

Registered number: 08289583 (England and Wales)

The Lilac Sky Schools Trust
(A company limited by guarantee)

Annual report and financial statements

For the year ended 31 August 2016

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The Lilac Sky Schools Trust
(A company limited by guarantee)

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The Lilac Sky Schools Trust
(A company limited by guarantee)

Reference and administrative details of the Academy Trust, its Members/Trustees and advisers
For the year ended 31 August 2016

Members

Nicolette King (appointed 21 July 2016)
Nicholas Tyler (appointed 1 July 2016)
Stephen Ward (appointed 21 July 2016)
Samantha Busch (resigned 21 July 2016)
Carole Pattison (resigned 21 July 2016)
Carole Waterson (resigned 21 July 2016)

Trustees

Charlotte Antoniou
Jane Fielding (resigned 1 April 2016)
Kate Cooper (resigned 19 April 2016)
Nicholas Tyler (appointed 8 June 2016)
Stephen Ward (appointed 8 June 2016)
Angela Barry (appointed 22 June 2016)
Nicolette King (appointed 1 July 2016)
Philip Bunn (resigned 1 July 2016)
Angela Gartland (resigned 1 July 2016)
Christopher Bowler (resigned 31 August 2016)

Company registered number

08289583

Company name

The Lilac Sky Schools Trust

Principal and registered office

The Lilac Sky Schools Trust
c/o Thistle Hill Academy
Aspen Drive
Sheerness
Kent
ME12 3UD

Company secretary

Michelmores Secretaries Limited

Senior management team

Angela Barry (appointed 22 June 2016), Interim CEO
Christopher Bowler (resigned 31 August 2016), CEO
Anne Donaldson (until 31 December 2015), Director of learning
Jane Fielding (redundant 31 October 2016), Managing Director
Victoria Rezaie (resigned 31 October 2016), Executive Team
Stephen Capper, Executive Team

The Lilac Sky Schools Trust
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Reference and administrative details
For the year ended 31 August 2016

Advisers (continued)

Independent auditor

Kreston Reeves LLP
Statutory Auditor
Chartered Accountants
Montague Place
Quayside
Chatham Maritime
Chatham
Kent
ME4 4QU

Bankers

Barclays Bank PLC
Priory Place
Level 3
New London Road
Chelmsford
Essex
CM2 0PP

Solicitors

Michelmores LLP
12th Floor
6 New Street Square
London
EC4A 3BF

Member Schools

Hailsham Academy - Hailsham, East Sussex

Knockhall Academy - Greenhithe, Kent

Marshlands Academy - Hailsham, East Sussex

Martello Grove Academy - Folkestone, Kent

Morehall Academy - Folkestone, Kent

Newhaven Academy - Newhaven, East Sussex

Richmond Academy - Isle of Sheppey, Kent

Thistle Hill Academy - Isle of Sheppey, Kent

White House Academy - Hailsham, East Sussex

The Lilac Sky Schools Trust
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Trustees' report
For the year ended 31 August 2016

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charitable company's Memorandum and Articles of Association, the Companies Act 2006, the Statement of Recommended Practice 2015, "Accounting and Reporting by Charities" and the Academies Accounts Direction 2015/16 issued by the EFA.

The principal activity of the company is the operation of nine state-funded academies, providing education for students aged 3 to 11. Following expansion the pupil capacity of the Trust is as follows:

- Hailsham Academy offers 30 places for Reception intake
- Knockhall Academy offers 90 places for Reception intake and a 52 place nursery
- Marshlands Academy offers 30 places for Reception intake and a 26 place nursery
- Martello Grove Academy offers 30 places for Reception intake
- Morehall Academy offers 30 places for Reception intake
- Newhaven Academy offers 30 places for Reception intake
- Richmond Academy offers 60 places for Reception intake and a 52 place nursery
- Thistle Hill Academy offers 60 places for Reception intake
- White House Academy offers 30 places for Reception intake

The total pupils within the Trust as at the school census on 2nd October 2015 was 1676.

The Academy Trust is on track to be rebrokered on 31 December 2016. All nine academies will be rebrokered to other multi-academy trusts selected through the office of the Regional Schools Commissioner.

Structure, governance and management

Constitution

The charitable company is known as The Lilac Sky Schools Trust.

The Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust. The Trust operates a three-tier governance structure:

- 1 Members
- 2 Board of Trustees
- 3 Local Governing Body for each Academy

The Trustees of The Lilac Sky Schools Trust are also the Directors of the charitable company for the purposes of company law. They are also the Trustees for the purposes of charity legislation.

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

The Lilac Sky Schools Trust
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Trustees' report (continued)
For the year ended 31 August 2016

Structure, governance and management (continued)

Trust reconstitution

The Board was reconstituted from 8 June 2016 with the following new interim Trustees being appointed:

- Mr S Ward (appointed 8 June 2016)
- Mr N Tyler (appointed 8 June 2016)
- Mrs A Barry (appointed 22 June 2016)
- Ms N King (appointed 1 July 2016)

For the purposes of this report and the financial statements, the reconstituted Board, from 8 June 2016, are known as the Board of Trustees.

These new Trustees were emergency interim appointments made towards the end of this accounting period and were not in control or in governance for the vast majority of the accounting period covered by these 2015/16 accounts. Due to this, the Trustees have elected not to include a governance statement within the financial statements.

In addition, whilst they are required to prepare and approve these accounts, in order to meet the requirements of company and charity law, the SORP and the Education Funding Agency, they were not in any way involved or responsible for the outcomes of the 2015/16 academic year financial position for the Lilac Sky Schools Trust. The Trustees can assert that to the best of their knowledge and belief that these accounts do represent a true and fair reflection.

With the exception of the non-inclusion of the governance statement, the accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charitable company's Memorandum and Articles of Association, the Companies Act 2006, the Statement of Recommended Practice 2015, "Accounting and Reporting by Charities", and the Academies' Accounts Direction 2015/16 issued by the EFA.

Members' Liability

Every Member of the Company undertakes to contribute such amount as may be required (not exceeding £10) to the Company's assets if it should be wound up while he or she is a Member or within one year after he or she ceases to be a Member, for payment of the Company's debts and liabilities before he or she ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves.

Trustees' indemnities

The Trustees' indemnity provides cover for the Academy Trust's costs incurred as a result of allegations of negligence following a wrongful action resulting in a subsequent financial loss. This is against both the entity and individuals.

Method of recruitment and appointment or election of Members and Trustees

In accordance with the adopted Articles of Association, the Members of the charitable company may comprise of:

- a) The signatories to the Memorandum;
- b) Up to 3 person(s) who may be appointed by the Directors of Lilac Sky Schools Limited;
- c) The Chairman of the Trustees
- d) Any person appointed under Article 16

The Lilac Sky Schools Trust
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Trustees' report (continued)
For the year ended 31 August 2016

Structure, governance and management (continued)

The Board of Trustees may comprise of the following:

- a) Up to 10 Trustees appointed by the Members
- b) The Chief Executive Officer
- c) A minimum of 2 Parent Trustees

The Trustees represent the Sponsors, Lilac Sky Schools Limited. In addition, the Academy Trust is represented on the Board by the Accounting Officer.

The Secretary of State for Education may appoint Trustees in certain circumstances. Following an EFA investigation, the Board was reconstituted in June 2016 and three new Member and four new Trustee appointments were made.

The Trustees in office during the year to 31 August 2016 are named in the Reference and Administrative Details section of this report on page 1.

Trustees are appointed by nomination by the corporate sponsors with advice from the DfE.

Policies and procedures adopted for the induction and training of Trustees

Trustees are expected to participate in appropriate training programmes according to their needs and experience. The CEO and Sponsors provide new Trustees with comprehensive information and advice regarding the Academy Trust. Trustees are invited to attend all training and development activities that take place within the Academy Trust. Some individual academies have a subscription to the Governor Services training package within their Local Authority area which provides free access to a comprehensive range of induction, training and development programs which can be tailored to individual needs for members of Local Governing Bodies.

