

MHS EDUCATION
(A company limited by guarantee)

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

for the period ended
31 August 2011



MHS Education
REFERENCE AND ADMINISTRATIVE DETAILS

Directors and Trustees

T Elliott
A Micklefield
D Morgan
J Townsley

Company Secretary

J Shore

Principal and Registered Office

Fountain Street
Morley
Leeds
West Yorkshire
LS27 0PD

Company Registration Number

07465701 (England and Wales)

Independent Auditor

Baker Tilly UK Audit LLP
2 Whitehall Quay
Leeds
LS1 4HG

Bankers

Lloyds TSB
44 Queens St
Morley
Leeds
LS27 9BR

Solicitors

Wrigleys
19 Cookridge St
Leeds
LS2 3AG

MHS Education DIRECTORS' REPORT

The directors of MHS Education (who are also the trustees for the purposes of the Companies Act 2006) present their annual report together with the audited financial statements and auditors' report of MHS Education for the period from 9 December 2010 to 31 August 2011

This report also represents the trustees' report which is prepared in accordance with the Companies Act 2006

Constitution and Governance

MHS Education was incorporated on the 9 December 2010 and began trading on 1 January 2011

MHS Education is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association dated 16 December 2010 are the primary governing documents of the Academy Trust.

MHS Education is currently responsible for The Morley Academy.

The directors act as trustees for the charitable activities of MHS Education. The Charitable Company is known as MHS Education.

Details of the directors who served throughout the year are included in the Reference and Administrative details on page 1.

Members' liability

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

Governors' indemnity provisions are described in Note 10 to the financial statements.

Principle activities

The principle object of MHS Education is to advance for the public benefit education in the United Kingdom, in particular establishing, maintaining, managing and developing schools/academies offering a broad and balanced curriculum.

Directors

The articles of association require the appointment of at least three directors. The directors of the company are also trustees of the charity. The subscribing members of MHS Education have appointed four directors to the Company. The term of office for a director is currently four years and any director may be re-appointed.

Where necessary, directors have received training on legal and financial matters to enable them to undertake their role as directors.

Directors (continued)

The directors are responsible for setting the strategic direction of MHS Education, reviewing and agreeing the Company's policies and procedures and making major decisions about the arrangements entered into by MHS Education

The directors intend on meeting at least three times in each financial year to discuss the business of MHS Education

The directors have delegated a number of their functions to the local governing body of The Morley Academy. Details of the organisation and management of The Morley Academy are set out below. The day to day running of The Morley Academy is delegated by the Governing Body to the Senior Leadership Team of the Morley Academy.

Method of recruitment and appointment or election of the local governing body

The Structure of the Local Governing Body

The Governing Body is comprised of Community Governors, Staff Governors and Parent Governors. Governors are appointed to serve a four year term in accordance with an instrument of government agreed by the Governing Body. The Community Governors are appointed at a meeting of the Governing Body on the basis of nominations received. Parent Governors are elected by parents of the children attending the Morley Academy. Staff Governors are elected by staff of the Morley Academy.

New Governors are inducted into the workings of the Academy, including policies and procedures, at arranged meetings with the Director of Finance and Facilities and the Executive Principal. Each Governor is provided with a handbook of policies which is updated on a regular basis. Governors are invited to attend various training sessions covering all matters of governance organised by Leeds City Council. The Governing Body have designated Governors for key areas of responsibility, such as Special Educational Needs, Safeguarding, and policy review.

All Governors give their time freely and no remuneration or expenses were paid in the year.

Organisational structure

The Governing Body meets as a full body a minimum of four times throughout the year to discuss

- Strategic matters of the Morley Academy, and
- Significant operational developments

Organisational Structure (continued)

There are then two committees which meet once per term on which a designated number of Governors sit

- Whole School performance – which covers assessment, examination results and student progress and performance management of staff, and
- Finance and Risk – which covers budgets, risk, health & safety, buildings and grounds

There are a minimum of 3 Strategic Review meetings, one per term, to which all Governors are invited and which address key strategic issues with members of the Senior Leadership Team

Risk management

The Governing Body is responsible for the management of the risks faced by The Morley Academy. Detailed consideration of the risks is reviewed by the Finance and Risk committee, who are assisted by the Senior Leadership Team. Risks are identified and assessed and controls are established on an ongoing basis.

The main risks to The Morley Academy as identified in the risk register are

- Changes in Government legislation, particularly with regard to funding,
- Inadequate budgetary control, and
- Failure of ICT including back up procedures

Through the risk management processes established for the Morley Academy, the Governing Body is satisfied that the major risks have been adequately mitigated where necessary. It is recognised that systems and procedures can only provide reasonable but not absolute assurance that major risks have been adequately managed.

