

Company Registration No. 08748904 (England and Wales)

MERCIA PRIMARY ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)

TRUSTEES' REPORT AND AUDITED ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2016



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MERCIA PRIMARY ACADEMY TRUST

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MERCIA PRIMARY ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Trustees

L M Colclough (Ofsted Reg. Childminder)
R J Lane (Chief Executive Officer and Accounting Officer)
V M Van Den Bergh (Minister of Religion, Chair)
E Bryan (Appointed 13 July 2016)
M Haywood (Appointed 13 July 2016)

Members

M Hambly
M L Booth
V M C Van Den Bergh

Senior management team

- Executive Headteacher	R J Lane
- Deputy Headteacher	M L Booth
- Deputy Headteacher	S E Boden
- Business Manager	S M Adams
- Deputy Headteacher	N Probert

Company secretary

S M Adams

Company registration number

08748904 (England and Wales)

Academies operated

Lark Hall Infant School
Flax Hill Junior School

Location

Staffordshire
Staffordshire

Principal

R Lane
R Lane

Independent auditor

Haines Watts Tamworth
Sterling House
97 Lichfield Street
Tamworth
Staffordshire
B79 7QF

Other advisors

Entrust Support Services
Riverway Centre
Riverway
Stafford
Staffordshire
ST16 3TH

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2016

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

The trust operates one infant and one junior academy in Tamworth, Staffordshire. Its academies have a combined pupil capacity of 390 and had a roll of 319 in the school census in January 2016.

Structure, governance and management

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of Mercia Primary Academy Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as Mercia Primary Academy Trust.

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

Members' liability

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

Trustees' indemnities

As part of the overall insurance cover taken out with third party insurers the Academy has taken out insurance relating to Governors' indemnity. The limit of indemnity cover is £25 million in this respect.

Method of recruitment and appointment or election of trustees

Members may appoint up to five directors, through such process as determined by the members. Parent members of the governing body are elected by parents with a pupil registered at the academy.

Policies and procedures adopted for the induction and training of trustees

The training and induction provided for new governors and trustees will depend upon their existing experience. Induction is tailored specifically to the individual. New trustees are invited to attend "Welcome to being a Governor" training event run by Entrust Education Services. Webinars are also available for trustees to participate in. Policies and Procedures Adopted for the Induction and Training of Trustees All new trustees are provided with an induction pack and an informal induction talk by the Headteacher. Trustees are invited to attend 'Introduction to Governor' training and other courses relevant to their specific areas of interest and the committees they sit on or wish to join. Courses are run by Entrust Education Services. The Clerk to Trustees keeps a log of courses attended and training is a standard agenda item. Trustees participate in an annual self-review process to highlight any weaknesses and to address any additional training needs.

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Organisational structure

The board of trustees are responsible for the overall strategic direction of the academy trust. The trustees have a duty to act in the fulfilment of the academy trust objects. They set the strategic direction, and determine the policies and procedures of the academy trust whilst holding each academy within the academy trust to account. The trustees will meet at least three times a year and local governing body committees will report to meetings of the board of trustees throughout the year.

Each academy within the academy trust is governed by an academy committee which is appointed by the board of trustees and elected by staff and parents in a manner similar to the board of trustees. The academy committee is responsible for determining the strategic direction of the academy in accordance with the overall strategic direction of the academy trust. The academy committee should engage with the local community, constructively challenge the leadership team of the academy and provide evaluative feedback and supporting evidence to the board of trustees on the impact and effectiveness of the collective and individuals aims, objectives, policies, targets and future plans.

The board of trustees and each academy committee do not exercise a managerial role. The leadership and management across the academy trust is delegated by the board of trustees to the Senior Leadership Team within each academy. The Senior Leadership Teams are responsible at an executive level for implementing the policies laid down by board of trustees and reporting back to them through various committees. This includes actions concerning the budget, staffing, and school improvement.

The Executive Headteacher is the Accounting Officer and is responsible for the authorisation of spending within agreed budgets. Some spending control is devolved to designated budget holders within the hierarchy of limits and in accordance with the approved Financial Regulations and Financial Scheme of Delegation.

Arrangements for setting pay and remuneration of key management personnel

The arrangements for setting the pay and remuneration of the key management personnel of the academy trust are subject to the 'school teachers pay and conditions document and guidance on school teachers pay and conditions'. The determination of leadership pay is in line with the school group size and relevant scale points attributed to the group pay range.

Incremental rises are dependent upon the successful completion of the previous years' performance management cycle and quality assured by the Senior Leadership Team within each academy. Recommendations for pay increases are made by the Senior Leadership Team to the academy committee and their decision is validated by the board of trustees at the Autumn term meeting.