Organisational structure

The governance structure of the Academy Trust is on three levels: the Members, the Academy Trust Board and Local Governing Bodies within each Academy. The Academy Trust Board of the Lilac Sky Schools Trust is responsible for ensuring that high standards of corporate governance are maintained.

The Academy Trust Board are responsible for the strategic direction of the Academy Trust, setting policy and agreeing the annual budget and the Trust's development plan. The Local Governing Bodies are responsible for monitoring the work of the Academies and ensuring that the objectives of the Academy Trust are met.

Arrangements for setting pay and remuneration of key management personnel

The Trust and School Senior Leadership Teams are the key management personnel for the Trust. Trustees are also senior management although they must not receive pay or other remuneration in respect of their role as Trustees. Where staff trustees are in place, they receive remuneration for their role as staff and their pay is determined in the same way as is applicable to all other staff. Further details of remuneration paid to staff who are Trustees is set out within the notes to the accounts.

The Trustees appointed on 8 June 2016, make determinations of pay in accordance with the Trust's Pay Policy. The Board of Trustees has fully delegated powers and is established in accordance with the appropriate school governance regulations.

The Lilac Sky Schools Trust
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Trustees' report (continued)
For the year ended 31 August 2016

Structure, governance and management (continued)

Related Parties and other Connected Charities and Organisations

The Lilac Sky Schools Trust is a charitable company, sponsored by Lilac Sky Schools Limited.

Lilac Sky Schools Limited aimed to provide training, advice and guidance to the Trustees. Their role within the Academy Trust was stated to be of quality assurance, guidance and advice. Alongside this the Company also appointed Trustees and Members; which was against the guidance within the Governance Handbook.

Lilac Sky Outstanding Education Services Limited provided services to the Lilac Sky Schools Trust. Their role was stated principally to provide tutor input for Trust teachers through the Outstanding Teacher Diploma.

Following discussions with the EFA and Regional Schools' Commissioner, and to ensure future compliance with the EFA's Academies Financial Handbook, the provision of services by both entities was ordered to cease on 1 April 2015.

However, during the latter part of the 2015/2016 accounting period, the newly appointed Board of Trustees identified that the Lilac Sky Schools Trust had continued to be provided with, and charged for, a range of services during the academic year ending 31 August 2016 by companies related to the sponsoring body:

- Lilac Sky Schools Limited (which changed its name as of 31 August 2016 to Henriette le Forestier Schools Limited)
- Lilac Sky Outstanding Education Services Limited (which changed its name as of 20 July 2016 to Lilac Sky Education Limited)
- Corporate Bespoke Services Limited (formerly known as Trevor Averre-Beeson Limited until 12 February 2016)

The former CEO of Lilac Sky Schools Academy Trust, Trevor Averre-Beeson, is a Director of each of these Limited companies. He resigned as CEO in April 2015 and became the named internal auditor for the Trust academies. The Trustees have concerns that these actions were contrary to aspects of the Governance Handbook and the Academies Financial Handbook.

The related parties between these Limited companies and the Members/Trustees up to the reconstitution of the Board on 8 June 2016 are declared as follows:

Jane Fielding, Trustee and Managing Director:	wife of Trevor Averre-Beeson
Vicki Rezaie (formerly Averre):	former Trustee and Principal of Thistle Hill Academy: daughter of Trevor Averre-Beeson
Samantha Busch, Member:	Daughter of Trevor Averre-Beeson
Carole Pattison, Member:	Sister to Trevor Averre-Beeson
Carole Waterson, Member:	Sister-in-law to Trevor Averre-Beeson
Angela Gartland, Trustee:	Paid consultant for one of Trevor Averre-Beeson's limited companies
Philip Bunn, Trustee:	Paid consultant for one of Trevor Averre-Beeson's limited companies
Kate Cooper-Newman, Trustee:	PA to Trevor Averre-Beeson

Objectives and activities

Objectives, strategies and activities

The principal object and activity of the charitable company is the operation of academies and to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, developing and managing academies that offer a broad and balanced curriculum. The Academy Trust aims to deliver an 'outstanding' education on a fully inclusive basis to the communities it serves.

The Lilac Sky Schools Trust
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Trustees' report (continued)
For the year ended 31 August 2016

Public benefit

The newly appointed Board of Trustees of the Lilac Sky Schools Trust confirm that they have referred to the guidance on public benefit published by the Charity Commission when reviewing the Trust's objectives, strategies and activities. The Academy Trust makes available its academies' facilities to the wider community through negotiated community use where this additional use does not negatively impact upon the schools' provision.

Strategic Report

Achievements and performance

The 2016 data outcomes, alongside the individual, strategic reports for each of the nine academies are available on the academy websites.

Key financial performance indicators

The Kent, Newhaven and Hailsham academies, in East Sussex, are seeing an increase in pupil numbers as a result of Local Authority funded, approved expansion projects to meet the increasing LA demand for places.

The Academy Trust reviews pupil numbers on a regular basis via the termly census ensuring that accurate returns are submitted to the Education Funding Agency who base funding for schools on pupil numbers.

Going concern

Lilac Sky Schools Trust is working towards being rebrokered as of 31 December 2016. The new Trustees are working in close co-operation with the Interim CEO to ensure an efficient transfer of all assets.

Based on this information, the Board of Trustees expects to wind up the Academy Trust during the next 12 months and therefore has prepared these accounts on a basis other than going concern, being the break-up basis. Further details regarding the basis of these accounts can be found in the note 1.1 to the Financial Statements.

Financial review

During the year to 31 August 2016 total income, including capital income (£6,980,452 of which £5,332,000 related to a donation of land and buildings), was £16,856,708 of which £111,991 was unrestricted income.

The operating deficit, excluding the pension reserve adjustments and a donation of land and buildings of £5,332,000 for the year ended 31 August 2016 was £169,494.

Total expenditure for the year to 31 August 2016, excluding other resources expended, was £11,694,202 of which:

Employee costs of £7,877,907 represented 67% of total expenditure; and
Premises related costs of £707,721 represented 6% of total expenditure

During the year, the Trustees have requested that a refund is made from a supplier for an advance payment for services that were not provided. At the time of financial statements being approved, the refund had not been received. It is unclear at the time of these financial statements being approved if further action will be taken to recover the monies.

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Trustees' report (continued)
For the year ended 31 August 2016

Reserves policy

The Trustees are expected to review reserves of the Trust on a regular basis. The Academy Trust acknowledges that reserves are necessary in order to provide sufficient working capital to cover delays between spending and the receipt of grants and to provide a buffer to deal with unexpected emergencies such as urgent maintenance.

The Academy Trust's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £Nil.

Due to the accounting rules for the Local Government Pension Scheme under FRS102, the Academy Trust is recognising a significant pension fund deficit of £3,073,000. This does not mean that an immediate liability for this amount crystallises but that such a deficit generally results in a cash flow effect in the form of increased employer contributions over a number of years.

Investment policy

There are no known investments held beyond cash deposits retained with the major UK clearing banks. Speculative investments are not permitted.

Financial and risk management objectives and policies and uncertainties

Most of the Trust's income is obtained from the DfE (via the Education Funding Agency) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the period ended 31 August 2016 and the associated expenditure are shown as restricted funds in the statement of financial activities. A high proportion of the funding is spent on wages, salaries and other associated personnel costs.

Principal risks and uncertainties

The newly appointed Trustees have assessed the major risks to which the Academy Trust is exposed, in particular those related to the prior operations and the previous financial practices of the Academy Trust. Upon their appointment, they have implemented systems and procedures to mitigate exposure to the major risks.

Plans for the future

The Lilac Sky Schools Trust is on track to be wound up by the Members as of 31 December 2016. All nine academies will be rebrokered to other multi-academy trusts selected through the office of the Regional Schools' Commissioner.

