

REGISTERED COMPANY NUMBER: 08289583 (England and Wales)

**Report of the Trustees and
Financial Statements for the Period 12 November 2012
to 31 August 2013
for**

The Lilac Sky Schools Trust



Tile & Co
Warden House
37 Manor Road
Colchester
Essex
CO3 3LX

The Lilac Sky Schools Trust

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for the period 12 November 2012 to 31 August 2013**

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The Lilac Sky Schools Trust

**Reference and Administrative Details
for the Period 12 November 2012 to 31 August 2013**

TRUSTEES	T Averde-Beeson (Chief Executive) (appointed 1/1/2013) C Bowler (Director Of Schools) (appointed 12/11/2012) S T Clark (Academy Principal) (appointed 22/2/2013) R H Cochrane (Principal) (appointed 14/5/2013) Ms J Fielding (Principal Leader) (appointed 22/2/2013) F J Macbean (Head Of Customer Operations) (appointed 22/2/2013) (resigned 27/6/2013) Ms V Rezaie (appointed 12/11/2012) A H Van Helfteren (Managing Director) (appointed 12/11/2012) (resigned 18/11/2013) Ms H E Wilson (Purchasing Manager) (appointed 22/2/2013) (resigned 28/6/2013)
COMPANY SECRETARY	Miss K E Newman
REGISTERED OFFICE	Lilac Sky House Hill Farm Church Lane Ford End, Chelmsford Essex CM3 1LH
REGISTERED COMPANY NUMBER	08289583 (England and Wales)
AUDITORS	Tile & Co Warden House 37 Manor Road Colchester Essex CO3 3LX
SOLICITORS	Michelmores 48 Chancery Lane London WC2A 1JF

The Lilac Sky Schools Trust

Report of the Trustees for the period 12 November 2012 to 31 August 2013

The trustees who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the period 12 November 2012 to 31 August 2013. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005 and the Academies Accounts Direction issued by the Education Funding Agency.

INCORPORATION

The charitable company was incorporated on 12 November 2012.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The academy trust is a company limited by guarantee and an exempt charity, incorporated on 1st January 2013. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of the Lilac Sky Academy Trust Limited are also the directors of the charitable company for the purpose of company law. The charitable company is known as the Lilac Sky Academy Trust and currently operates one academy known as The Lilac Sky Tabor Academy, or Tabor Academy.

Details of governors and members of the trust board who served throughout the year are included in the Reference and Administrative Details section of this report.

Members' liability

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

Trustees' Indemnities

Qualifying third party indemnity provisions are in place in respect of the Trustees.

Principal activities

The main activities of the Academy Trust are 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.

Recruitment and appointment of new trustees

The Trustees are the directors of the charitable company for the purposes of the Companies Act 2006. They are also trustees for the purposes of charity legislation.

The Trustees represent the Sponsors, Lilac Sky Schools. In addition, the academy is represented on the board by the Principal.

The Secretary of State for Education may appoint trustees in certain circumstances, however no such appointments were made in the year under review.

The trustees in office during the year to 31st August 2013 are named in the Reference and Administrative Details section of this report.

Trustees are appointed by nomination by the corporate sponsors with advice from the DfE. In the coming academic year we will be widening the independent character of Trustees and taking cognisance of the need for further financial expertise.

Induction and training of new trustees

Trustees are provided with copies of all essential documentation needed to undertake their role. They are fully briefed by the Chief Executive as to the position of the academy trust, along with its vision and development plan. In-house training is organised as and when required and trustees are informed of external training opportunities.

The Lilac Sky Schools Trust

Report of the Trustees for the period 12 November 2012 to 31 August 2013

STRUCTURE, GOVERNANCE AND MANAGEMENT

Organisational structure

The governance structure of the trust is on two levels the Trust Board and the Local Governing Body The Trust Board of the Lilac Sky Academy Trust is responsible for ensuring that high standards of corporate governance are maintained

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

- Providing strategic direction of the Trust, including the addition of further new academies
- Providing strategic vision and support for school improvement
- Monitoring the effectiveness of the Trusts' support programmes and to ensure that individual academies are satisfied that they are receiving value for money
- Receiving and interrogating reports from the Principal on the effectiveness of their provision for the students in their care