Related parties and other connected charities and organisations

The members, board of trustees, academy committee members and the accounting officer all complete a pecuniary interest declaration on an annual basis. This declaration sets out any relationship with the academy trust that is not directly related to their duties within these roles. Each individual is also required to declare a potential 'conflict of interest' if it arises between such declarations. Once a declaration has been made, the individual concerned takes no further part in any decision relating to the matter declared.

In respect of the current year, the academy trust has the following relationships:

R Lane (Headteacher) - Father owns Arrow Software

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Objectives and activities

Objects and aims

Our Aim - Everyone is valued and shares responsibility for the challenging learning that takes place.

Through partnership between Governors, staff, parents, pupils, external partners and the local community, the Academy Trust will provide the facilities, resources and vision to enable the Academy to flourish and provide pupils with the best possible education.

Improvement focusses identified for this year included:

- Maths reasoning across both academies
- Spelling at both academies
- Handwriting Lark Hall
- The more able at Flax Hill

Objectives, strategies and activities

The strategic goals of the academy trust are:

1. To provide high quality education provision for all academies within the academy trust that improve the outcomes of all of our pupils. This will be achieved by providing appropriate and proportionate support and challenge each academy within the academy trust. There will be a focus on:

- Establish and monitoring a system of governance through effective academy committees.
- Providing intervention to support school improvement.
- Developing collaborative curriculum activities to support key skill development, increasing independence and vocational/work-related learning.
- Developing monitoring and evaluating strategies and procedures that will drive school improvement.
- Supporting the procurement of best value central services.
- Collaboratively sharing and supporting best practice.

2. To provide the same high quality of education provision to pupils outside of the trust to help achieve the government's aim of the same standard of education for all children. This will be achieved by:

- Developing a systematic marketing strategy and work with local stakeholders, Headteacher forums and the DfE to identify potential schools and academies that wish to join the academy trust.
- Build capacity by creating a robust management structure which involves building a central team to support the board of trustees.
- Develop training based on the expertise within the academy trust that can be delivered to other education providers.
- Develop more effective means on collaboration with other education providers to share best practice and encourage greater innovation within the education sector.

Public benefit

Mercia Primary Academy Trust is approved by the Department of Education (DfE) and funded wholly by the Education Funding Agency (EFA) to further the education of pupils admitted under the requirements set by the EFA Funding Agreement with the admission of pupils without fee. Parents are able to apply for their children to be admitted in accordance with these requirements. Governors ensure that applications are considered appropriately.

The trustees confirm that they have referred to the guidance contained in the Charity Commissioner's general guidance on public benefit when reviewing the academy trust objective and aims and in planning future activities for the period. The trustees consider that the academy trust can clearly demonstrate that its aims are to advance education for public benefit.

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Strategic report

Achievements and performance

The Leadership team and Governors have taken a great deal of time in making sure the teaching staff at Lark Hall are suitably skilled and enthused to teach good/outstanding lessons. The Leadership team now feel confident that the progress the children make, from low starting points, is now good. The leadership team would expect, on inspection that only good and above lessons would be observed. The leadership team believes that work scrutiny will show that good progress is being made.

We believe the quality of the learning that takes place at Lark Hall is the main reason why rates of progress are high. Children make good progress from all starting points.

At Flax Hill the quality of teaching is good with outstanding practice. The key priority in the schools action plan is to raise the good teachers to consistently good to outstanding using a coaching method. The SLT regularly conduct learning walks. Observations are related back to staff to assist in the continuous improvement cycle.

Nursery 2015-2016

	Reading	Writing	Maths
% all expected	69%	76%	79%
% all exceeding	41%	45%	66%
% boys expected	68%	74%	84%
% boys exceeding	42%	32%	68%
% girls expected	70%	80%	70%
% girls exceeding	40%	70%	60%
% FSM expected	na	na	na
% FSM exceeding	na	na	na
% Non FSM expected	69%	76%	79%
% FSM Non exceeding	41%	45%	66%
% SEND expected	25%	25%	25%
% SEND exceeding	0%	25%	0%
% PP expected	80%	60%	100%
% PP exceeding	0%	40%	40%
% Summer B expected	43%	57%	57%
% Summer B exceeding	29%	43%	43%

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Reception 2015-2016

	Reading	Writing	Maths
% all expected	75%	63%	79%
% all exceeding	25%	21%	29%
% boys expected	73%	53%	73%
% boys exceeding	20%	13%	27%
% girls expected	0%	0%	0%
% girls exceeding	0%	0%	0%
% FSM expected	71%	57%	86%
% FSM exceeding	29%	14%	29%
% Non FSM expected	76%	65%	76%
% Non FSM exceeding	24%	24%	29%
% SEND expected	60%	50%	75%
% SEND exceeding	0%	0%	25%
% PP expected	67%	50%	83%
% PP exceeding	17%	17%	17%
% Summer B expected	80%	40%	80%
% Summer B exceeding	20%	0%	20%