Funds Held as Custodian Trustee on Behalf of Others

The Academy Trust or its Trustees do not act as custodian Trustee.

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Trustees' report (continued)
For the year ended 31 August 2016

Auditor

In so far as the newly appointed Board of Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 5 December 2016 and signed on the Board's behalf by:

A handwritten signature in black ink, appearing to read 'N Tyler', written in a cursive style.

Nicholas Tyler
Chair of the Trust Board

The Lilac Sky Schools Trust
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Statement on Regularity, Propriety and Compliance

As Interim Accounting Officer of The Lilac Sky Schools Trust I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy 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 2015.

I confirm that I and the Academy Trust Board of Trustees are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2015.

As Interim Accounting Officer of The Lilac Sky Schools Trust, I was very concerned at the apparent lack of compliance in several areas of the Trust's financial management which did give rise to multiple breaches of the Academies Financial Handbook 2015.

In particular, but not exclusively, I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Board of Trustees and EFA. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and EFA:

- The absence of clear lines of internal accountability resulted in inappropriate actions taking place. This included the use of an Academy Trust credit card being used by someone not employed by the Academy Trust as well as the purchasing of IT equipment for non-employed consultancy personnel.
- Financial policies and procedures were not properly established, or monitored effectively, and this included the absence of appropriate records which would have been expected to have been made by the Accounting Officer. This would have meant that the Trustees would have been in difficulty defending the Academy Trust. Overall, the evidence suggests that there was a lack of scrutiny or challenge by the Accounting Officer prior to June 2016 and this was exacerbated by the Founder also undertaking internal audits for a period of time pursuant to a contract.
- The application of capital funding, specifically the funding for the four, new academies, was inappropriately used resulting in emergency DfE cash funds being sought by the new leadership at Trustee level to ensure that classrooms could open with the necessary basic equipment and furniture.
- There were several relationships between senior staff and/or Trustees which gave rise to significant concerns about compliance with the appropriate financial frameworks and/or the Academies Financial Handbook. Following EFA visits, money had to be repaid from the Founder through an inappropriate use of public funding to buy a selection of luxury alcoholic beverages at an annual awards evening.
- A further lack of adherence to EFA Financial Regulations was evident within the advance payments to a service provider prior to delivery of their services and a standing order set up by the Founder of the Academy Trust who should not have had access to the Academy Trust's bank accounts. This standing order was to a company owned by the Founder. In addition, there are further concerns as there is evidence of centrally employed staff being issued with settlement agreements and then being immediately re-employed the next day. This evidence also highlights a lack of appropriate action on the part of the Accounting Officer.
- There were multiple issues arising out of the former Trustees and some senior staff having formal and/or informal connections to the Founder. This situation, coupled with the lack of appropriate policy and scrutiny, gave rise to significant concerns in relation to personnel and finance issues. This also is not consistent with the requirements of the Academies Financial Handbook
- Prior to June 2016, the Trust did not engage transactions with related parties appropriately. This can be seen in the lack of procurement procedure. An example of this is a company, owned by the Founder of the Academy Trust, being awarded a substantial contract for school improvement and CEO support. This process was overseen by individuals who had a family or business connection with the Founder of the Company. Furthermore, the Trust Finance Manager was also the Finance Manager of companies owned by the Founder. This ceased on the appointment of the new interim Trustees and the Interim CEO as the Accounting Officer.


Angela Barry
Accounting Officer

5 December 2016

The Lilac Sky Schools Trust
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Statement of Trustees' responsibilities
For the year ended 31 August 2016

As referred to in the Trustees' Report, the Board of Trustees were not in control or in governance for the vast majority of the accounting period covered by these 2015/16 accounts and were not in any way involved or responsible for the outcomes of the 2015/16 academic year financial position.

The Trustees (who act as governors of The Lilac Sky Schools Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Strategic report, the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, 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 charitable company and of its incoming resources and application of resources, including 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 2015 to 2016;
- make judgments 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;
- 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 EFA/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.

The Board of Trustees confirm they have met these responsibilities with effect from 8 June 2016. However, they take no responsibility for the instances highlighted by the interim Accounting Officer on page 9 and the Reporting Accountant on page 15, which took place prior to this date.

Approved by order of the members of the Academy Trust Board on 5/12/16 and signed on its behalf by:



Nicholas Tyler
Chair of Trustees

The Lilac Sky Schools Trust
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Independent auditor's report on the financial statements to the members of The Lilac Sky Schools Trust

We were engaged to audit the financial statements of The Lilac Sky Schools Trust for the year ended 31 August 2016 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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 its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the Academy Trust 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Academy Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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Independent auditor's report on the financial statements to the members of The Lilac Sky Schools Trust

Basis for disclaimer of opinion on the financial statements

In seeking to form an opinion on the financial statements we considered the implications of the disclosures in the financial statements concerning the following matters:

- The Education Funding Agency (EFA) are in discussion with the Academy Trust regarding the Trust's financial and governance processes.
- Our audit procedures have identified potential irregularities in expenditure. Therefore there is uncertainty concerning the correct classification of these expenditures and whether any of these amounts will be recoverable.
- Full representations could not be made by the Board of Trustees due to not being in office for the whole duration of the accounting period.
- The uncertainty arising as a result of the decision of the Trustees not to include a governance statement within the financial statements as prescribed by the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency, accordingly the financial statements do not comply with the Academies Accounts Direction 2015 to 2016.

There is potential for the uncertainties to interact with one another such that we have been unable to obtain sufficient appropriate evidence regarding the possible effect of the uncertainties taken together.

Disclaimer of opinion on financial statements

Because of the significance of the possible impact of the uncertainties, described in the Basis for Disclaimer of Opinion on Financial Statements paragraph, to the financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the financial statements.

Emphasis of matter

In seeking to form our opinion on the financial statements we have considered the adequacy of the disclosure made in notes 1.1 and 1.2 to the financial statements concerning the basis of preparation of the financial statements and the Academy Trust's ability to continue as a going concern.

As discloses the decision has been taken for the Academy Trust to cease operations with effect from 31 December 2016. The Trustees have therefore concluded that the Academy Trust is not a going concern, and the financial statements have not been prepared on a break-up basis.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of opinion on the financial statements, in our opinion the information given in the Trustees' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

The Lilac Sky Schools Trust
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Independent auditor's report on the financial statements to the members of The Lilac Sky Schools Trust

Matters on which we are required to report by exception

Arising from the limitation of our work referred to above:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit;
- We were unable to determine whether adequate accounting records have been kept;
- We were unable to determine whether certain disclosures of trustee's remuneration specified by law have been made; and
- Returns adequate for our audit have not been received from branches not visited by us.

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

- The financial statements are not in agreement with the accounting records and returns.