The key controls used by The Morley Academy are

- Formal agendas for Governing Body activity,
- Detailed and comprehensive terms of reference and standing orders for the Governing Body and all committees,
- Comprehensive strategic planning, budgeting and management accounting;
- Established organisational structure and lines of reporting,
- Formal written policies,
- Clear authorisation and approval levels, and
- Vetting and clearance procedures as required by law for the protection of children and young people

Connected organisations, including related party relationships

The Morley Academy works in partnership with Farnley Park High School in Leeds. It is the current intention of MHS Education to become their sponsor in their conversion to Academy status for January 2012, supported by the DfE. MHS Education, through the Morley Academy, has put in place a model of distributed leadership to strengthen the academic outcomes of Farnley Park High School.

It is anticipated that the Principal of The Morley Academy will become the Executive Principal of the 2 academies reporting to the Board of MHS Education, from January 2012.

Objectives and aims of the Morley Academy

The Academy's objectives are ambitious and are for young people to be successful learners who enjoy learning, make progress and achieve, are confident individuals who have a sense of self-worth and personal identity, and are responsible citizens who make a positive contribution to society.

The Academy's strategic aim is to provide a broadly-based education of academic excellence, supported by a wide range of sport, music, drama and other extra-curricular activities and trips, which broaden the horizons of the young people in the Academy.

Besides a focus on the continued achievement of academic performance, the Academy strives to engage parents and carers in supporting the learning of their children through its Engage programme which takes place out-of-hours.

Achievements and Performance

Once again the Academy achieved excellent examination results for the 2010/11 academic year – 84% A*-C, 64% A*-C including English and Mathematics at GCSE level. 98.4% of students achieved 5 A*-G and all of these results exceeded FFT D targets. 84% of students made at least 3 levels of progress in English and 63% in Maths. The Maths result equalled the FFT D target and the English result exceeded it by 14%.

At Key Stage 3 63% of students achieved level 6 in English against a target of 56% and 93% level 5 against a target of 90%. In Maths these figures were 80% at level 6 against a target of 71%, and 92% at Level 5 against a target of 89%. In Science 68% of students achieved level 6 against a target of 62% and 92% Level 5 against a target of 90%. Levels of progress at KS3 were also strong. 46% of students made 2 levels of progress in English, from KS2-3 against a target of 45% and in Maths 83% against a target of 71%.

Achievements and Performance (continued)

At A Level the pass rate was 97% with 65% of students achieving grades A*-C and 36% of students achieved the highest grades of A*-B. These were the best results in the Academy's history and of the 75 students who applied to go on to university 73 had secured a place at the start of this academic year.

Attendance figures for the 2010/11 academic year were our best ever at 94.5% and once again our exclusion figures have decreased from 28 fixed term exclusions in 2009/10 to just 20 for 2010/11.

The Academy was last inspected in 2009 when it was judged 'Outstanding' for its overall effectiveness, its achievements and standards, its personal development and well-being of students, the quality of provision and leadership and management. The Academy has ensured that these standards have been sustained and built upon since the inspection.

Further awards achieved in 2010/11 include Investors in Pupils award and full International Schools award. These are on top of our Investors in People Champion (Now Gold) award – The Morley Academy being one of only 4 secondary schools in the country to have such an award.

All staff have met their Performance Management targets and all NQTs and GTP trainee teachers were successful in meeting their relevant training standards. The 2 GTP trainees have been kept on by the Academy to undertake their NQT Induction year.

Extra-curricular activities

An extensive range of extra-curricular activities have taken place over the past year to extend the learning experiences of students.

The PE, Drama/Dance and Music departments run approximately 65% of clubs in the Academy. 545 students took part in a club in the 2010/11 academic year and there were 987 instances of students taking part in extra-curricular clubs. A wide range of subject areas also run extra-curricular clubs including Art, English, History, Japanese, Maths, Learning Challenge, Science, and Technology. There are also a number of competitions entered by the Academy to support academic study such as the Rotary Club Technology competition, The Spelling Bee and Mathematics challenges. 2011 also saw the Hair and Beauty department reveal the full range of their talents in a fashion and beauty show which was acclaimed on a national level via the Hair and Beauty industry magazine.

Educational trips both at home and abroad are an important feature of extra-curricular activity. 916 students attended a trip or visit last year and there were 1638 instances of students taking part in a visit or trip. For the 2010/11 academic year these included a Geography trip to New York, a skiing trip to Austria and an MFL visit to Northern France. Nearer home there were visits to a wide range of

Extra-curricular activities (continued)

destinations including London, Whitby, the Yorkshire Sculpture Park, Herd Farm, places of worship and the Clothes Show

Students and staff in the Academy, often led by students in our Post-16 provision, continue to raise money for charities like Comic Relief, Children in Need and Breast Cancer Awareness. As well as helping worthwhile causes, fund raising also helps to improve Academy morale and community spirit

Public benefit

Volunteers

Through the "Friends of Morley" a number of parents and carers help in fund-raising activities throughout the year. Another group of parents, Parent Voice, serve as critical friends to the Academy. A number of these members are also members of the Governing Body. In addition there is a group of parents, carers and members of the local community - the Community Support team - who assist in providing supervision for a wide range of extra-curricular activities, including residential trips and day trips out of school.