Phonics Year 1

overall	85%
boys	77%
girls	93%
FSM	83%
SEND	0%
Non SEND	96%
PP	83%
Summer born	75%

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Year 2

Reading	all	male	female	FSM	PP	SEN	Non SEN	summer born
at greater depth	21%	20%	21%	0%	0%	0%	22%	14%
expected	75%	70%	79%	100%	100%	0%	78%	86%
working towards	25%	30%	21%	0%	0%	100%	22%	14%
Writing								
at greater depth	29%	20%	36%	29%	29%	0%	30%	14%
expected	63%	40%	79%	71%	71%	0%	65%	71%
working towards	38%	60%	30%	29%	29%	100%	35%	29%
Maths								
at greater depth	25%	30%	21%	14%	14%	0%	26%	14%
expected	71%	60%	79%	86%	86%	100%	70%	100%
working towards	29%	40%	21%	14%	14%	0%	30%	0%

Year 3-5

NFER results - Age standardised scores

National average 100

Reading	Age standardised score	Difference
Y3	103	+3
Y4	105	+5
Y5	105	+5
Maths		
Y3	111	+11
Y4	108	+8
Y5	111	+11

Year 6

	Reading (expected level)	Writing (expected level)	Maths (expected level)	Reading, Writing and Maths (expected level)
Flax Hill	82%	81%	87%	68%
National	66%	74%	70%	53%
Difference	+ 16%	+ 7%	+ 17%	+15%

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Comparative data					
Maths					
National				103	
FH				105.9	
Boys				107.1	
Girls				104.8	
fsm				102.4	
non fsm				106.2	
pp				104.4	1.4 above national all
non pp				106.7	
sen				104.2	1.2 above national all
non sen				106.1	
Reading					
National				103.0	
FH				104.4	
Boys				104.2	
Girls				104.6	
fsm				100.4	
non fsm				104.8	
pp				103.4	0.4 above national all
non pp				105.0	
sen				103.8	0.8 above national all
non sen				104.5	

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Writing					
National				74%	
FH				81%	
Boys				73%	
Girls				88%	
fsm				80%	+6% National
non fsm				81%	
pp				74%	at National
non pp				85%	
sen				50%	-24% National
non sen				84%	
SPAG					
National				104.0	
FH				105.1	
Boys				104.4	
Girls				105.7	
fsm				102.2	
non fsm				103.5	
pp				103.4	0.6 below national all
non pp				103.4	
sen				102.3	0.7 below national all
non sen				103.5	

Key performance indicators

Key financial performance indicators show that the budget set allowed the Trust to fulfil all its functions more than effectively.

As funding is based on pupil numbers this is also a key performance indicator. Pupil numbers at 31 August 2016 were 317. It is anticipated that this number will increase in the coming year.

The following KPI's were set at the start of the year:

	Target		Actual	
Pupil Attendance %	97%		94.3%	
Pupil Attainment	KS1	KS2	KS1	KS2
Reading:	74%	71%	75%	82%
Writing:	66%	76%	63%	81%
Mathematics:	73%	75%	71%	87%

Going concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason the board of trustees continues to adopt the going concern basis in preparing the accounts. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies.

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Financial review

Income for the year was £1,750,647 of which £1,573,428 excluding capital grants was provided by the Department of Education (DfE) via the Education Funding Agency (EFA) by means of standard grants to cover operational and capital costs. This was supplemented by donations and Capital Grants and other trading activities including third party lettings and funds generated by extended school activities which totalled the remaining £177,219.

All expenditure supports the academy trust key objectives to deliver quality education to our pupils and community. Expenditure for the year was £1,820,258 with the largest element of this expenditure being attributed to staff costs totalling £1,340,435 for the year. The depreciation charge on assets of £48,994 has been included. Net expenditure for the year was £69,611.

The academy trust element of the Pension fund that forms part of the Local Government Pension Scheme was valued at 31 August 2016, showing a net deficit of £833,000.

As at 31 August 2016, the net book value of fixed assets was £2,067,170 and the movement in tangible fixed assets are shown in Note 12 of the financial statements. The assets were used exclusively in providing education and the associated support services to the pupils across the academy trust.

The academy trust complies with the principles of financial control as outlined in the Academies Financial Handbook and the Accounts Direction. The financial procedures, Scheme of Delegation and Value for Money statement together with systems of financial control ensure that the academy trust conforms to the requirements of propriety, regularity and sound financial management.

The board of trustees are accountable for the allocation of resources to meet the objectives set out in the School Development Plan. The Accounting Officer together with the Finance Committee is responsible for reviewing the Financial Procedures on an annual basis and recommending approval to the main board of trustees. The intention is for individual academy budgets to be monitored on a monthly basis with reports and commentary on income and expenditure against budget provided to the Finance Committee on a twice termly basis and to the board of trustees on a termly basis.