Kreston Reeves LLP

Susan Robinson BA FCA FCIE DChA MCMI (Senior statutory auditor)
for and on behalf of

Kreston Reeves LLP

Statutory Auditor

Chartered Accountants

Chatham Maritime

Date: 21 December 2016

The Lilac Sky Schools Trust
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Independent reporting accountant's assurance report on regularity to The Lilac Sky Schools Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 14 May 2015 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Lilac Sky Schools Trust during the year 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Lilac Sky Schools Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Lilac Sky Schools Trust and the EFA those matters we are required to state in a 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 Lilac Sky Schools Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Lilac Sky Schools Trust's accounting officer and the reporting accountant

The accounting officer (C Bowler to 22 June 2016, A Barry from 22 June 2016) is responsible, under the requirements of The Lilac Sky Schools Trust's funding agreement with the Secretary of State for Education dated 31 December 2012, and the Academies Financial Handbook extant from 1 September 2015, 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 2015 to 2016. 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 2015 to 31 August 2016 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 2015 to 2016 issued by the EFA. 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 Academy Trust's income and expenditure.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Independent reporting accountant's assurance report on regularity to The Lilac Sky Schools Trust and the Education Funding Agency (continued)

Work undertaken

The work undertaken to draw to our conclusion includes:

- Reviewed expenditure against specific terms of grant funding within the funding agreement
- Ensured that grants have been applied for the purposes intended
- Confirmed that internal control procedures exist relating to expenditure incurred of cash
- Confirmed items claimed on cash are not for personal benefit
- Reviewed expenditure and considered whether any supplies are from related parties
- Reviewed Governing Body and Director minutes for declaration of interests
- Considered whether other income activities are permitted within the Academy Trust's charitable objects
- Considered if borrowing agreements, including leases, have been made in accordance with the Academies Financial Handbook
- Confirmed that procurement and tendering procedures exist relating to expenditure and have been complied with

Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- Expenditure totalling £217,500 paid to Corporate Bespoke Services Limited, a company owned by Mr T Averre-Beeson (husband of J Fielding, a Trustee), was not made in accordance with the Trust's procurement procedures and the requirements of the Academies Financial Handbook by the EFA.
- In addition, Corporate Bespoke Services Limited invoiced the Trust in advance for services to be performed from May to August, at an increased rate and the Trust made payments to Corporate Bespoke Services Limited in advance as well.
- During the year, Mr T Averre-Beeson, undertook the role of the Trust's Internal Auditor. No evidence could be found of reports being made to the Trust Board of the findings and any internal audit work undertaken.
- A Donaldson was paid a severance agreement sum terminating her position as an employee in December 2015 before being taken on as a consultant from January 2016. During this period she continued to be the Director of Learning at the Trust and therefore should have remained on the payroll given her senior position. No evidence could be found that discussions took place regarding her severance payment being value for money and agreed by Trustees.
- D Houghton was paid a severance agreement sum terminating his position as an employee. No evidence could be found that discussions took place regarding his severance payment being value for money and agreed by Trustees.
- During the year there were instances identified of alcoholic beverages being acquired from public funds.
- During the year computer equipment at a cost of £1,200 (net) was acquired by the Trust and delivered to the home address of a former Trust employee who had since been hired as a consultant to the Trust. The consultant was also reimbursed for the cost of a contract mobile phone during the year.
- During the year, it was identified that some local authority grants were paid into the bank accounts of Lilac Sky Education Limited, a company owned by Mr T Averre-Beeson (husband of J Fielding, a Trustee). Although all funds were paid over to the Trust, this was not performed immediately and instead over a period of time.

Krest Reeves LLP

Kreston Reeves LLP
Reporting Accountant

Chatham Maritime

Date: 21 December 2016

The Lilac Sky Schools Trust
(A company limited by guarantee)

Statement of financial activities incorporating income and expenditure account
For the year ended 31 August 2016

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Income from:						
Donations & capital grants:						
Transfer from Local Authority on conversion	2	-	-	-	-	4,873,483
Other donations and capital grants	2	5,160	-	6,980,452	6,985,612	1,213,948
Charitable activities	5	1,541	9,764,265	-	9,765,806	10,828,455
Other trading activities	3	105,185	-	-	105,185	248,892
Investments	4	105	-	-	105	62
Total income		111,991	9,764,265	6,980,452	16,856,708	17,164,840
Expenditure on:						
Raising funds	7	34,524	-	-	34,524	65,694
Charitable activities		9,042	10,463,845	1,186,791	11,659,678	12,066,331
Other expenditure	10	-	-	-	-	10,095,724
Total expenditure	6,10	43,566	10,463,845	1,186,791	11,694,202	22,227,749
Net income / (expenditure) before transfers		68,425	(699,580)	5,793,661	5,162,506	(5,062,909)
Transfers between Funds	20	(97,948)	35,542	62,406	-	-
Net income / (expenditure) before other recognised gains and losses		(29,523)	(664,038)	5,856,067	5,162,506	(5,062,909)
Losses on revaluations of fixed assets	16	-	-	-	-	(8,784,175)
Actuarial gains/(losses) on defined benefit pension schemes	27	-	(1,391,000)	-	(1,391,000)	29,000
Net movement in funds		(29,523)	(2,055,038)	5,856,067	3,771,506	(13,818,084)
Reconciliation of funds:						
Total funds brought forward		29,523	(1,310,743)	13,959,078	12,677,858	26,495,942
Total funds carried forward		-	(3,365,781)	19,815,145	16,449,364	12,677,858

All of the Academy Trust's activities derive from discontinuing operations. Further details can be found within note 1.2 to the financial statements.

The Statement of financial activities includes all gains and losses recognised in the year.

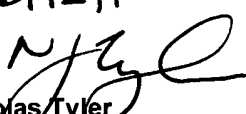
The notes on pages 20 to 46 form part of these financial statements.

The Lilac Sky Schools Trust
(A company limited by guarantee)
Registered number: 08289583

Balance sheet
As at 31 August 2016

	Note	£	2016 £	2015 £
Fixed assets				
Tangible assets	16		19,086,153	13,401,924
Current assets				
Debtors	17	427,304	675,185	
Cash at bank and in hand		757,388	853,836	
		1,184,692	1,529,021	
Creditors: amounts falling due within one year	18	(748,481)	(898,547)	
Net current assets			436,211	630,474
Total assets less current liabilities			19,522,364	14,032,398
Creditors: amounts falling due after more than one year	19		-	(34,540)
Net assets excluding pension scheme liabilities			19,522,364	13,997,858
Defined benefit pension scheme liability	27	(3,073,000)	(3,073,000)	(1,320,000)
Net assets including pension scheme liabilities			16,449,364	12,677,858
Funds of the academy				
Restricted income funds:				
Restricted income funds	20	(292,781)	9,257	
Restricted fixed asset funds	20	19,815,145	13,959,078	
Restricted income funds excluding pension liability		19,522,364	13,968,335	
Pension reserve		(3,073,000)	(1,320,000)	
Total restricted income funds			16,449,364	12,648,335
Unrestricted income funds	20		-	29,523
Total funds			16,449,364	12,677,858

The financial statements were approved by the Trustees, and authorised for issue, on and are signed on their behalf, by:

5/12/16

Nicholas Tyler
Chair of Trustees


Angela Barry
Accounting Officer

The notes on pages 20 to 46 form part of these financial statements.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Statement of cash flows
For the year ended 31 August 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash used in operating activities	23	<u>(955,439)</u>	<u>(672,907)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		105	62
Purchase of tangible fixed assets		(709,036)	(509,526)
Capital grants from DfE/EFA and other capital income		1,608,371	1,191,594
Cash transferred on conversion to an Academy Trust		-	139,483
Net cash provided by investing activities		<u>899,440</u>	<u>821,613</u>
Cash flows from financing activities:			
Repayments of borrowings		(38,792)	(27,176)
Net cash used in financing activities		<u>(38,792)</u>	<u>(27,176)</u>
Change in cash and cash equivalents in the year		(94,791)	121,530
Cash and cash equivalents brought forward		<u>852,179</u>	<u>730,649</u>
Cash and cash equivalents carried forward		<u><u>757,388</u></u>	<u><u>852,179</u></u>

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies

The Lilac Sky Schools Trust is a charitable company limited by guarantee and an exempt charity incorporated in England and Wales. The registered office is Thistle Hill Academy, Aspen Drive, Sheerness, Kent, ME12 3UD. The principal activity of the Academy Trust is to provide a primary education for pupils that satisfies the requirements of the Education Act 2002.

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.

1.1 Basis of preparation of financial statements

As indicated in note 1.2, the Academy Trust is not considered to be a going concern. The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their 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 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006. Under the break-up basis of accounting all assets are considered to be realisable within 12 months of the balance sheet date and are stated at no more than fair value less costs to complete and sell. Liabilities are stated at their settlement value and provision is made for any costs expected to be incurred as a consequence of the decision to wind up the Academy Trust.