The Directors are aware of and have complied with the duty in Section 4 of the Companies Act 2006 to have due regard to the public benefit guidance published by the Charities Commission.

Building developments

Over the last 2 years significant building developments have taken place, including the refurbishment of the Post-16 facilities, the re-development of the Hair and Beauty centre and a complete new build for the Music department (the latter being part funded by Leeds City Council).

In the summer of 2011 the Academy has re-designed and re-built toilet facilities for students (funded through a successful bid to the DfE through their Capital Grant fund). The Academy has re-tarmaced the whole of the all-weather pitch and is currently converting an open-air social area into a fitness suite. Through a successful bid to access monies through the Capital Grant fund, work is due to commence in the immediate future on the re-cladding and re-roofing of the main building.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that MHS Education 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.

Key financial performance indicators

MHS Education has had a successful financial period. Net incoming resources were £9,294k which includes land, buildings and pension liabilities of £9,233k transferred on conversion, with net current assets at 31 August 2011 of £112k.

The tangible fixed assets total has increased by £393k as a result of investments including the new toilet facilities, equipping the new music block and ICT resources.

As at 31 August 2011 MHS Education had cash reserves of £793k which includes deferred income of £239k of which £182k relates primarily to the successful Partnership for Schools bid for the refurbishment of roofs and windows. The work will commence in the autumn term.

MHS Education's income is derived in the main from the Department for Education (DFE) and the Local Education Authority (LEA) in the form of recurrent and capital grants, the use of which is restricted to particular purposes. The grants received from the DFE and the LEA during the period ended 31 August 2011 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The Academy also received grants for the acquisition of fixed assets from the DFE. In accordance with the charities statement of recommended practice, "Accounting and Reporting by Charities" (SORP 2005), such grants are shown in the statement of financial activities as restricted income in the fixed asset fund. The restricted fixed assets fund is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Reserves policy

MHS Education has 3 categories of reserves. Restricted Funds, which is GAG funding used to carry out the principal objects of the organisation, Fixed Asset Reserve used to finance fixed assets and Unrestricted reserves which is used under the direction of the board of directors and which has been delegated to the Governing Body.

The unrestricted reserves of £117k are freely available for general purposes. These will be allocated in line with the strategic objectives of MHS Education.

The restricted funds of £9,136 include the transfer from Leeds City Council of £9,514k and pension liability of £516k (see note 23).

MHS Education DIRECTORS' REPORT

The restricted pension fund is therefore in deficit to the value of £594k as at 31 August 2011, which is in excess of the unrestricted funds. However this deficit has been inherited upon conversion to Academy status. The Director's will continue to monitor this situation closely.

Investment policy

Currently MHS Education has no significant funds for investment purposes. Short term high interest deposit accounts are used to maximise the return on current balances.

The Academy's Plans for Future Periods

The "Continuing Strategy for Transformation" incorporates a number of key areas, some of which are new targets and others which build on strategies already introduced. Of direct relevance to the Academy's academic success are the following:

- To develop leadership at all levels,
- To engage all learners through innovative teaching and learning,
- To develop further the use of assessment,
- To link learning across the curriculum and embed key skills of literacy, numeracy and ICT,
- To engage parents and carers in the work of the academy,
- To develop the Post-16 provision,
- To strategically lead the work of the ASTs,
- To inspire ambition through excellent careers information, advice and guidance,
- To improve even further behaviour and attendance,
- To achieve Teaching Schools status,
- To provide outstanding provision for gifted and talented students,
- To provide outstanding provision for Free School Meals and Looked After children, and
- To develop the use of IRIS

From a wider perspective the Academy's aim is to provide support to other institutions whose circumstances may be challenging and for whom we may assume a sponsorship role.

Auditors

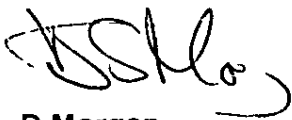
Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

MHS Education
DIRECTORS' REPORT

Statement as to disclosure of information to auditors

The directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Approved by order of the Board of Directors at its meeting on 30 November 2011 and signed on its behalf by



D Morgan
Chair

Scope of responsibility

The board of directors of the company acknowledges that it has overall responsibility for ensuring MHS Education 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 directors has delegated the internal control systems of the Morley Academy to its Governing Body. The Governing Body has delegated the day-to-day responsibility to the Executive Principal, 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 the Accounting Officer in the Funding Agreement between MHS Education and the Secretary of State for Education. The Accounting Officer is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control. The Governing Body reports any material concerns to the board of directors of MHS Education.

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 ongoing process designed to identify and prioritise the risks to the achievement of MHS Education 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 MHS Education for the year ended 31 August 2011 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Governing Body has reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the significant risks. The board of directors is satisfied with the controls put in place by the Governing Body of the Academy and believes that there has been an adequate process for identifying, evaluating and managing MHS Education's significant risks up to and including the year ending 31 August 2011 and up to the date of approval of the annual report and financial statements. The directors are satisfied that the risk management process is regularly reviewed.