Reserves policy

Any reserves held are in accordance with the requirements laid down in the Master Funding Agreement and by the Education Funding Agency. The level of reserves held takes into account the nature of income and expenditure streams, the need to match them to commitments, including future capital projects, and the need to maintain sufficient reserves to cover any unexpected urgent expenditure requirements, especially to buildings repair not covered by insurance. The board of trustees identify capital projects on an annual basis and reserves are reviewed alongside this exercise. The board of trustees will review the level of reserves and reserves policy annually.

As at 31 August 2016 the academy trust has reserves excluding restricted fixed asset funds and pension deficit of £256,549. Of this amount unrestricted funds total £197,468 and restricted funds total £59,081.

Investment policy and powers

The academy trust currently has no material investments.

Principal risks and uncertainties

A review of the principal risks highlights the financial risk involved in the reliance on Government funding and the limited influence of the academy trust on the level and future of this funding.

The deficit on the Local Government Pension Scheme of £833,000 presents a concern. However, Parliament has agreed, at the request of the Secretary of State for Education, to guarantee that in the event of academy closure, outstanding local government pension scheme liability would be met by the Department for Education. This guarantee came into force on 18 July 2013.

MERCIA PRIMARY ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Plans for future periods

In accordance with the aims and objectives of Mercia Primary Academy Trust, it will continue to further the education and drive improvements in the performance of all pupils to the best of their abilities. The Academy will continue to develop its resources, assets and staff to achieve these aims and objectives.

Funds held as custodian trustee on behalf of others

The Academy has no such funds.

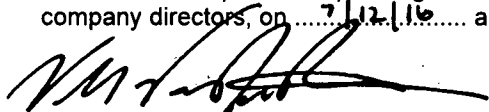
Auditor

In so far as the trustees are aware:

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

A resolution proposing that Haines Watts Tamworth be reappointed as auditor of the charitable company will be put to the members.

The trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 7.12.16 and signed on its behalf by:



V M Van Den Bergh
Minister of Religion, Chair

MERCIA PRIMARY ACADEMY TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2016

Scope of responsibility

As trustees we acknowledge we have overall responsibility for ensuring that Mercia Primary 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 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 it in the funding agreement between Mercia Primary 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 meetings of the board of trustees was as follows:

Trustees	Meetings attended	Out of possible
L M Colclough (Ofsted Reg. Childminder)	3	3
R J Lane (Chief Executive Officer and Accounting Officer)	3	3
V M Van Den Bergh (Minister of Religion, Chair)	2	3
E Bryan (Appointed 13 July 2016)	1	1
M Haywood (Appointed 13 July 2016)	1	1

The finance and general purposes committee is a sub-committee of the main board of trustees.

Attendance at meetings in the year was as follows:

Trustees/Governors	Meetings attended	Out of possible
R J Lane (Chief Executive Officer and Accounting Officer)	2	3
Mrs M Couchman (LH)	1	3
L Kelly (LH)	2	3
Mrs M Booth (LH)	2	3
Mrs C Kendall (LH)	2	3
R Kingston (LH)	-	3
W Pell-Walpole (FH)	2	3
Mrs J Meah (FH)	2	3
Mrs S Boden (FH)	2	3
Mrs C Keast (FH)	2	3
M Hambly (FH)	1	3

MERCIA PRIMARY ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

The joint governing body is a sub-committee of the main board of trustees.

Attendance at meetings in the year was as follows:

Trustees/Governors	Meetings attended	Out of possible
L M Colclough (Ofsted Reg. Childminder)	1	3
R J Lane (Chief Executive Officer and Accounting Officer)	3	3
V M Van Den Bergh (Minister of Religion, Chair)	1	3
W Pell-Walpole (FH) (Chair)	1	3
Mrs M Couchman (LH) (Chair)	3	3
Mrs V Lawson (FH)	1	3
Mrs J Meah (FH)	1	3
Mrs S Boden (FH)	2	3
Mrs D Golder (FH)	3	3
Mrs N Taylor (FH)	2	3
Mrs C Keast (FH)	3	3
T Soult (FH)	1	3
M Hambly (FH)	-	3
Mr L Kelly (LH)	2	3
Mrs M Booth (LH)	2	3
Mrs M Pitt (LH)	2	3
Mr A Miladowski (LH)	3	3
R Kingstone (LH)	-	3
Mrs C Kendall (LH)	2	3

Review of value for money

As accounting officer the Headteacher has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where appropriate. The accounting officer for the academy trust has delivered improved value for money during the year by:

- Introduction of a cashless payment system in both academies within the trust.
- Deploying staff in the most appropriate way to provide best value in terms of quality of teaching, quality of learning, adult-pupil ratio and curriculum management.
- Continue to negotiate contracts and services at trust level.
- The academy has invested in further developing effective tracking systems in relation to the new curriculum to record all aspects of student data including progress through the school; ensuring interventions and support are targeted to achieve value for money
- The academy trust has produced a detailed analysis of how the pupil premium was spent and the impact of the funding for individual pupils.
- Sports funding continues to be used to provide enriching opportunities for children, extra sport opportunities after school and by providing expert PE coaching.