The Lilac Sky Schools Trust meets the definition of a public benefit entity under FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of The Lilac Sky Schools Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of The Lilac Sky Schools Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015. The Trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Reconciliations to previous UK GAAP for the comparative figures are included in note 32.

1.2 Going concern

The decision to wind up the Trust and to rebroker the nine academies to four new sponsors was taken by the Regional Schools' Commissioner during the Summer term 2016.

Based on the above, the Board of Trustees does not consider the Academy Trust to be a going concern. As indicated in note 1.1, these financial statements have been prepared on a break-up basis. The Lilac Sky Schools Trust will cease to operate with effect from 31 December 2016. The assets will transfer upon rebrokerage as will the pension liability. The employees will be transferred under TUPE arrangements.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.3 Income

All income is recognised once the Academy 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 incorporating income and expenditure account 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 meeting any performance related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account 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 when receivable and are not deferred over the life of the asset on which they are being expended. Unspent amounts of capital grant are reflected in the balance of the restricted fixed asset fund.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

Other income, including the hire of facilities, is recognised in the period in which it is receivable and to the extent the Academy Trust has provided the goods or services.

1.4 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. 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.

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

All resources expended are inclusive of irrecoverable VAT.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.5 Interest receivable

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

1.6 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

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 incorporating income and expenditure account and carried forward in the Balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of financial activities incorporating income and expenditure account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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 incorporating income and expenditure account.

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

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	over 50 years
Plant and machinery	-	20% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	20% straight line

1.7 Liabilities and provisions

Liabilities 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 Academy 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 recognised when the Academy Trust has no obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably. 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.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.8 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

1.9 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.

1.10 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.11 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.

1.12 Financial instruments

The Academy Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.13 Pensions

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the Academy Trust.

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 27, 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 Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.13 Pensions (continued)

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.

1.14 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 funders 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 Funding Agency and the Department for Education.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.15 Critical accounting estimates and areas of judgement

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:

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

Multi-employer defined benefit pension scheme

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 note 27, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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.

Tangible fixed assets

The Academy Trust has recognised tangible fixed assets with a carrying value of £19,086,153 at the reporting date (see note 16). These assets are stated at their cost less provision for depreciation and impairment. The Academy Trust's accounting policy sets out the approach to calculating depreciation for immaterial assets acquired. For material assets such as land and buildings the Academy Trust determines at acquisition reliable estimates for the useful life of the asset, its residual value and decommissioning costs. These estimates are based upon such factors as the expected use of the acquired asset and market conditions. At subsequent reporting dates the Trustees consider whether there are any factors such as technological advancements or changes in market conditions that indicate a need to reconsider the estimates used.

Where there are indicators that the carrying value of tangible assets may be impaired the Academy Trust undertakes tests to determine the recoverable amount of assets. These tests require estimates of the fair value of assets less cost to sell and of their value in use. Wherever possible the estimate of the fair value of assets is based upon observable market prices less incremental cost for disposing of the asset. The value in use calculation is based upon a discounted cash flow model, based upon the Academy Trust's forecasts for the foreseeable future which do not include any restructuring activities that the Academy Trust is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well expected future cash flows and the growth rate used for extrapolation purposes.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

Critical areas of judgement:

Lease commitments

The Academy Trust has entered into a range of lease commitments in respect of property, plant and equipment. The classification of these leases as either financial or operating leases requires the Trustees to consider whether the terms and conditions of each lease are such that the Academy Trust has acquired the risks and rewards associated with the ownership of the underlying assets.

Exemptions on transition to FRS102

The Academy Trust has elected to use the previous UK GAAP valuation of certain items of land and buildings as the deemed cost on transition to FRS102.

Going concern

In the judgement of the Trustees it is appropriate to prepare the financial statements on a basis other than going concern. See note 1.2 for further details.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

2. Income from donations and capital grants

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Transfer from Local Authority on conversion	-	-	-	-	4,873,483
Donations	5,160	-	5,332,000	5,337,160	22,355
Capital Grants	-	-	1,648,452	1,648,452	1,191,593
	5,160	-	6,980,452	6,985,612	1,213,948
	5,160	-	6,980,452	6,985,612	6,087,431

In 2015, of the total income from donations and capital grants, £161,838 was to unrestricted funds and £5,925,593 was to restricted funds.

3. Other trading activities

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Other	82,674	-	82,674	85,482
Hire of facilities	2,221	-	2,221	44,322
Catering income	20,290	-	20,290	119,088
	105,185	-	105,185	248,892

In 2015, of the total income from other trading activities, £248,892 was to unrestricted funds and £Nil was to restricted funds.

4. Investment income

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Bank interest	105	-	105	62

In 2015, of the total investment income, £62 was to unrestricted funds and £Nil was to restricted funds.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

5. Income from charitable activities

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds, 2016 £	Total funds 2015 £
Grants	-	9,764,265	9,764,265	10,825,791
Music tuition	1,541	-	1,541	2,664
	<u>1,541</u>	<u>9,764,265</u>	<u>9,765,806</u>	<u>10,828,455</u>

In 2015, of the total income from charitable activities, £2,664 was to unrestricted funds and £10,825,791 was to restricted funds.

Funding for Academy's educational operations

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
DfE/EFA grants				
General Annual Grant (GAG)	-	6,741,260	6,741,260	8,526,394
Other DfE/EFA Grants	-	1,097,528	1,097,528	1,092,838
Start-Up Grants	-	-	-	583,000
EFA Emergency Grants	-	345,440	345,440	-
	<u>-</u>	<u>8,184,228</u>	<u>8,184,228</u>	<u>10,202,232</u>
Other government grants				
Local Authority Grants	-	1,580,037	1,580,037	623,559
	<u>-</u>	<u>1,580,037</u>	<u>1,580,037</u>	<u>623,559</u>
	<u>-</u>	<u>9,764,265</u>	<u>9,764,265</u>	<u>10,825,791</u>

In accordance with the Academies Accounts Direction 2015/16, capital grants for 2015 have been restated. These have been reclassified to donations and capital grants in note 2.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

6. Expenditure

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Expenditure on raising voluntary income	-	-	34,524	34,524	65,694
Activities:					
Direct costs	6,122,729	-	566,130	6,688,859	7,621,583
Support costs	1,755,178	707,721	2,507,920	4,970,819	4,444,748
	<u>7,877,907</u>	<u>707,721</u>	<u>3,108,574</u>	<u>11,694,202</u>	<u>12,132,025</u>

In 2016, of the total expenditure, £43,566 (2015: £509,009) was to unrestricted funds and £11,645,292 (2015: £11,592,016) was to restricted funds.

7. Costs of raising funds

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Trips and Event costs	34,524	-	34,524	52,576
Music fees	-	-	-	3,808
Bad debts	-	-	-	9,310
	<u>34,524</u>	<u>-</u>	<u>34,524</u>	<u>65,694</u>

In 2015, of the total costs of raising funds, £65,694 was from unrestricted funds and £Nil was from restricted funds.

The Lilac Sky Schools Trust
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Notes to the financial statements
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8. Direct costs - educational operations

	Total 2016 £	Total 2015 £
Technology costs	10,165	59,168
Rewards & CAP	24,219	4,660
Examination fees	-	58,407
Staff development	71,357	113,369
Educational costs	423,346	270,333
Goods and services	37,043	13,324
Wages and salaries	5,086,077	6,064,968
National insurance	351,336	367,722
Pension cost	685,316	669,632
	<u>6,688,859</u>	<u>7,621,583</u>

In 2015, of the total direct costs, £225,140 was from unrestricted funds and £7,396,443 was from restricted funds.