MHS Education
STATEMENT ON INTERNAL CONTROL

The risk and control framework

MHS Education's system of internal financial control is based on a framework of regular management information and administrative procedures (including the segregation of duties and a system of delegation and accountability) In particular, it includes

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

MHS Education's board of directors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor However, in the exercise of its delegated power the Governing Body of the Academy has appointed Mr C Glen, a Governor of the Academy, as Responsible Officer ('RO') The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems On a quarterly basis, the RO reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities The latest RO report found no material control issues

Review of effectiveness

As Accounting Officer, the Executive Principal 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 Responsible Officer
- The work of the external auditor

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

Approved by the order of the Board of Directors at its meeting on 30th November 2011 and signed on its behalf by



Mr D Morgan
Chair



Mr J A Townsley
Accounting Officer

MHS Education
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors (who act as trustees for the charitable activities of MHS Education) are responsible for preparing the Annual Report and the financial statements in accordance with the Annual Accounts Requirements issued by the Young People's Learning Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors 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 directors are required to

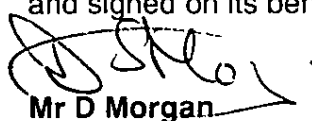
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business

The directors 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 directors 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 YPLA/DfE have been applied for the purposes intended.

The directors are responsible for the maintenance and integrity of the corporation and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the order of the Board of Directors at its meeting on 30 November 2011 and signed on its behalf by


Mr D Morgan
Chair

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MHS
EDUCATION (A COMPANY LIMITED BY GUARANTEE) AS AT 31 AUGUST 2011

We have audited the financial statements of MHS Education for the period ended 31 August 2011 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, and 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, and the Academies Accounts Direction 2010/11 issued by the Young People's Learning 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 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 directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the directors (who act as trustees for the charitable activities of the company, and are also the directors of the 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2011 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 Companies Act 2006,
- have been prepared in accordance with the Academies Accounts Direction 2010/11 issued by the Young People's Learning Agency.

Opinion on other matter

In our opinion grants made by the Department for Education have been applied for the purposes intended.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MHS
EDUCATION (A COMPANY LIMITED BY GUARANTEE) AS AT 31 AUGUST 2011

Opinion on other requirement of the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

- the charity has not kept adequate accounting records, 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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Baker Tilly UK Audit LLP

SHAUN MULLINS ACA (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

2 Whitehall Quay

Leeds

LS1 4HG

Date *1 December 2011*

MHS Education
STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND
EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS
AND LOSSES)
for the period ended 31 August 2011

	Notes	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total 2011 £'000
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	-	-	37	37
Activities for generating funds	3	131	-	-	131
Assets transferred from predecessor school	23	179	-	9,514	9,693
Investment income		1	-	-	1
Incoming resources from charitable activities					
Funding for the Academy's educational operations	4	-	5,215	-	5,215
Other Incoming resources		206	124	-	330
Total incoming resources		517	5,339	9,551	15,407
RESOURCES EXPENDED					
Charitable activities					
Academy's educational operations	6	(260)	(5,210)	(177)	(5,647)
Liabilities transferred from predecessor school	23	-	(460)	-	(460)
Governance costs	7	-	(6)	-	(6)
Total resources expended		(260)	(5,676)	(177)	(6,113)
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS		257	(337)	9,374	9,294
Transfers between funds	15	(140)	(216)	356	-
NET INCOME/(EXPENDITURE) FOR THE PERIOD		117	(553)	9,730	9,294
OTHER RECOGNISED LOSSES ON DEFINED BENEFIT PENSION SCHEME					
Actuarial losses on defined benefit pension scheme	24	-	(41)	-	(41)
NET MOVEMENT IN FUNDS		117	(594)	9,730	9,253
RECONCILIATION OF FUNDS					
Funds brought forward at 9 December 2010		-	-	-	-
FUNDS CARRIED FORWARD AT 31 AUGUST 2011	15	117	(594)	9,730	9,253

All of the Academy's activities derive from acquisitions in the current financial period
A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities

MHS Education
BALANCE SHEET
As at 31 August 2011

Company No 07465701

	Notes	2011 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	11		9,735
CURRENT ASSETS			
Stock	12	17	
Debtors	13	167	
Cash at bank and in hand		793	
		<u>977</u>	
CREDITORS Amounts falling due within one year	14	865	
		<u></u>	
NET CURRENT ASSETS			112
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>9,847</u>
NET ASSETS EXCLUDING PENSION LIABILITY			9,847
Pension scheme liability	24		(594)
NET ASSETS INCLUDING PENSION LIABILITY			<u>9,253</u>
			<u></u>
FUNDS OF THE ACADEMY			
RESTRICTED FUNDS			
Fixed asset fund	15		9,730
General fund	15		-
Pension reserve	15		(594)
TOTAL RESTRICTED FUNDS			<u>9,136</u>
UNRESTRICTED FUNDS			
General fund	15		117
TOTAL UNRESTRICTED FUNDS			<u>117</u>
TOTAL FUNDS			<u>9,253</u>
			<u></u>

