967	1,176
Property	1,175	1,102
Cash and other liquid assets	818	431
Other	2,935	2,413
<b>Total market value of assets</b>	<b>15,308</b>	<b>14,325</b>
<b>Present value of scheme liabilities</b>		
Funded	(20,904)	(21,397)
<b>Deficit in the scheme</b>	<b>(5,596)</b>	<b>(7,072)</b>

The actual return on scheme assets was £535,000 (2017 - £759,000).

## Notes to the Financial Statements 31 August 2018

	2018 £'000	2017 £'000
<b>Amounts recognised in statement of financial activities:</b>		
Current service cost (net of employee contributions)	(1,072)	(1,659)
	(9)	(11)
	(30)	(20)
Net interest cost	(166)	(240)
Past service costs	-	(36)
	<b>(1,277)</b>	<b>(1,966)</b>
<b>Analysis of pension finance income/(costs)</b>		
Expected return on pension scheme assets	361	263
Interest on pension liabilities	(527)	(503)
<b>Pension finance income/(costs)</b>	<b>(166)</b>	<b>(240)</b>

	2018 £'000	2017 £'000
<b>Changes in the present value of defined benefit obligations:</b>		
At 1 September 2017	21,397	24,278
Current service cost	1,072	1,659
Interest cost	527	503
Employee contributions	204	266
Actuarial (gains)/losses	(1,862)	(5,218)
Benefits paid	(464)	(147)
Past service costs	30	20
Plan introductions, benefit changes, curtailments & settlements	-	36
<b>At 31 August 2018</b>	<b>20,904</b>	<b>21,397</b>

The Academy Trust's share of the assets in the schemes were:

	2018 £'000	2017 £'000
<b>Changes in the fair value in the Trust's share of scheme assets</b>		
At 1 September 2017	14,325	12,629
Interest income	361	263
Actuarial gain	86	496
Employer contributions	717	829
Employee contributions	204	266
Benefits paid	(464)	(147)
Administration costs	(9)	(11)
Return on assets less interest	88	-
<b>At 31 August 2018</b>	<b>15,308</b>	<b>14,325</b>

### 18. Operating Lease Commitments

At 31 August 2018 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases were as follows:

	2018 £'000	2017 £'000
Within 1 year	1,892	1,706
Between 1 and 5 years	6,588	6,489
After more than 5 years	13,200	10,705
<b>Total commitment</b>	<b>21,680</b>	<b>18,900</b>

Operating lease commitments include commitments due under PFI contracts for the buildings of Bexleyheath Academy.

#### **19. Related Party Transactions**

Owing to the nature of the Academy Trust's operations and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

The following related party transactions took place in the period of accounts:

J Chin is a director & shareholder in SSAT (The Schools' Network) and a Trustee of the Seckford Foundation, both of which provide services to the parent company, Academies Enterprise Trust. There were no transactions during the year with London Academies Trust (2017: £nil).

J Boyer is a non-executive director of Mitie Group plc which provides services to the parent company, Academies Enterprise Trust. There were no transactions during the year with London Academies Trust (2017: £nil).

A Thraves a Director of Optimus Education Ltd which provides services to the parent company, Academies Enterprise Trust. There were no transactions during the year with London Academies Trust (2017: £nil).

With the parent company, Academies Enterprise Trust. The central services charge amounted to £2,433,045. At the balance sheet date, London Academies Enterprise Trust owed the parent company £42,000.

#### **20. Ultimate parent undertaking and controlling party**

The parent company and ultimate controlling party is Academies Enterprise Trust (company number 06625091), a company registered in England and limited by guarantee. The results of LAET are included within the consolidated financial statements of Academies Enterprise Trust which are available from 183 Eversholt Street, London, NW1 1BU.

#### **21. Members' liability**

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.