9. Support costs - educational operations

	Total 2016 £	Total 2015 £
FRS102 pension finance cost	52,000	48,000
Technology costs	150,886	279,285
Recruitment and support	142,621	126,656
Maintenance of premises and equipment	1,016,664	419,639
Cleaning	22,829	37,776
Rent and rates	122,037	148,141
Energy costs	97,975	161,410
Insurance	133,569	88,110
Security and transport	57,079	65,642
Catering	235,299	262,475
Other support costs	66,811	45,379
Professional services - Non educational	500,833	594,144
General office costs	148,863	85,512
Telephone	44,930	20,366
Bank charges	4,787	4,408
Auditors' remuneration	46,425	22,500
Auditors' remuneration - non-audit	550	922
Auditors' remuneration - other audit	14,675	5,740
Wages and salaries	1,212,190	1,352,299
National insurance	54,674	61,208
Pension cost	488,315	263,848
Depreciation	356,807	351,288
	<u>4,970,819</u>	<u>4,444,748</u>

In 2015, of the total support costs, £218,175 was from unrestricted funds and £4,226,573 was from restricted funds.

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10. Other expenditure

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Other resources expended	-	-	-	10,095,724

On 1 April 2015, Tabor Academy transferred out of the Academy Trust to the Loxford School Trust.

In 2015, of the total other expenditure, £28,832 was from unrestricted funds and £10,066,892 was from restricted funds.

11. Net incoming resources/(resources expended)

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the charity	356,807	351,288
Auditors' remuneration - audit	46,425	22,500
Auditors' remuneration - non-audit	550	922
Auditors' remuneration - other audit	14,675	5,740

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12. Staff costs

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	5,720,160	6,486,904
Social security costs	406,010	428,930
Operating costs of defined benefit pension schemes	1,173,631	933,480
	<u>7,299,801</u>	<u>7,849,314</u>
Supply teacher costs	469,109	681,256
Staff restructuring costs	108,997	249,107
	<u>7,877,907</u>	<u>8,779,677</u>

Staff restructuring costs comprise:

	2016 £	2015 £
Redundancy payments	4,360	-
Severance payments	104,637	249,107
	<u>108,997</u>	<u>249,107</u>

The average number of persons employed by the Academy Trust during the year was as follows:

	2016 No.	2015 No.
Teachers	79	57
Administration and Support	269	149
Management	23	24
	<u>371</u>	<u>230</u>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2016 No.	2015 No.
In the band £60,001 - £70,000	5	5
In the band £70,001 - £80,000	1	1
In the band £80,001 - £90,000	1	1
In the band £100,001 - £110,000	0	3
In the band £130,001 - £140,000	1	1

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £39,560. Individually, the payments were: £18,000, £9,235, £9,487 and £2,838.

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The key management personnel of the Academy Trust comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £470,664 (2015: £416,836). A Barry, who is the interim CEO, has not been remunerated for her services to the Trust during the period.

13. Trustees' remuneration and expenses

One or more Trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2016 £	2015 £
Jane Fielding	Remuneration	60,000-65,000	105,000-110,000
	Pension contributions paid	10,000-15,000	15,000-20,000
Christopher Bowler	Remuneration	135,000-140,000	130,000-135,000
	Pension contributions paid	Nil	Nil

During the year, no Trustees received any benefits in kind (2015 - £NIL).

During the year ended 31 August 2016, travelling expenses totalling £628 (2015 - £NIL) were reimbursed to 1 Trustee (2015 - 0).

Other related party transactions involving the Trustees are set out in note 29.

14. Other finance income

	2016 £	2015 £
Interest on pension scheme liabilities	(52,000)	(48,000)

15. Trustees' and Officers' Insurance

The Academy Trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £5,000,000. It is not possible to quantify the Trustees and officers indemnity element from the overall cost of the RPA scheme.

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For the year ended 31 August 2016

16. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Computer equipment £	Assets under construction £	Total £
Cost					
At 1 September 2015	13,277,025	20,328	32,507	224,705	13,554,565
Additions	5,480,692	140,467	210,463	209,414	6,041,036
Transfer between classes	351,646	26,363	56,110	(434,119)	-
At 31 August 2016	19,109,363	187,158	299,080	-	19,595,601
Depreciation					
At 1 September 2015	144,450	3,022	5,169	-	152,641
Charge for the year	279,975	26,386	50,446	-	356,807
At 31 August 2016	424,425	29,408	55,615	-	509,448
Net book value					
At 31 August 2016	18,684,938	157,750	243,465	-	19,086,153
At 31 August 2015	13,132,575	17,306	27,338	224,705	13,401,924

Included in long-term leasehold property is land at valuation of £4,465,000 which is not depreciated.

17. Debtors

	2016 £	2015 £
Trade debtors	16,886	95,300
VAT	145,654	267,691
Other debtors	87,804	142,917
Prepayments and accrued income	176,960	169,277
	427,304	675,185

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18. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank loans and overdrafts	-	1,657
Other loans	34,032	38,284
Trade creditors	121,358	497,206
Other taxation and social security	219,466	127,245
Other creditors	19,215	59,978
Accruals and deferred income	354,410	174,177
	<u>748,481</u>	<u>898,547</u>
	2016 £	2015 £
Deferred income		
Deferred income at 1 September 2015	47,289	219,485
Resources deferred during the year	116,119	47,289
Amounts released from previous years	(47,289)	(219,485)
Deferred income at 31 August 2016	<u>116,119</u>	<u>47,289</u>

At the balance sheet date the Academy Trust was holding funds received in advance for Universal Free School Meals grants for 2016-17.

19. Creditors:
Amounts falling due after more than one year

	2016 £	2015 £
Other loans	-	34,540

Other loans include a long term loan from Kent County Council repayable by monthly instalments attracting interest at a rate of 0.5% above the Bank of England Base Rate.

The loan was inherited from the predecessor school (Knockhall Community Primary School) upon conversion into the Academy Trust. At the end of the 2015/16 financial year the remaining balance of the loan is all due to be repaid within less than one year.

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Notes to the financial statements
For the year ended 31 August 2016

20. Statement of funds

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General funds	29,523	111,991	(43,566)	(97,948)	-	-
Restricted funds						
General Annual Grant (GAG)	9,257	6,741,260	(6,666,840)	(376,458)	-	(292,781)
Other DfE / EFA grants	-	1,097,528	(1,097,528)	-	-	-
EFA Emergency grants	-	345,440	(345,440)	-	-	-
Other Government grants	-	1,580,037	(1,580,037)	-	-	-
Pension reserve	(1,320,000)	-	(774,000)	412,000	(1,391,000)	(3,073,000)
	<u>(1,310,743)</u>	<u>9,764,265</u>	<u>(10,463,845)</u>	<u>35,542</u>	<u>(1,391,000)</u>	<u>(3,365,781)</u>
Restricted fixed asset funds						
Capital funds	557,155	1,648,452	(829,984)	(646,633)	-	728,990
Restricted Fixed Assets Fund	13,401,923	5,332,000	(356,807)	709,039	-	19,086,155
	<u>13,959,078</u>	<u>6,980,452</u>	<u>(1,186,791)</u>	<u>62,406</u>	<u>-</u>	<u>19,815,145</u>
Total restricted funds	<u>12,648,335</u>	<u>16,744,717</u>	<u>(11,650,636)</u>	<u>97,948</u>	<u>(1,391,000)</u>	<u>16,449,364</u>
Total of funds	<u>12,677,858</u>	<u>16,856,708</u>	<u>(11,694,202)</u>	<u>-</u>	<u>(1,391,000)</u>	<u>16,449,364</u>

The specific purposes for which the funds are to be applied are as follows:

GAG represents funds to be used to cover the normal running costs of the Academy Trust.

Other DfE/EFA grants represents grants provided for specific purposes, such as pupil premium which is used to support disadvantaged pupils and assist them in decreasing the attainment gap between them and their peers.

Other Government Grants consists of all other non DfE/EFA grants. This funding is to be used for the specific purpose as set out in the grant's funding agreement.