MERCIA PRIMARY ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

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 Mercia Primary Academy Trust for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and accounts.

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 ongoing process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the board of trustees.

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the finance and general purposes 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;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided:

- to appoint Staffordshire County Council via Entrust Support Services Limited as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular the checks carried out in the current period included:

- testing of payroll systems
- testing of purchase systems
- testing of control account/bank reconciliations

On an annual basis, an auditor's report is presented to the trustees with their findings and recommendations.

Review of effectiveness

As accounting officer the 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 internal auditor;
- 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.

MERCIA PRIMARY ACADEMY TRUST


GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

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 general purposes committee. Both academies within the trust received substantial assurance.

Approved by order of the board of trustees on 7/12/16 and signed on its behalf by:


R J Lane
Chief Executive Officer and Accounting
Officer


V M Van Den Bergh
Minister of Religion, Chair

MERCIA PRIMARY ACADEMY TRUST

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

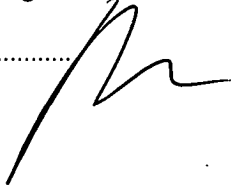
FOR THE YEAR ENDED 31 AUGUST 2016

As accounting officer of Mercia Primary 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 in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

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

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

R J Lane
Accounting Officer

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MERCIA PRIMARY ACADEMY TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2016

The trustees (who also act as governors for Mercia Primary Academy Trust and are also the directors of Mercia Primary Academy Trust for the purposes of company law) are responsible for preparing the Trustees' Report and the accounts 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 accounts for each financial year. Under company law the trustees must not approve the accounts 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 accounts, the trustees are required to:

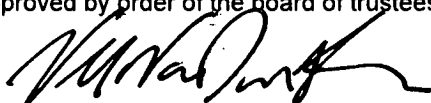
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the accounts 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 that grants received from 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 accounts may differ from legislation in other jurisdictions.

Approved by order of the board of trustees on 7/12/16 and signed on its behalf by:



V M Van Den Bergh
Minister of Religion, Chair

MERCIA PRIMARY ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS TO THE MEMBERS OF MERCIA PRIMARY ACADEMY TRUST

We have audited the accounts of Mercia Primary Academy Trust for the year ended 31 August 2016 set out on pages 22 to 41. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 17, the trustees, who are also the directors of Mercia Primary Academy Trust for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts 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 accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts 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 accounts. In addition, we read all the financial and non-financial information in the Trustees' Report including the incorporated strategic report to identify material inconsistencies with the audited accounts 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 accounts

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts.

MERCIA PRIMARY ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS TO THE MEMBERS OF MERCIA PRIMARY ACADEMY TRUST (CONTINUED)

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 accounts 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.



Mr Darren Barlow FSCA (Senior Statutory Auditor)
for and on behalf of Haines Watts Tamworth

Chartered Accountants
Statutory Auditor
Sterling House
97 Lichfield Street
Tamworth
Staffordshire
B79 7QF

Dated: 7-12-2016

MERCIA PRIMARY ACADEMY TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO MERCIA PRIMARY ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 26 March 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Mercia Primary Academy Trust during the period 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Mercia Primary Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Mercia Primary Academy Trust's funding agreement with the Secretary of State for Education dated 23 December 2013 and the Academies Financial Handbook, extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance, and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

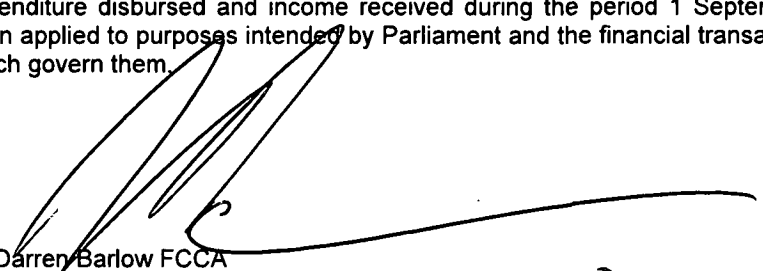
- Review and document systems and internal controls
- Walk through testing of key systems and controls
- Review of trustees/governors minutes
- Test check of income and expenditure

MERCIA PRIMARY ACADEMY TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO MERCIA PRIMARY ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (CONTINUED)