The financial statements on pages 16 to 40 were approved by the Directors and authorised for issue on 30 November 2011, and are signed on their behalf by



Mr D Morgan
Chair

MHS Education
CASH FLOW STATEMENT
for the period ended 31 August 2011

	Notes	2011 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	987
Returns on investments and servicing of finance	19	1
Capital expenditure	20	(430)
Cash transferred on conversion to an academy	23	235
INCREASE IN CASH IN THE YEAR	21	<u>793</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS		
INCREASE IN CASH IN THE YEAR		793
NET FUNDS AT 31 AUGUST 2011		<u><u>793</u></u>

All of the cash flows are derived from acquisitions in the current financial period

Statement of Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission Statement of Recommended Practice ('SORP 2005') 'Accounting and Reporting by Charities', the Academies Accounts Direction 2010/11 issued by the Young People's Learning Agency and Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Going Concern

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

MHS Education is considered to be a going concern for the next 12 months based on budget forecasts and cashflow statements provided.

Incoming resources

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

Fixed asset 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. The general annual grant ('the GAG') from the DfE, which is intended to meet recurrent costs, is credited directly to the Statement of Financial Activities. Other grants from government agencies and other bodies are recognised in the period in which they are receivable to the extent the conditions of funding have been met. 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.

Other income

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

Investment income

Investment income is included in the Statement of Financial Activities on a receivable basis, and is stated inclusive of related tax credits.

MHS Education
ACCOUNTING POLICIES

Resources expended

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated to each activity cost category on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Governance costs include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Governors' meetings and reimbursed expenses.

Tangible fixed assets

Tangible fixed assets costing £500 or more are capitalised at cost and are carried at cost net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where the related grants require the asset to be held for a specific purpose they are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet, with this amount being reduced over the useful economic life of the related asset on a basis consistent with the depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful lives, as follows:

Long leasehold buildings	Over the life of the lease
Leasehold improvements	4-10% straight line
Fixtures, fittings and equipment	10-25% straight line
ICT equipment	25% straight line
Motor Vehicles	12.5% straight line

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.

MHS Education
ACCOUNTING POLICIES (continued)

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 Directors

Restricted General funds are resources subject to specific restrictions imposed by funders or donors, and include grants from the Young People's Learning Agency and the Department for Education

Restricted Fixed Assets Funds are resources which are to be applied to specific capital purposes imposed by the Young People's Learning Agency and the Department for Education, where the asset acquired or created is held for a specific purpose

Stock

Unsold uniforms, catering and ICT stocks are valued at the lower of cost or net realisable value

Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 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 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

Leased assets

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

Pensions 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, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), 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. As stated in Note 24, 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

Conversion to an Academy Trust

The conversion from a state maintained school to an Academy Trust, involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method

The assets and liabilities transferred on conversion from the maintained school Morley High School to an Academy Trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for MHS Education. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as a gift or as net expenditure in other resources expended in the SOFA and analysed under unrestricted, restricted general and restricted fixed asset funds. This includes Land and Buildings £9,433k and ICT, Furniture and Fittings and Vehicles £81k, pension liabilities of £516k, school funds monies of £56k and the school budget surplus of £179k. Further details of the transaction are set out in note 23.

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

1	GENERAL ANNUAL GRANT (GAG)	2011 £'000
a)	Results and carry forward for the period	
	GAG allocation for current period	4,981
	TOTAL GAG AVAILABLE TO SPEND	4,981
	Recurrent expenditure from GAG	(4,852)
	Fixed assets purchased from GAG	(216)
	GAG CARRIED FORWARD TO NEXT YEAR	(87)
	Maximum permitted GAG carry forward at end of current period (12% of allocation for current period)	(598)
	GAG TO SURRENDER TO DfE (12% rule breached if result is positive)	(685)
		no breach
b)	Use of GAG brought forward from previous year (N/A this period)	
	Recurrent expenditure from GAG in current period	4,852
	GAG allocation for current period	(4,981)
	GAG allocation for previous year x 2%	-
	GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current period (2% rule breached if result is positive)	(129)
		no breach

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

2 VOLUNTARY INCOME

	Unrestricted funds £'000	Restricted funds £'000	Restricted fixed asset funds £'000	2011 Total £'000
DfE/YPLA capital grant for building	-	-	37	37
	-	-	37	37

3 ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds £'000	Restricted funds £'000	Restricted fixed asset funds £'000	2011 Total £'000
Catering income	121	-	-	121
Uniform sales income	10	-	-	10
	131	-	-	131