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20. Statement of funds (continued)

The Restricted fixed asset fund represents the leasehold land and buildings which were donated upon conversion to academy status including depreciation to the balance sheet date. DfE/EFA capital grants are also represented and provide the Academy Trust with its own capital money to address improvements to buildings and other facilities.

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

Analysis of academies by fund balance

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £	Total 2015 £
Marshlands Academy	28,246	22,258
Knockhall Academy	(106,887)	50,301
White House Academy	10,088	73,122
Morehall Academy	89,383	94,188
Richmond Academy	713,470	464,883
The Lilac Sky Schools Trust	(1,329,631)	(665,972)
Thistle Hill Academy	(16,688)	-
Newhaven Academy	88,352	-
Martello Grove Academy	43,604	-
Hailsham Academy	187,282	-
Total before fixed asset fund and pension reserve	(292,781)	38,780
Restricted fixed asset fund	19,815,145	13,959,078
Pension reserve	(3,073,000)	(1,320,000)
Total	<u>16,449,364</u>	<u>12,677,858</u>

The following academies are carrying net deficits on their portion of the funds as follows:

Name of academy	Amount of deficit £
Knockhall Academy	106,887
The Lilac Sky Schools Trust	1,329,631
Thistle Hill Academy	16,688

Knockhall Academy is carrying a net deficit of £106,887 on these funds because:

The Academy was overstaffed in 2015/16, there was unexpected costs due to building works, a deficit loan repayment to the Local Authority and central Trust recharges.

Thistle Hill Academy is carrying a net deficit of £16,688 on these funds because:

The Academy was overstaffed in 2015/16 and the Principal in post at that time was paid a salary above expectations for the pupil roll for that academic year.

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20. Statement of funds (continued)

The Lilac Sky Schools Trust is carrying a net deficit of £1,329,631 on these funds because:

The Trust incurred extortionate and expensive Founder/ substantive CEO consultancy costs for 232 days at a net cost of £217,500 along with other high cost support services, central Trust staffing costs that were far higher than average, the cost of settlement agreements (contractual and non-contractual) paid to staff who were immediately appointed as consultants by the company and recharged to the Trust, minimal value for money procedures and a lack of competitive tendering.

The Academy Trust is taking the following action to return the academies to surplus:

The Department for Education appointed an external interim CEO with effect from 23 June 2016. Members and Trustees have been restructured with new interim appointments to establish a robust, challenging and independent Board with no undeclared related parties. Robust financial reporting procedures to the Board of Trustees and the DfE/EFA have been put in place and adhered to.

Consultancy services with connections to or being commissioned by the Lilac Sky companies have been terminated, including those provided by Trevor Averre-Beeson via Corporate Bespoke Services Limited.

The Trust central team has been reduced via resignations or redundancies and non-class teaching vacancies in the schools are not being recruited to as vacancies occur.

All existing academies will be re-brokered to good sponsors from 1st January 2017, who will implement best value measures in line with their Trust policies and procedures.

Analysis of academies by cost

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciat- ion £	Total 2016 £	Total 2015 £
Marshlands Academy	658,047	100,127	41,523	878,832	1,678,529	985,741
Knockhall Academy	1,397,549	286,233	98,799	311,838	2,094,419	1,793,200
White House Academy	691,599	100,247	41,424	131,402	964,672	890,796
Morehall Academy	685,203	159,963	55,748	128,893	1,029,807	983,546
Richmond Academy	1,203,173	244,013	61,409	289,502	1,798,097	1,879,114
Thistle Hill Academy	469,427	136,148	44,106	165,151	814,832	-
Newhaven Academy	162,020	145,727	6,225	67,564	381,536	-
Martello Grove Academy	278,451	70,623	27,148	47,242	423,464	-
Hailsham Academy	112,761	57,794	4,409	71,075	246,039	-
Central Trust	464,492	352,884	220,251	868,373	1,906,000	1,534,460
Tabor Academy	-	-	-	-	-	13,778,604
	<u>6,122,722</u>	<u>1,653,759</u>	<u>601,042</u>	<u>2,959,872</u>	<u>11,337,395</u>	<u>21,845,461</u>

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Notes to the financial statements
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Summary of funds

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
General funds	29,523	111,991	(43,566)	(97,948)	-	-
Restricted funds	(1,310,743)	9,764,265	(10,463,845)	35,542	(1,391,000)	(3,365,781)
Restricted fixed asset funds	13,959,078	6,980,452	(1,186,791)	62,406	-	19,815,145
	<u>12,677,858</u>	<u>16,856,708</u>	<u>(11,694,202)</u>	<u>-</u>	<u>(1,391,000)</u>	<u>16,449,364</u>

21. Central services

The Academy Trust has provided the following central services to its academies during the year:

- financial services
- marketing services
- legal services
- educational support services

The Academy Trust charges for these services on the following basis:

- 7% of the General Annual Grant funding for the academic year from each academy within the Academy Trust.

The actual amounts charged during the year were as follows:

	2016 £	2015 £
Marshlands Academy	55,925	148,861
Knockhall Academy	106,145	78,827
White House Academy	52,895	109,416
Morehall Academy	52,285	39,914
Richmond Academy	114,295	83,207
Hailsham Academy	16,525	124,500
Newhaven Academy	16,760	124,500
Martello Grove Academy	23,405	75,000
Thistle Hill Academy	30,730	75,000
	<u>468,965</u>	<u>859,225</u>
Total		

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22. Analysis of net assets between funds

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	19,086,154	19,086,154	13,401,925
Current assets	-	455,704	728,991	1,184,695	1,529,024
Creditors due within one year	-	(748,485)	-	(748,485)	(898,551)
Creditors due in more than one year	-	-	-	-	(34,540)
Provisions for liabilities and charges	-	(3,073,000)	-	(3,073,000)	(1,320,000)
	<u>-</u>	<u>(3,365,781)</u>	<u>19,815,145</u>	<u>16,449,364</u>	<u>12,677,858</u>

23. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £	2015 £
Net income/(expenditure) for the year (as per Statement of financial activities)	5,162,506	(5,062,909)
Adjustment for:		
Depreciation charges	356,807	351,288
Dividends, interest and rents from investments	(105)	(62)
Decrease in stocks	-	1,660
Decrease/(increase) in debtors	247,881	(151,345)
(Decrease)/increase in creditors	(144,157)	83,537
Capital grants from DfE and other capital income	(1,608,371)	(1,191,594)
Defined benefit pension scheme cost less contributions payable	310,000	99,000
Defined benefit pension scheme finance cost	52,000	48,000
Transfer from Local Authority on conversion	-	(4,873,483)
Transfer of Academy to new sponsors	-	10,023,001
Donated assets	(5,332,000)	-
Net cash used in operating activities	<u>(955,439)</u>	<u>(672,907)</u>

24. Analysis of cash and cash equivalents

	2016 £	2015 £
Cash in hand	757,388	853,836
Overdraft facility repayable on demand	-	(1,657)
Total	<u>757,388</u>	<u>852,179</u>

25. Contingent liabilities

Included within incoming resources are emergency grants received from the Education Funding Agency (EFA) totalling £345,440. The EFA reserve the right to request repayment of the emergency cash advances at a later date.

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26. Capital commitments

At 31 August 2016 the Academy Trust had capital commitments as follows:

	2016 £	2015 £
Contracted for but not provided in these financial statements	<u>257,063</u>	<u>568,107</u>

27. 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 the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by East Sussex County Council for: Marshlands Academy, White House Academy, Newhaven Academy and Hailsham Academy staff; and Kent County Council for staff at the other academies. Both are 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 2013.

Contributions amounting to £4,080 were payable to the schemes at 31 August 2016 (2015: £Nil) 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 (2010) and, from 1 April 2014, by the Teachers' Pension Scheme 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

Not less than every four years 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) 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 (currently 14.1%)
- 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%.

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27. Pension commitments (continued)

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £685,316 (2015: £669,632).

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).