Conclusion

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



Mr Darren Barlow FCCA
Reporting Accountant
Haines Watts Tamworth

Dated:7-12-2016

MERCIA PRIMARY ACADEMY TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	Unrestricted Funds £	Restricted funds: General Fixed asset £ £		Total 2016 £	Total 2015 £
Income and endowments from:						
Donations and capital grants	3	21,347	2,027	11,866	35,240	30,537
Charitable activities:						
- Funding for educational operations	4	18,335	1,639,282	-	1,657,617	1,585,395
Other trading activities	5	57,413	-	-	57,413	55,737
Investments	6	377	-	-	377	331
Total income and endowments		<u>97,472</u>	<u>1,641,309</u>	<u>11,866</u>	<u>1,750,647</u>	<u>1,672,000</u>
Expenditure on:						
Raising funds	7	-	-	-	-	14,000
Charitable activities:						
- Educational operations	8	75,872	1,695,392	48,994	1,820,258	1,690,544
Total expenditure	7	<u>75,872</u>	<u>1,695,392</u>	<u>48,994</u>	<u>1,820,258</u>	<u>1,704,544</u>
Net income/(expenditure)		21,600	(54,083)	(37,128)	(69,611)	(32,544)
Transfers between funds		-	(5,565)	5,565	-	-
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit pension schemes	18	-	(125,000)	-	(125,000)	(22,000)
Net movement in funds		<u>21,600</u>	<u>(184,648)</u>	<u>(31,563)</u>	<u>(194,611)</u>	<u>(54,544)</u>
Reconciliation of funds						
Total funds brought forward		<u>175,868</u>	<u>(589,271)</u>	<u>2,112,200</u>	<u>1,698,797</u>	<u>1,753,341</u>
Total funds carried forward		<u>197,468</u>	<u>(773,919)</u>	<u>2,080,637</u>	<u>1,504,186</u>	<u>1,698,797</u>

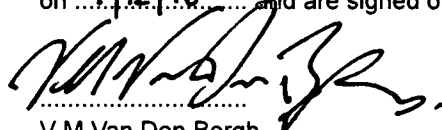
MERCIA PRIMARY ACADEMY TRUST

BALANCE SHEET

AS AT 31 AUGUST 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	12		2,067,170		2,103,770
Current assets					
Debtors	13	70,408		62,264	
Cash at bank and in hand		332,324		300,814	
		<u>402,732</u>		<u>363,078</u>	
Current liabilities					
Creditors: amounts falling due within one year	14	(132,716)		(115,051)	
Net current assets			270,016		248,027
Net assets excluding pension liability			<u>2,337,186</u>		<u>2,351,797</u>
Defined benefit pension liability	18		(833,000)		(653,000)
Net assets			<u>1,504,186</u>		<u>1,698,797</u>
Funds of the academy trust:					
Restricted funds	16				
- Fixed asset funds			2,080,637		2,112,200
- Restricted income funds			59,081		63,729
- Pension reserve			(833,000)		(653,000)
Total restricted funds			<u>1,306,718</u>		<u>1,522,929</u>
Unrestricted income funds	16		197,468		175,868
Total funds			<u>1,504,186</u>		<u>1,698,797</u>

The accounts set out on pages 22 to 41 were approved by the board of trustees and authorised for issue on 7/12/16 and are signed on its behalf by:



V M Van Den Bergh
Minister of Religion, Chair

Company Number 08748904

MERCIA PRIMARY ACADEMY TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Net cash provided by operating activities	19		31,661		73,151
Cash flows from investing activities					
Dividends, interest and rents from investments		377		331	
Capital grants from DfE and EFA		11,866		11,750	
Payments to acquire tangible fixed assets		(12,394)		(5,619)	
			(151)		6,462
Change in cash and cash equivalents in the reporting period			31,510		79,613
Cash and cash equivalents at 1 September			300,814		221,201
Cash and cash equivalents at 31 August			<u>332,324</u>		<u>300,814</u>

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

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

1.1 Basis of preparation

The accounts of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Mercia Primary Academy Trust meets the definition of a public benefit entity under FRS 102.

These accounts for the year ended 31 August 2016 are the first accounts of Mercia Primary Academy Trust prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 September 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2 Going concern

The trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the accounts and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the accounts.

1.3 Income

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

Capital grants are recognised when there is entitlement 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 are no performance-related conditions), where the receipt is probable and it can be measured reliably.

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

(Continued)

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable 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 academy trust has provided the goods or services.

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

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

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

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

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable activities

These are costs incurred on the academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

Governance costs

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

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

(Continued)

1.5 Tangible fixed assets and depreciation

Assets costing £500 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. Where there are specific conditions attached to the funding that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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 life, as follows:

Land and buildings	50 years
Plant & Machinery	10 years
Computer equipment	5 years
Fixtures, fittings & equipment	3 years

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.

1.6 Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

1.7 Leasing and hire purchase commitments

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

1.8 Taxation

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

1.9 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 and the assets are held separately from those of the academy trust.