At academy level, the Local Governing Body (LGB) has 8 members consisting of 2 appointed by the sponsors, 3 staff governors (including the Principal) and 3 parent governors

The Chief Executive of the Trust meets weekly with the Principal and Senior Leadership Team to make first-hand observations of the work of the academy

The Principal is required to provide strategic leadership and management of the academy In addition, The Senior Leadership Team also includes 2 Vice Principals, 2 Assistant Principals, the Academy Manager and the PA to the Principal The Trust Board have also appointed two Principal Leaders to support the work of the Senior Leadership Team

Related parties

The Lilac Sky Academy Trust is the charitable trust of Lilac Sky Schools Ltd, a national school improvement company Lilac Sky Schools Ltd has provided central services to the Trust and its Academy during the year The fee charged for these services is calculated as a flat percentage of income Lilac Sky Schools Ltd is owned and controlled by Mr T Averre-Beeson and Ms J Fielding Payments to Lilac Sky Ltd are permitted by the Articles of Association of The Lilac Sky Academy Trust and are within the terms of the funding agreement entered into with the Secretary of State

Risk management

The trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error

A Review process is being undertaken to identify and review the risks to which the academy trust is exposed with systems to be set up to mitigate those risks including insurance cover as appropriate An annual review process will be established to monitor and examine the Trust's areas of operations and the risks that may be faced

OBJECTIVES AND ACTIVITIES

Objectives and aims

The principal object and activity of the charitable company is the operation of Tabor Academy 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 Trust aims to deliver an 'outstanding' education on a fully inclusive basis to the communities it serves

Significant activities

- Oversee conversion of Tabor Academy and seek further opportunities for expansion of the Trust's network of schools
- Training and development opportunities for all staff
- Provide opportunities for all students to gain appropriate academic qualifications through consistently good and outstanding teaching and other support
- Provide a programme of enrichment activities for all students

The Lilac Sky Schools Trust

Report of the Trustees for the period 12 November 2012 to 31 August 2013

OBJECTIVES AND ACTIVITIES

Public benefit

The Trustees 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 makes available its sporting facilities to the wider community for education purposes through negotiated use and by hosting inter-school sporting events.

Partnerships with local schools have also been formed, allowing primary aged pupils to attend educational activities on-site.

ACHIEVEMENT AND PERFORMANCE

Charitable activities

During the course of the year, the Trust has successfully opened its first Academy - The Lilac Sky Tabor Academy. The number of students on roll in the year ended 31st August 2013 was 1029 as at the January 2013 census. The Academy Trust has successfully secured permission to expand its network of schools from the DfE during the next financial year and beyond.

Going concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Key financial performance indicators

The Trustees regularly review the Trust's actual income and expenditure against the agreed annual budget. Any changes that are made to the budget in terms of income or expenditure are approved in line with the authorisation limits set within the Trust's procedural documents. The Trust complies with all terms and conditions of its Funding Agreement.

FINANCIAL REVIEW

Reserves policy

The Trustees will review reserves of the Trust annually. The 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.

Principal funding sources

The majority of the Trust's income is obtained directly from the Education Funding Agency (EFA), an agent of the Department for Education (DfE), in the form of recurrent grants, the use of which is limited to specific purposes. The grants received from the EFA during the year ending 31st August 2013 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

Investment policy and objectives

The Trustees agree all investments made by the Trust and the Academy and will ensure that these are in line with the Charity Commission guidance. Investments are currently restricted to deposit accounts held in UK banks.

FUTURE DEVELOPMENTS

The Lilac Sky Academy Trust is currently undertaking to expand, and discussing the expansion of, its network of academies over the coming years. There are two conversions planned to take place in 2014 and further discussion with the DfE, LAs and Schools regarding further opportunities.

Additionally, Tabor Academy is seeking to undertake remedial building works to its campus to attend to some outstanding maintenance issues and to reconfigure some existing accommodation to meet current needs and demands.

FUNDS HELD AS CUSTODIAN FOR OTHERS

William Julian Courtauld Trust and John Tabor Trust

FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

During the year ended 31st August 2013 total expenditure of £4,868,862 was covered by the funding from the EFA and other income. This resulted in net incoming resources before transfers of £11,377,765.