4 FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds £'000	Restricted funds £'000	Restricted fixed asset funds £'000	Total 2011 £'000
DfE/YPLA REVENUE GRANTS				
General annual grant (GAG) (note 1)	-	4,981	-	4,981
Other DfE/YPLA grants	-	157	-	157
	-	5,138	-	5,138
OTHER GOVERNMENT GRANTS				
School Standard grant	-	77	-	77
	-	77	-	77
	-	5,215	-	5,215

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

5 RESOURCES EXPENDED

	Staff & related costs £'000	Non pay expenditure Premises £'000	Other costs £'000	Total 2011 £'000
Academy's educational operations				
Direct costs	3,916	163	365	4,444
Allocated support costs	678	9	516	1,203
Liabilities transferred from predecessor school	516	-	-	516
	<u>5,110</u>	<u>172</u>	<u>881</u>	<u>6,163</u>
Governance costs including allocated support costs	-	-	6	6
	<u>5,110</u>	<u>172</u>	<u>887</u>	<u>6,169</u>
Net incoming/(outgoing) resources for the year include				2011 £'000
Operating leases - other				14
Fees payable to Baker Tilly UK Audit LLP and its associates for				
- audit				5
- other services				1
				<u>20</u>

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

6 CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £'000	Restricted Funds £'000	Restricted Fixed Asset Funds £'000	Total 2011 £'000
DIRECT COSTS				
Teaching staff costs	181	3,256	-	3,437
Educational support staff cost	9	470	-	479
Depreciation	-	-	163	163
Educational supplies	3	200	-	203
Examination fees	2	98	-	100
Staff development	-	9	-	9
Education providers	1	31	-	32
Recruitment	-	21	-	21
	<u>196</u>	<u>4,085</u>	<u>163</u>	<u>4,444</u>
ALLOCATED SUPPORT COSTS				
Support staff costs	56	616	5	677
Depreciation	-	-	9	9
Catering	2	85	-	87
Cleaning	-	16	-	16
Maintenance of premises and equipment	2	141	-	143
Rent and rates	2	114	-	116
External leases	-	16	-	16
Insurance	1	54	-	55
Security and transport	-	15	-	15
Other interest and charges	-	1	-	1
Other support costs	1	67	-	68
	<u>64</u>	<u>1,125</u>	<u>14</u>	<u>1,203</u>
				<u>5,647</u>

7 GOVERNANCE COSTS

	Unrestricted Funds £'000	Restricted Funds £'000	Total £'000
Auditors' remuneration	-	5	5
Audit of financial statements	-	1	1
Responsible officer work	-	-	-
	<u>-</u>	<u>6</u>	<u>6</u>

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

8	STAFF COSTS	2011 £'000
	Staff costs during the period were	
	Wages and salaries	3,797
	Social security costs	277
	Pension costs	516
		<u>4,590</u>
	Supply teacher costs	3
		<u>4,593</u>

The average number of persons (including senior management team) employed by the Academy during the year expressed as full time equivalent was as follows

	2011 No
Teachers	108
Education Support Staff	36
Other Staff	51
	<u>195</u>

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

	2011 No
£90,001 - £99,999	1
	<u>1</u>

One employee participated in the Teachers' Pension Scheme. During the period ended 31 August 2011, pension contributions for this member of staff amounted to £13,066

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

9 DIRECTORS' AND GOVERNORS' REMUNERATION AND EXPENSES

Principal and staff Governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as Governors. Other Governors did not receive any payments from the Academy Trust in respect of their role as Governors and Directors. The value of the Principal's remuneration was £92,666 in 2011. The value of staff Governors' remuneration was £60,260 in 2011.

All directors and Governors give their time freely and no remuneration or expenses were paid in the period.

10 DIRECTORS' AND GOVERNORS' INDEMNITY INSURANCE

In accordance with normal commercial practice MHS Education has purchased indemnity insurance to protect Governors and Officers from claims, occurring whilst on Academy business. The insurance provides cover up to £2m on any one claim and the cost for the period ended 31 August 2011 was £1,260 (2010 - £nil).

The cost of the insurance is included in the total insurance cost.

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

11 TANGIBLE FIXED ASSETS

	Long lease land and buildings £'000	Leasehold Improvements £'000	Furniture Fittings Equipment £'000	ICT £'000	Motor Vehicles £'000	Total £'000
Cost						
Transfer on conversion (Note 23)	9,433	-	27	44	10	9,514
Additions	-	294	39	60	-	393
31 August 2011	<u>9,433</u>	<u>294</u>	<u>66</u>	<u>104</u>	<u>10</u>	<u>9,907</u>
Depreciation Charged in the period	159	-	3	9	1	172
31 August 2011	<u>159</u>	<u>-</u>	<u>3</u>	<u>9</u>	<u>1</u>	<u>172</u>
Net book value 31 August 2011	<u>9,274</u>	<u>294</u>	<u>63</u>	<u>95</u>	<u>9</u>	<u>9,735</u>