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The 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 2016 was £530,000 (2015: £326,000), of which employer's contributions totalled £412,000 (2015: £252,000) and employees' contributions totalled £118,000 (2015: £74,000). The agreed contribution rates for future years are 20.1% for employers in Kent, 16% to 22% for employers in East Sussex and 5.5% to 12.5% for employees across both regions.

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.

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities - Kent Pension Fund	2.20 %	4.00 %
Discount rate for scheme liabilities - East Sussex Pension Fund	2.10 %	3.80 %
Rate of increase in salaries - Kent Pension Fund	4.10 %	4.50 %
Rate of increase in salaries - East Sussex Pension Fund	4.10 %	4.60 %
Rate of increase for pensions in payment/inflation - Kent Pension Fund	2.30 %	2.70 %
Rate of increase for pensions in payment/inflation - East Sussex Pension Fund	2.10 %	2.70 %
Inflation assumption (CPI) - Kent Pension Fund	2.30 %	2.70 %
Inflation assumption (CPI) - East Sussex Pension Fund	2.10 %	2.70 %
Inflation assumption (RPI) - Kent Pension Fund	3.20 %	3.60 %
Inflation assumption (RPI) - East Sussex Pension Fund	3.10 %	3.80 %

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

	2016	2015
Retiring today		
Males	22.6	22.5
Females	24.9	24.8
Retiring in 20 years		
Males	24.7	24.7
Females	27.2	27.2

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27. Pension commitments (continued)

The Academy Trust's share of the assets in the scheme was:

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	1,904,000	1,227,000
Property	368,000	231,000
Gilts	20,000	15,000
Other Bonds	330,000	216,000
Cash and Alternative assets	77,000	44,000
Target return portfolio	96,000	61,000
	<hr/>	<hr/>
Total market value of assets	2,795,000	1,794,000
	<hr/>	<hr/>

The actual return on scheme assets was £342,000 (2015 - £42,000).

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period.

The returns on gilts and other bonds are assumed to be gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The amounts recognised in the Statement of Financial Activities are as follows:

	2016 £	2015 £
Current service cost (net of employee contributions)	(585,000)	(351,000)
Net interest cost	(52,000)	(48,000)
Gains on curtailments and settlements	(137,000)	-
	<hr/>	<hr/>
Total	(774,000)	(399,000)
	<hr/>	<hr/>
Actual return on scheme assets	342,000	42,000
	<hr/>	<hr/>

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27. Pension commitments (continued)

Movements in the present value of the defined benefit obligation were as follows:

	2016 £	2015 £
Opening defined benefit obligation	3,114,000	4,462,320
Current service cost	585,000	351,000
Interest cost	139,000	110,000
Contributions by employees	118,000	74,000
Actuarial losses/(gains)	1,646,000	(49,000)
Inherited on conversion	-	518,000
Liabilities extinguished on settlements	286,000	-
Benefits paid	(19,000)	(2,000)
Prior year contributions difference	-	(320)
Transfer out of Tabor Academy	-	(2,350,000)
Closing defined benefit obligation	<u>5,869,000</u>	<u>3,114,000</u>

Movements in the fair value of the Academy Trust's share of scheme assets:

	2016 £	2015 £
Opening fair value of scheme assets	1,794,000	1,491,174
Interest income	87,000	62,000
Actuarial gains and (losses)	255,000	(20,000)
Assets distributed on settlements	149,000	-
Contributions by employer	412,000	252,000
Contributions by employees	118,000	74,000
Inherited on conversion	-	328,000
Transfer out of Tabor Academy	-	(390,000)
Benefits paid	(19,000)	(2,000)
Prior year contributions difference	-	(1,174)
Administration expenses	(1,000)	-
Closing fair value of scheme assets	<u>2,795,000</u>	<u>1,794,000</u>

28. Operating lease commitments

At 31 August 2016 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2016 £	2015 £
Amounts payable:		
Within 1 year	4,496	795
Between 1 and 5 years	7,082	133
Total	<u>11,578</u>	<u>928</u>

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29. 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 account:

Henriette LE Forestier Schools Limited (formerly Lilac Sky Schools Limited) - a company in which T Averre-Beeson (the husband of J Fielding, a Trustee during the year) has a majority interest. During the year Henriette LE Forestier Schools Limited provided central services, support and leadership and supplied senior staff to The Lilac Sky Schools Trust for £Nil (2015: £34,635). In addition, Lilac Sky School Trust recharged £nil (2015: £179,521) to Henriette LE Forestier Schools Limited for the provision of staff. At the year end there was an amount owing to the Academy Trust from Henriette LE Forestier Schools Limited of £87,804 (2015: £87,804).

Lilac Sky Education Limited (formerly Lilac Sky Outstanding Education Services Limited) - a company in which T Averre-Beeson (the husband of J Fielding, a Trustee during the year) has a majority interest. During the year Lilac Sky Education Limited provided services to The Lilac Sky Schools Trust for £Nil (2015: £271,742). At the year end there was an amount owing to the Academy Trust from Lilac Sky Education Limited of £Nil (2015: £44,261).

During the year, K Cooper, a Trustee, provided PA services and admin support to the Lilac Sky Schools Trust for £11,885 (2015: £16,403). At the year end there are no amounts were outstanding.

During the year, V Rezaie, the step-daughter of J Fielding, was employed as a Principal in the Academy Trust. The cost to the Academy Trust for her employment was £72,686 (2015: £63,208).

Corporate Bespoke Services Limited (formerly Trevor Averre Beeson Limited) - a company in which T Averre-Beeson (the husband of J Fielding, a Trustee during the year) has a majority interest. During the year, Corporate Bespoke Services Limited provided services to The Lilac Sky Schools Trust for £217,500 (2015: £90,000). At the year end there were no amounts outstanding. The Trust did not undertake a competitive tendering exercise in accordance with its financial regulations for these transactions.

During the year, P Bunn, a Trustee, provided leadership support to the Lilac Sky Schools Trust for £4,155 (2015: £nil) and charged for attending a Trust Board meeting for £375 (2015: £nil). At the year end no amounts were outstanding.

In entering into the above transactions, the Academy Trust has not complied with the requirements of the EFA's Academies Financial Handbook.

The Woodland Academy Trust - a company in which A Barry is a Trustee. During the year, under the direction of the Regional Schools Commissioner, The Woodland Academy Trust supplied, at cost, senior staff and charged mileage costs totalling £25,122 (2015: £Nil). At the year end there was an amount owed by the Academy Trust of £19,517 (2015: £Nil).

The above transaction, has complied with the requirements of the EFA's Academies Financial Handbook.

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30. Post balance sheet events

The Regional Schools Commissioner has authorised the Academy Trust to be rebrokered which the Trustees are overseeing and expect to take place on 31 December 2016. It is anticipated that the existing Academy Trust will be wound up in due course.

31. Controlling party

The Academy Trust is run by the management team on a day to day basis. Strategic decisions are made by the Board of Trustees. There is no ultimate controlling party.

32. First time adoption of FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Trustees have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

Reconciliation of total funds	Notes	1 September 2014	31 August 2015
		£	£
Total funds under previous UK GAAP		26,495,942	12,677,858
Total funds reported under FRS 102		<u>26,495,942</u>	<u>12,677,858</u>

Reconciliation of net (expenditure)	Notes	31 August 2015
		£
Net (expenditure) previously reported under UK GAAP		(5,031,909)
Change in recognition of LGPS pension cost	A	(31,000)
Net movement in funds reported under FRS 102		<u>(5,062,909)</u>

Explanation of changes to previously reported funds and net income/expenditure:

A	Under previous UK GAAP the Trust recognised an expected return on defined benefit plan assets in expense. Under FRS102 a net interest expense, based on the net defined benefit liability, is recognised in expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expense by £31,000 and increase the credit in other recognised gains and losses in the Statement of financial activities by an equivalent amount.
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