The Lilac Sky Schools Trust

Report of the Trustees for the period 12 November 2012 to 31 August 2013

FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

PRINCIPAL RISKS AND UNCERTAINTIES

The Trust found that the previous internal control systems and regulations at the school were found to be weak and not fit for purpose. This made the transition to the standards required in the Academies Financial Handbook more difficult in this period of account. In parallel, the establishment of appropriate Trust financial governance and management policies and procedures were not fully completed in the accounting period but have since been addressed.

The Trust has recently undertaken a complete review of internal control systems, regulations and policies. The Trust has developed an action plan to enhance the Trust's financial governance and management, for immediate implementation. The intention is to review this action plan with the Education Funding Agency.

The principal risks impacting the Trust surround possible funding reductions due to a reducing roll. This is a demographic challenge resulting from a lower birth rate which will be reversed in subsequent years. The Trust and Academy are actively undertaking promotional activities to raise student recruitment in those years where spaces exist.

The Trust is unable to fully realise potential income through the rental of its facilities due to an inherited arrangement between the LA and local District Council to use school facilities as a public leisure centre. The Trust is actively engaged in discussion with the District Council to overcome this.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

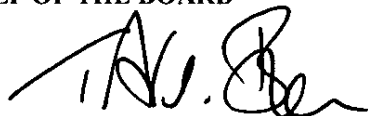
Insofar as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware,
- 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.
- A full fixed asset register was not available to establish valuation and ownership of fixed assets in the period. The Trust is in the process of outsourcing this task to ensure all assets are fully documented.

AUDITORS

The auditors, Tile & Co, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD



T Averre-Beeson - Chief Executive

20 January 2014

The Lilac Sky Schools Trust

Governance Statement for the Period 12 November 2012 to 31 August 2013

Scope of Responsibility

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

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

Governance

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

Trustee	Meetings attended	Out of a possible
T Averre-Beeson (Chief Executive) (appointed 1/1/2013)	3	3
Ms J Fielding (Principal Leader) (appointed 22/2/2013)	3	3
C Bowler (Director Of Schools) (appointed 12/11/2012)	3	3
S T Clark (Academy Principal) (appointed 22/2/2013)	2	3
A H Van Helfteren (Managing Director) (appointed 12/11/2012) (resigned 18/11/2013)	2	3
F J Macbean (Head Of Customer Operations) (appointed 22/2/2013) (resigned 27/6/2013)	2	2
Ms H E Wilson (Purchasing Manager) (appointed 22/2/2013) (resigned 28/6/2013)	2	2

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Lilac Sky Academy Trust for the period 1st January 2013 to 31st August 2013 and up to the date of approval of the annual report and financial statements. It is currently being reviewed by the Trust in view of the issues discussed in the Trustees report.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 1st January 2013 to 31st August 2013 and up to the date of approval of the annual report and financial statements. This process is reviewed regularly by the Board of Trustees.

The Risk and Control Framework

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

- Comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees,
- Regular reviews by the Board of Trustees and Local Governing Body of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes,
- Setting targets to measure financial and other performance,
- Clearly defining purchasing (asset purchase or capital investment) guidelines,
- Delegation of authority and segregation of duties,
- Identification and management of risks

The Lilac Sky Schools Trust

Governance Statement for the Period 12 November 2012 to 31 August 2013

The Risk and Control Framework

The Board of Trustees has considered the need for a specific audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed a Finance and Audit Committee at its meetings on 19th June 2013 to carry out the internal function of audit and oversight of finances.

On a termly basis the committee will report to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities. The Trust's Business Manager has acted as Responsible Officer during the course of the year but will be replaced from January 2014 by the newly appointed Interim Finance Director.

Review of Effectiveness

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


- The work of the external auditor
- The Financial Management and Governance Self-Assessment process
- The work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Board of Trustees and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 20 January 2014 and signed on its behalf by



Ms J Fielding - Principal Leader



T Averre-Beeson - Accounting Officer

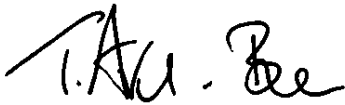
The Lilac Sky Schools Trust

**Statement on Regularity, Propriety and Compliance
for the period 12 November 2012 to 31 August 2013**

As Accounting Officer of the Lilac Sky Academy 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 between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Handbook.

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.

I confirm that the Trust has recently undertaken a complete review of internal control systems, regulations and policies. The Trust has developed an action plan to enhance the Trust's financial governance and management and as Accounting Officer I am responsible for its implementation.