12 STOCK

Uniforms
Catering
ICT

2011
£'000

12
2
3

17

13 DEBTORS

Prepayments
Other debtors

2011
£'000

30
137

167

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

14	CREDITORS Amounts falling due within one year	2011 £'000
	Trade creditors	384
	Other creditors	87
	Accruals and deferred income	394
		<hr/>
		865
		<hr/>
	Deferred income	2011 £'000
	Deferred income on incorporation	-
	Resources deferred in the period	239
		<hr/>
	Deferred income at 31 August 2011	239
		<hr/>

The deferred income is made up of

Partnership for Schools capital grant (£182k) - This has been deferred due to the uncertainty regarding the timing of the grant expenditure

The Devolved Formula Capital (£17k), Pupil Premium (£17k) and 16-19 Bursary Fund (£23k) all relate to income relating to the 2011/2012 financial year

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

15 FUNDS

	Balance at 9 December 2011 £'000	Incoming resources £'000	Resources expended £'000	Gains, losses and transfers £'000	Balance at 31 August 2011 £'000
RESTRICTED GENERAL FUNDS					
General Annual Grant (GAG)	-	4,981	(4,765)	(216)	-
Other DfE/YPLA grants	-	157	(157)	-	-
School Standards grant	-	77	(77)	-	-
Other Income	-	180	(180)	-	-
Pension reserve	-	-	(553)	(41)	(594)
	-	5,395	(5,732)	(257)	(594)
RESTRICTED FIXED ASSET FUNDS					
DfE capital grants	-	37	(37)	-	-
Assets transferred on conversion	-	9,514	(140)	356	9,730
	-	9,551	(177)	356	9,730
TOTAL RESTRICTED FUNDS	-	14,946	(5,909)	99	9,136
UNRESTRICTED FUNDS					
Unrestricted funds	-	517	(260)	(140)	117
TOTAL UNRESTRICTED FUNDS	-	517	(260)	(140)	117
TOTAL FUNDS	-	15,463	(6,169)	(41)	9,253

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

Restricted general funds have been spent in line with the terms of the Master Funding Agreement. Restricted fixed asset funds are used solely for capital purchases in line with the strategic objectives of MHS Education.

A total of £356k has been transferred from restricted funds (£216k) and unrestricted (£140k) to the restricted fixed asset, as permitted by the Accounts Direction 2010/2011.

The restricted pension fund is in deficit to the value of £594k as at 31 August 2011, which is in excess of the unrestricted funds. However this deficit has been inherited upon conversion to Academy status. The Director's will continue to monitor this situation closely.

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

16	ANALYSIS OF NET ASSETS BETWEEN FUNDS	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
	Tangible fixed assets	-	-	9,735	9,735
	Current assets	117	-	860	977
	Current liabilities	-	-	(865)	(865)
	Pension scheme liability	-	(594)	-	(594)
		<hr/>	<hr/>	<hr/>	<hr/>
	TOTAL NET ASSETS	117	(594)	9,730	9,253
		<hr/>	<hr/>	<hr/>	<hr/>

17 FINANCIAL COMMITMENTS

OPERATING LEASES

At 31 August the Academy had annual commitments under non-cancellable operating leases as follows

	2011 £'000
Other	
Expiring within two and five years inclusive	62
	<hr/>
	62
	<hr/>

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

18	RECONCILIATION OF NET INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2011 £'000		
	Net income	9,253		
	Cash impact of transfer on conversion (note 23)	(235)		
	Depreciation (note 11)	172		
	Capital grants from DfE and other capital income	37		
	Interest receivable	(1)		
	Actuarial loss on defined benefit pension scheme	41		
	FRS 17 pension cost less contributions payable (note 24)	36		
	FRS 17 pension finance costs(note 24)	1		
	Transfer of pension on conversion (noted 23)	516		
	Transfer of fixed assets on conversion (note 23)	(9,514)		
	(Increase) in stocks	(17)		
	(Increase) in debtors	(167)		
	Increase in creditors	865		
	NET CASH INFLOW FROM OPERATING ACTIVITIES	987		
	CASH TRANSFERRED ON CONVERSION TO AN ACADEMY			
	Cash balance transferred on conversion (note 23)	235		
19	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	Interest received	1		
	NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	1		
20	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
	Purchase of tangible fixed assets	(393)		
	Capital grants from DfE/YPLA	(37)		
	NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(430)		
21	ANALYSIS OF CHANGES IN NET FUNDS			
		At 9 December 2010 £'000	Cash flows £'000	At 31 August 2011 £'000
	Cash in hand and at bank	-	793	-
		<u>-</u>	<u>793</u>	<u>-</u>

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

22 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

23 CONVERSION TO AN ACADEMY TRUST

On 1 January 2011 Morley High School converted to Academy Trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to MHS Education from Leeds City Council for £nil consideration

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the Statement of Financial Activities as assets transferred from the predecessor school.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA

	TOTAL	Unrestricted Funds	Restricted General Fund	Restricted Fixed Asset Funds
	£'000	£'000	£'000	£'000
Tangible fixed assets				
Leasehold land and buildings	9,433	-	-	9,433
Fixtures and fittings	27	-	-	27
ICT	44	-	-	44
Motor Vehicles	10	-	-	10
School funds	179	179	-	-
School budget surplus from Leeds City Council	56	-	56	-
LGPS pension deficit	(516)	-	(516)	-
Net assets	9,233	179	(460)	9,514

The above net assets include £235,000 that was transferred as cash. This relates to the school funds and school budget surplus transferred on conversion.