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

(Continued)

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 18, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

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

1.10 Fund accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees.

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

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

1.11 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

(Continued)

Critical areas of judgement

The trustees consider the critical areas involve the forecasting process and going concern evaluation.

2 Comparative year information

Year ended 31 August 2015	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total 2015 £
Income and endowments from:				
Donations and capital grants	15,795	2,992	11,750	30,537
Charitable activities:				
- Funding for	-	1,585,395	-	1,585,395
Other trading activities	55,737	-	-	55,737
Investments	331	-	-	331
Total income and endowments	71,863	1,588,387	11,750	1,672,000
Expenditure on:				
Raising funds	-	14,000	-	14,000
Charitable activities:				
- Educational operations	51,852	1,590,492	48,200	1,690,544
Total expenditure	51,852	1,604,492	48,200	1,704,544
Net income/(expenditure)	20,011	(16,105)	(36,450)	(32,544)
Other recognised gains and losses				
Actuarial gains/(losses) on defined benefit pension schemes	-	(22,000)	-	(22,000)
Net movement in funds	20,011	(38,105)	(36,450)	(54,544)

3 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Private sponsorship	-	-	-	2,992
Capital grants	-	11,866	11,866	11,750
Other donations	21,347	2,027	23,374	15,795
	21,347	13,893	35,240	30,537

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

4 Funding for the academy trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
DfE / EFA grants				
General annual grant (GAG)	-	1,374,697	1,374,697	1,366,377
Start up grants	-	-	-	4,006
Other DfE / EFA grants	-	198,731	198,731	147,890
	-	1,573,428	1,573,428	1,518,273
Other government grants				
Local authority grants	-	65,854	65,854	67,122
Other funds				
Other incoming resources	18,335	-	18,335	-
Total funding	18,335	1,639,282	1,657,617	1,585,395

5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Hire of facilities	5,686	-	5,686	10,876
Catering income	16,173	-	16,173	40,239
Parental contributions	35,554	-	35,554	-
Other income	-	-	-	4,622
	57,413	-	57,413	55,737

6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Short term deposits	377	-	377	-
Other investment income	-	-	-	331
	377	-	377	331

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

7 Expenditure

	Staff costs £	Premises & equipment £	Other costs £	Total 2016 £	Total 2015 £
Academy's educational operations					
- Direct costs	832,229	-	55,928	888,157	1,461,629
- Allocated support costs	508,206	77,174	346,721	932,101	228,915
	<u>1,340,435</u>	<u>77,174</u>	<u>402,649</u>	<u>1,820,258</u>	<u>1,690,544</u>
Other expenditure					
Raising funds	-	-	-	-	14,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,000</u>
Total expenditure	<u>1,340,435</u>	<u>77,174</u>	<u>402,649</u>	<u>1,820,258</u>	<u>1,704,544</u>
Net income/(expenditure) for the year includes:				2016	2015
				£	£
Fees paid to auditor for audit services				11,014	10,098
Depreciation of tangible fixed assets				48,994	48,200
				<u>11,014</u>	<u>48,200</u>

Central services

No central services were provided by the academy trust to its academies during the year and no central charges arose.

8 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Direct costs - educational operations	8,762	879,395	888,157	1,461,629
Support costs - educational operations	67,110	864,991	932,101	228,915
	<u>75,872</u>	<u>1,744,386</u>	<u>1,820,258</u>	<u>1,690,544</u>

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

8 Charitable activities

(Continued)

	2016 £	2015 £
Analysis of support costs		
Support staff costs	508,206	33,000
Depreciation and amortisation	48,994	48,200
Technology costs	31,528	-
Premises costs	106,890	90,809
Other support costs	223,689	39,048
Governance costs	12,794	17,858
	<u>932,101</u>	<u>228,915</u>

9 Staff costs

	2016 £	2015 £
Wages and salaries	991,681	965,869
Social security costs	77,283	52,457
Operating costs of defined benefit pension schemes	239,336	133,490
Staff costs	<u>1,308,300</u>	<u>1,151,816</u>
Supply staff costs	23,720	84,801
Staff restructuring costs	-	(6,835)
Staff development and other staff costs	8,415	9,110
Total staff expenditure	<u>1,340,435</u>	<u>1,238,892</u>

Staff numbers

The average number of persons employed by the academy trust during the year was as follows:

	2016 Number	2015 Number
Teachers	13	25
Administration and support	18	8
Management	3	-
	<u>33</u>	<u>33</u>

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

9 Staff costs

(Continued)

Higher paid staff

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

	2016 Number	2015 Number
£70,001-£80,000	-	1
£80,001-£90,000	1	-
	<u>1</u>	<u>-</u>

Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £326,841.

10 Trustees' remuneration and expenses

The executive headteacher and staff trustees only received remuneration in respect of services they provide undertaking the roles of executive headteacher and staff and not in respect of their services as trustees. Other trustees did not receive any payments from the trust in respect of their role as trustees.