T Averre-Beeson - Accounting Officer

20 January 2014

The Lilac Sky Schools Trust

Statement of Trustees Responsibilities for the period 12 November 2012 to 31 August 2013

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 Report of the Trustees 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 the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charity SORP,
- make judgements and estimates that are reasonable and prudent,
- 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 to 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.

ON BEHALF OF THE BOARD



T Averre-Beeson - Chief Executive

20 January 2014

Report of the Independent Auditors to the Members of The Lilac Sky Schools Trust

We have audited the financial statements of The Lilac Sky Schools Trust for the period ended 31 August 2013 on pages fourteen to thirty. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2013 issued by the Education Funding Agency (EFA).

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

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees Responsibilities set out on page nine, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

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 charitable company'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 Report of the Trustees 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2013 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006, and
- have been prepared in accordance with the Academies Accounts Direction 2013 issued by the EFA.

Opinion on other matter prescribed by the Companies Act 2006

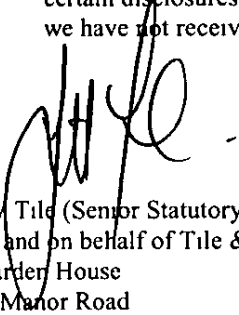
In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Report of the Independent Auditors to the Members of
The Lilac Sky Schools Trust**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



J W Tile (Senior Statutory Auditor)
for and on behalf of Tile & Co
Warden House
37 Manor Road
Colchester
Essex
CO3 3LX

21 January 2014

**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 and further to the requirements of the Education Funding Agency (EFA), as included in the Academies Accounts Direction 2013, 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 period 12 November 2012 to 31 August 2013 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 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 is responsible, under the requirements of The Lilac Sky Schools Trust's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2012, 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 2013. 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 period 12 November 2012 to 31 August 2013 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 2013 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 matter 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 charitable company's income and expenditure

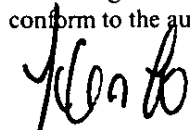
The work undertaken to draw to our conclusion includes

- 1 Assessment of compliance with the funding agreement and Academies Financial Handbook
- 2 Evaluation and assessment of the operating effectiveness of the general control environment
- 3 Assessment of the adequacy of policies and procedures to ensure compliance with the framework of authorities
- 4 Consideration of whether the absence of controls represents a breach of authorities framework
- 5 Consideration of whether expenditure outside of the academies delegated authorities has received departmental approval
- 6 Review of transactions susceptible to a greater risk of impropriety eg credit cards, cash and expenses
- 7 Representations from the accounting officer acknowledging their responsibilities disclosing all non-compliance with laws and regulations specific to the authorising framework

**Independent Reporting Accountant's Assurance Report on Regularity to
The Lilac Sky Schools Trust and the Education Funding Agency**

Conclusion

In the course of our work, except for the matters detailed in the Trustee's Report nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period to 1 January 2013 to 31 August 2013 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them



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21 January 2014

The Lilac Sky Schools Trust

**Statement of Financial Activities
for the period 12 November 2012 to 31 August 2013**

	Notes	General fund £	Restricted funds £	Restricted fixed asset fund £	Total funds £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	189,415	1	-	189,416
Voluntary income - Transfer from Local Authority on conversion		-	(951,885)	12,705,440	11,753,555
Activities for generating funds	3	160,774	-	-	160,774
Investment income	4	182	-	-	182
Incoming resources from charitable activities					
Academy's educational operations	5	-	4,081,132	61,568	4,142,700
Total incoming resources		<u>350,371</u>	<u>3,129,248</u>	<u>12,767,008</u>	<u>16,246,627</u>
RESOURCES EXPENDED					
Costs of generating funds					
Costs of generating voluntary income	7	68,782	-	-	68,782
Charitable activities					
Academy's educational operations	8	93,909	4,351,422	332,594	4,777,925
Governance costs	9	-	22,155	-	22,155
Total resources expended	6	<u>162,691</u>	<u>4,373,577</u>	<u>332,594</u>	<u>4,868,862</u>
NET INCOMING/(OUTGOING) RESOURCES					
		187,680	(1,244,329)	12,434,414	11,377,765
Other recognised gains/losses					
Actuarial gains/losses on defined benefit schemes		-	(248,000)	-	(248,000)
Net movement in funds		<u>187,680</u>	<u>(1,492,329)</u>	<u>12,434,414</u>	<u>11,129,765</u>
TOTAL FUNDS CARRIED FORWARD		<u><u>187,680</u></u>	<u><u>(1,492,329)</u></u>	<u><u>12,434,414</u></u>	<u><u>11,129,765</u></u>