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

24 PENSION AND SIMILAR OBLIGATIONS

The MHS Education 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 the West Yorkshire Pension Fund Both are defined-benefit schemes

As described below, the LGPS obligation relates to the employees of the Academy Trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to and did join the Scheme in the year/period The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date

The pension costs are assessed in accordance with the advice of independent qualified actuaries The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2011

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

Teachers' Pension Scheme

The TPS is an unfunded defined benefit scheme Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972 A notional asset value is ascribed to the scheme for the purpose of determining contribution rates

The pensions cost is normally assessed no less than every four years in accordance with the advice of the Government Actuary The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows

Latest actuarial valuation (under the new provisions)	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88%

Following the implementation of Teachers' Pension (Employer' Supplementary Contribution) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions For the period from 1 January 2011 to 31 August 2011 the employer contribution was 14.1 per cent The employee rate was 6.4% for the same period

Under the definitions set out in Financial Standards (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme The Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme

Accordingly, MHS Education has taken the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme MHS Education has set out above the information available on the scheme and the implications for MHS Education in terms of the anticipated rates

MHS Education
 NOTES TO THE FINANCIAL STATEMENTS
 for the period ended 31 August 2011

24 PENSION AND SIMILAR OBLIGATIONS (continued)

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 2011 was £134,770, of which employer's contributions totalled £93,056 and employees' contributions totalled £41,714. The agreed rates for future years are 13.2% for employers and 5.5% to 7.5% for employees depending on salary level.

The following information is based on a full actuarial valuation of the fund at 31st August 2011 by a qualified independent actuary.

Principal actuarial assumptions

	2011 %
Rate of increase in salaries	5.1
Rate of increase for pensions in payment	2.7
Discount rate	5.4
Inflation (CPI)	2.7

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

	2011 years
Retiring today	
Males	22
Females	24
Retiring in 20 years	
Males	24
Females	26

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

24 PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

MHS Education's share of the assets and liabilities in the scheme and the expected rates of return were

	Expected return at 31 August 2011 (%pa)	Fair value at 31 August 2011 £'000
Equities	7.7	1,118
Government Bonds	3.7	177
Corporate Bonds	4.8	61
Property	7.2	55
Cash	1.6	32
Other	7.7	86
TOTAL MARKET VALUE OF ASSETS	7.0	1,529
Present value of scheme liabilities		
- Funded		(2,123)
SURPLUS/(DEFICIT) IN THE SCHEME		(594)

The actual loss on scheme assets was £ 62,000

MHS Education employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31st August 2011.

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

24 PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

Amounts recognised in the statement of financial activities	2011 £'000
Current service cost (net of employee contributions)	132
Past service cost	-
	<hr/>
Total operating charge	132
	<hr/> <hr/>
Analysis of pension finance costs	
Expected return on pension scheme assets	71
Interest on pension liabilities	(72)
	<hr/>
Pension finance costs	(1)
	<hr/> <hr/>

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2011

24 PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

The actuarial gains and losses for the current year are recognised in the SOFA

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses since the adoption of FRS 17 is £41,000

Movements in the present value of defined benefit obligations were as follows. 2011
£'000

Transfer on conversion	1,984
Current service cost	132
Interest cost	72
Employee contributions	42
Actuarial gain	(92)
Benefits paid	(15)
	<hr/>
At 31 August	2,123
	<hr/>

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

Transfer on conversion	1,468
Expected return on assets	71
Actuarial loss	(133)
Employer contributions	96
Employee contributions	42
Benefits paid	(15)
	<hr/>
At 31 August	1,529
	<hr/>

The estimated value of employer contributions for the year ended 31 August 2012 is £144,000

MHS Education
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2011

24 PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

The relevant five-year history of experience adjustments is as follows:

	2011 £'000
Present value of defined benefit obligations	(2,123)
Fair value of share of scheme assets	1,529
	<hr/>
Deficit in the scheme	(594)
	<hr/>
Experience adjustments on share of scheme assets	
Amount £'000	(133)
%	(8.7)
Experience adjustments on scheme liabilities	
Amount £'000	-

25 RELATED PARTIES

Owing to the nature of the Academy Trust's operations and the composition of the board of directors being drawn from local public and private sector organisations, it is unlikely that transactions will take place with organisations in which a member of the board of directors may have 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.