CONTINUING OPERATIONS

All incoming resources and resources expended arise from continuing activities

The notes form part of these financial statements

The Lilac Sky Schools Trust

**Balance Sheet
At 31 August 2013**

	Notes	£
FIXED ASSETS		
Tangible assets	12	12,431,175
CURRENT ASSETS		
Stocks	13	3,000
Debtors	14	207,593
Cash at bank		608,114
		<hr/>
		818,707
CREDITORS		
Amounts falling due within one year	15	(343,797)
		<hr/>
NET CURRENT ASSETS		474,910
		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,906,085
PENSION LIABILITY	20	(1,776,320)
		<hr/>
NET ASSETS		11,129,765
		<hr/>
FUNDS	19	
Unrestricted funds		
General fund		187,680
Restricted funds		
Restricted general fund		283,991
Restricted fixed asset fund		12,434,414
Pension reserve		(1,776,320)
		<hr/>
		10,942,085
		<hr/>
TOTAL FUNDS		11,129,765
		<hr/>

The financial statements were approved by the Board of Trustees on 20 January 2014 and were signed on its behalf by



T Averre-Beeson -Chief Executive

The notes form part of these financial statements

The Lilac Sky Schools Trust

**Cash Flow Statement
for the period 12 November 2012 to 31 August 2013**

	Notes	£
Net cash inflow from operating activities	1	42,578
Cash transferred on conversion to an academy		562,115
Returns on investments and servicing of finance	2	182
Capital expenditure and financial investment	2	3,239
		<hr/>
Increase in cash in the period		<u>608,114</u>

Reconciliation of net cash flow to movement in net debt

	3	
Increase in cash in the period		<u>608,114</u>
Change in net debt resulting from cash flows		<u>608,114</u>
Movement in net debt in the period		608,114
Net debt at 12 November		<u>-</u>
Net debt at 31 August		<u>608,114</u>

The notes form part of these financial statements

The Lilac Sky Schools Trust

**Notes to the Cash Flow Statement
for the period 12 November 2012 to 31 August 2013**

1. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	£
Net incoming resources	11,377,765
Depreciation charges	332,594
Capital grants from DfE/EFA	(61,568)
Transfer from Local Authority on conversion	(11,753,555)
Interest received	(182)
Increase in stocks	(3,000)
Increase in debtors	(207,593)
Increase in creditors	343,797
Difference between pension charge and cash contributions	14,320
Net cash inflow from operating activities	42,578

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	£
Returns on investments and servicing of finance	
Interest received	182
Net cash inflow for returns on investments and servicing of finance	182
 Capital expenditure and financial investment	
Purchase of tangible fixed assets	(12,763,769)
Capital grants from DfE/EFA	61,568
Transfer from Local Authority conversion	12,705,440
Net cash inflow for capital expenditure and financial investment	3,239

3. ANALYSIS OF CHANGES IN NET DEBT

	At 12 11 12 £	Cash flow £	At 31 8 13 £
Net cash			
Cash at bank	-	608,114	608,114
Total	-	608,114	608,114

The Lilac Sky Schools Trust

notes to the financial statements for the period 12 November 2012 to 31 August 2013

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, the Companies Act 2006, the requirements of the Statement of Recommended Practice Accounting and Reporting by Charities and the Academies Accounts Directions issued by the EFA

Incoming resources

All incoming resources are included on the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy

Grants receivable

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

Donations

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

Other income

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

Donated services and gifts in kind

The value of donated services and gifts in kind provided to the academy trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the academy trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with academy trust's policies.

On conversion to Academy status on 1st January 2013, the Trust received a transfer of leasehold land and buildings and all equipment, furniture, fixtures and fittings on the site of the School for no consideration from Essex County Council. Leasehold land and buildings were valued by a RICS Registered Valuer.

The Lilac Sky Schools Trust

Notes to the Financial Statements - continued for the period 12 November 2012 to 31 August 2013

1. ACCOUNTING POLICIES - continued

Resources expended

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Cost of generating funds

These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities

These are costs incurred on the academy trust's educational operations.

Governance costs

These include the costs attributable to the academy trust's compliance with constitutional and statutory requirements, including audit, strategic management and trustees' meetings and reimbursed expenses.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost
Computer equipment	- 33% on cost

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

Stocks

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

The Trustees have adopted a policy of only valuing catering stock held at the year end.

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.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

The Lilac Sky Schools Trust

Notes to the Financial Statements - continued for the period 12 November 2012 to 31 August 2013

1. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

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 quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

2. VOLUNTARY INCOME

	£
Donations	56,523
Funds inherited on conversion	132,893
	<u>189,416</u>

3. ACTIVITIES FOR GENERATING FUNDS

	£
Other	5,199
Hire of facilities	48,843
Catering income	106,732
	<u>160,774</u>

4. INVESTMENT INCOME

	£
Deposit account interest	182
	<u>182</u>

The Lilac Sky Schools Trust

**Notes to the Financial Statements - continued
for the period 12 November 2012 to 31 August 2013**

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds £	Restricted funds £	Total funds £
DfE/EFA revenue grant			
General Annual Grant(GAG)	-	3,615,444	3,615,444
Other DfE/EFA Grants	-	244,713	244,713
Set-Up Grant	-	25,000	25,000
	<u>-</u>	<u>3,885,157</u>	<u>3,885,157</u>
 DfE/EFA capital grant			
DfE/EFA Capital Grants	-	61,568	61,568
 Other government grant			
LEA & Other Grants	-	195,975	195,975
	<u>-</u>	<u>4,142,700</u>	<u>4,142,700</u>

6. RESOURCES EXPENDED

	Staff costs £	Non-pay expenditure Premises £	Other costs £	Total £
Costs of generating funds				
Costs of generating voluntary income	-	-	68,782	68,782
 Charitable activities				
Academy's educational operations				
Direct costs	2,775,335	-	371,543	3,146,878
Allocated support costs	489,603	567,099	574,345	1,631,047
	<u>3,264,938</u>	<u>567,099</u>	<u>1,014,670</u>	<u>4,846,707</u>
 Governance costs including allocated support costs	980	-	21,175	22,155
	<u>3,265,918</u>	<u>567,099</u>	<u>1,035,845</u>	<u>4,868,862</u>

Net resources are stated after charging/(crediting)

	£
Auditors' remuneration	15,000
Auditors' remuneration for non-audit work	6,175
Depreciation - owned assets	332,594
Other operating leases	10,184
	<u>363,949</u>

7. COSTS OF GENERATING VOLUNTARY INCOME

	£
Trips and event costs	68,782
	<u>68,782</u>

The Lilac Sky Schools Trust

**Notes to the Financial Statements - continued
for the period 12 November 2012 to 31 August 2013**

8. RESOURCES EXPENDED FROM CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds £	Restricted funds £	Total funds £
Direct costs			
Teaching and educational support staff	-	2,775,335	2,775,335
Technology costs	-	90,198	90,198
Rewards & CAP	-	155	155
Examination fees	-	81,711	81,711
Staff development	-	17,462	17,462
Educational costs	-	24,852	24,852
Goods and services	-	157,165	157,165
	-	3,146,878	3,146,878
Allocated support costs			
Support staff costs	-	489,603	489,603
Depreciation	-	332,594	332,594
Technology costs	-	218,661	218,661
Recruitment and support	-	19,387	19,387
Maintenance of premises and equipment	-	261,197	261,197
Cleaning	-	7,448	7,448
Rent and rates	-	33,098	33,098
Energy costs	-	84,907	84,907
Insurance	-	33,379	33,379
Security and transport	-	680	680
Catering	93,909	-	93,909
Other support costs	-	56,184	56,184
	93,909	1,537,138	1,631,047
	93,909	4,684,016	4,777,925

9. GOVERNANCE COSTS

	£
Trustees' expenses	980
Auditors' remuneration	15,000
Auditors' remuneration for non-audit work	6,175
	22,155

The Lilac Sky Schools Trust

**Notes to the Financial Statements - continued
for the period 12 November 2012 to 31 August 2013**

10. TRUSTEES' REMUNERATION AND BENEFITS

The principal only received remuneration in respect of services he provided undertaking the role of principal and not in respect of services as a trustee. Other trustees did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees. The value of trustees' remuneration was as follows:

S Clark (principal and trustee) £90,001 - £100,000

Trustees' expenses

	£
Trustees' expenses	980
	<u>980</u>

11. STAFF COSTS

	£
Wages and salaries	2,745,358
Social security costs	187,277
Other pension costs	332,303
	<u>3,264,938</u>

The average number of persons (including senior management team) employed by the charitable company during the period expressed as full time equivalents was as follows:

Teachers	153
Administration and Support	44
Management	13
	<u>210</u>

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

£70,001 - £80,000	3
£90,001 - £100,000	1
	<u>4</u>

The above employees all participated in the Teachers' Pension Scheme. During the period ended 31 August 2013, pension contributions for these staff amounted to £29,345.

12. TANGIBLE FIXED ASSETS

	Long leasehold £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
Additions	11,366,940	250,584	1,129,489	16,756	12,763,769
	<u>11,366,940</u>	<u>250,584</u>	<u>1,129,489</u>	<u>16,756</u>	<u>12,763,769</u>
DEPRECIATION					
Charge for year	151,355	30,278	150,500	461	332,594
	<u>151,355</u>	<u>30,278</u>	<u>150,500</u>	<u>461</u>	<u>332,594</u>
NET BOOK VALUE					
At 31 August 2013	11,215,585	220,306	978,989	16,295	12,431,175
	<u>11,215,585</u>	<u>220,306</u>	<u>978,989</u>	<u>16,295</u>	<u>12,431,175</u>

The Lilac Sky Schools Trust

**Notes to the Financial Statements - continued
for the period 12 November 2012 to 31 August 2013**

13. STOCKS

	£
Stocks	3,000
	<u> </u>

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Trade debtors	35,046
VAT	136,652
Accrued income	14,541
Prepayments	21,354
	<u> </u>
	207,593
	<u> </u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Trade creditors	(1,686)
Other creditors	45,889
Accrued expenses	299,594
	<u> </u>
	343,797
	<u> </u>

16. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Other operating leases £
Expiring Within one year	2,606
	<u> </u>

17. MEMBERS' LIABILITY

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

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

				2013
	General fund	Restricted funds	Restricted fixed asset fund	Total funds
	£	£	£	£
Fixed assets	-	-	12,431,175	12,431,175
Current assets	187,681	627,787	3,239	818,707
Current liabilities	(1)	(343,796)	-	(343,797)
Pension liability	-	(1,776,320)	-	(1,776,320)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	187,680	(1,492,329)	12,434,414	11,129,765
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Lilac Sky Schools Trust

**Notes to the Financial Statements - continued
for the period 12 November 2012 to 31 August 2013**

19. MOVEMENT IN FUNDS

	Net movement in funds £	At 31 8 13 £
Unrestricted funds		
General fund	187,680	187,680
Restricted funds		
Restricted general fund	283,991	283,991
Restricted fixed asset fund	12,434,414	12,434,414
Pension reserve	(1,776,320)	(1,776,320)
	<u>10,942,085</u>	<u>10,942,085</u>
TOTAL FUNDS	<u><u>11,129,765</u></u>	<u><u>11,129,765</u></u>

Net movement in funds, included in the above are as follows

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds				
General fund	350,371	(162,691)	-	187,680
Restricted funds				
Restricted general fund	4,643,248	(4,359,257)	-	283,991
Restricted fixed asset fund	12,767,008	(332,594)	-	12,434,414
Pension reserve	(1,514,000)	(14,320)	(248,000)	(1,776,320)
	<u>15,896,256</u>	<u>(4,706,171)</u>	<u>(248,000)</u>	<u>10,942,085</u>
TOTAL FUNDS	<u><u>16,246,627</u></u>	<u><u>(4,868,862)</u></u>	<u><u>(248,000)</u></u>	<u><u>11,129,765</u></u>

20. PENSION AND SIMILAR OBLIGATIONS

The academy's employees belong to two principal pension schemes the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Essex County Council Both are defined-benefit schemes

The pension costs are assessed in accordance with the advice of independent qualified actuaries The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2010

There were no outstanding or prepaid contributions at either the beginning or the end of the financial period

The Lilac Sky Schools Trust

Notes to the Financial Statements - continued for the period 12 November 2012 to 31 August 2013

20. PENSION AND SIMILAR OBLIGATIONS - continued

Teachers' pension scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include a pension based on career average earnings, an accrual rate of 1/57th, and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

The Lilac Sky Schools Trust

Notes to the Financial Statements - continued for the period 12 November 2012 to 31 August 2013

20. PENSION AND SIMILAR OBLIGATIONS - continued

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall just outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases were to be phased in from April 2012 on a 40:80:100% basis.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

Local government pension scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £165,586, of which employer's contributions totalled £128,680 and employees' contributions totalled £36,906. The agreed contribution rates for future years are between 5.5% and 6.8% for employees and 12.3%, with additional contributions of £70,545 for the year ended 31 March 2014 payable in equal monthly instalments, for the trust.

The amounts recognised in the balance sheet are as follows

	Defined benefit pension plans £
Present value of funded obligations	(1,946,906)
Fair value of plan assets	170,586
	<u>(1,776,320)</u>
Deficit	<u>(1,776,320)</u>
Liability	<u><u>(1,776,320)</u></u>

The amounts recognised in the statement of financial activities are as follows

	Defined benefit pension plans £
Current service cost	97,000
Interest cost	49,000
Expected return	(3,000)
	<u>143,000</u>
Actual return on plan assets	<u><u>8,000</u></u>

The Lilac Sky Schools Trust

**Notes to the Financial Statements - continued
for the period 12 November 2012 to 31 August 2013**

20. PENSION AND SIMILAR OBLIGATIONS - continued

Changes in the present value of the defined benefit obligations are as follows

	Defined benefit pension plans £
Defined benefit obligation	(1,514,000)
Current service cost	(97,000)
Interest cost	(49,000)
Actuarial losses/(gains)	(253,000)
Benefits paid	3,000
Oblig e'ee contributions	(36,906)
	<u>(1,946,906)</u>

Changes in the fair value of scheme assets are as follows

	Defined benefit pension plans £
Contributions by employer	128,680
Expected return	3,000
Actuarial gains/(losses)	5,000
Benefits paid	(3,000)
Assets e'ee contributions	36,906
	<u>170,586</u>

The Lilac Sky Schools Trust

**Notes to the Financial Statements - continued
for the period 12 November 2012 to 31 August 2013**

20. PENSION AND SIMILAR OBLIGATIONS - continued

The major categories of scheme assets as amounts of total scheme assets are as follows

	Defined benefit pension plans £
Equities	110,881
Gilts	13,647
Other Bonds	15,353
Property	18,764
Cash	5,118
Alternative Assets	6,823
	<u>170,586</u>

Expected return at 31 8 13

Equities	6.6%
Gilts	3.5%
Other Bonds	4.4%
Property	5.6%
Cash	0.5%
Alternative Assets	4.4%
Total	5.8%

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

The returns on gilts and other bonds are assumed to be the 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.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

Discount rate	4.7%
Future salary increases	4.7%
Future pension increases	2.9%
Inflation (CPI)	2.9%
Commutation of pensions to lump sums	50%

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

	At 31 8 13
Retiring today	
Males	22.7
Females	25.3
Retiring in 20 years	
Males	24.2
Females	26.9

The Lilac Sky Schools Trust

**Notes to the Financial Statements - continued
for the period 12 November 2012 to 31 August 2013**

20. PENSION AND SIMILAR OBLIGATIONS - continued

Amounts for the current period are as follows

	£
Defined benefit pension plans	
Defined benefit obligation	(1,946,906)
Fair value of scheme assets	170,586
Deficit	(1,776,320)
Experience adjustments on scheme liabilities	(253,000)
Experience adjustments on scheme assets	5,000

21. RELATED PARTY DISCLOSURES

The Academy is controlled by the Trustees

During the period Lilac Sky Schools Ltd provided support services to The Lilac Sky Schools Trust for £198,000. Lilac Sky Schools Ltd is a company owned by trustees Mr T Avere-Beeson and Ms J Fielding. These transactions have been conducted at arms length and are in accordance with the funding agreement.

During the period the Academy incurred costs of £2,855.94 from Van Cols Ltd, a company owned by Mr J Van Helfteren. These transactions have been conducted under normal commercial terms.