The value of trustees' remuneration was as follows:

R Lane (principal):

- Remuneration £80,000 - £85,000 (2015: £75,000-£80,000)
- Employer's pension contributions £10,000- £15,000 (2015: £10,000-£15,000)

There were no trustees' expenses paid for the year ended 31 August 2016 nor for the year ended 31 August 2015 .

Other related party transactions involving the trustees are set out within the related parties note.

11 Trustees and officers insurance

In accordance with normal commercial practice, the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance provides cover up to £5m on any one claim and the cost for the year ended 31 August 2016 was £610 (2015: £610).

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

12 Tangible fixed assets

	Land and buildings	Plant & Machinery	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£	£
Cost					
At 1 September 2015	2,124,821	6,000	29,449	15,109	2,175,379
Additions	-	-	2,594	9,800	12,394
At 31 August 2016	2,124,821	6,000	32,043	24,909	2,187,773
Depreciation					
At 1 September 2015	49,648	1,000	16,664	4,297	71,609
Charge for the year	35,096	600	9,636	3,662	48,994
At 31 August 2016	84,744	1,600	26,300	7,959	120,603
Net book value					
At 31 August 2016	2,040,077	4,400	5,743	16,950	2,067,170
At 31 August 2015	2,075,173	5,000	12,785	10,812	2,103,770

13 Debtors

	2016 £	2015 £
Trade debtors	5,030	2,336
VAT recoverable	19,294	18,955
Other debtors	-	308
Prepayments and accrued income	46,084	40,665
	70,408	62,264

14 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	45,078	38,620
Other taxation and social security	47,242	38,929
Accruals and deferred income	40,396	37,502
	132,716	115,051

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

15	Deferred income			2016	2015	
				£	£	
	Deferred income is included within:					
	Creditors due within one year			23,000	28,495	
	Deferred income at 1 September			28,495	31,544	
	Released from previous years			(28,495)	(31,544)	
	Amounts deferred in the year			23,000	28,495	
	Deferred income at 31 August			23,000	28,495	
16	Funds					
		Balance at 1	Incoming	Resources	Gains, losses	Balance at 31
		September	resources	expended	& transfers	August 2016
		2015				
		£	£	£	£	£
	Restricted general funds					
	General Annual Grant	44,102	1,374,697	(1,391,369)	(1,258)	26,172
	Other DfE / EFA grants	19,627	198,731	(182,641)	(2,808)	32,909
	Other government grants	-	65,854	(65,854)	-	-
	Other restricted funds	-	2,027	(528)	(1,499)	-
	Funds excluding pensions	63,729	1,641,309	(1,640,392)	(5,565)	59,081
	Pension reserve	(653,000)	-	(55,000)	(125,000)	(833,000)
		(589,271)	1,641,309	(1,695,392)	(130,565)	(773,919)
	Restricted fixed asset funds					
	DfE / EFA capital grants	2,112,200	11,866	(48,994)	5,565	2,080,637
	Total restricted funds	1,522,929	1,653,175	(1,744,386)	(125,000)	1,306,718
	Unrestricted funds					
	General funds	175,868	97,472	(75,872)	-	197,468
	Total funds	1,698,797	1,750,647	(1,820,258)	(125,000)	1,504,186

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

16 Funds

(Continued)

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

Restricted general funds

These comprise all restricted funds other than restricted fixed asset funds and includes grants from The Education Funding Agency and Staffordshire County Council.

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

Unrestricted funds

These comprise resources that may be used towards meeting any of the charitable objectives of the academy trust at the discretion of the trustees.

Restricted Fixed Asset Funds

These comprise resources which are to be applied to specific capital purposes imposed by the Education Funding Agency and Staffordshire County Council where the asset acquired or created is held for a specific purpose.

Total funds analysis by academy

	Total £
Fund balances at 31 August 2016 were allocated as follows:	
Lark Hall Infant School	60,260
Flax Hill Junior School	196,289
	<hr/>
Total before fixed assets fund and pension reserve	256,549
Restricted fixed asset fund	2,080,637
Pension reserve	(833,000)
	<hr/>
Total funds	1,504,186
	<hr/> <hr/>

Total cost analysis by academy

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total £
Lark Hall Infant School	333,963	103,565	14,402	137,467	589,397
Flax Hill Junior School	725,827	192,654	64,567	198,819	1,181,867
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,059,790	296,219	78,969	336,286	1,771,264
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

17 Analysis of net assets between funds

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total 2016 £
Fund balances at 31 August 2016 are represented by:				
Tangible fixed assets	-	-	2,067,170	2,067,170
Current assets	197,468	191,797	13,467	402,732
Creditors falling due within one year	-	(132,716)	-	(132,716)
Defined benefit pension liability	-	(833,000)	-	(833,000)
	<u>197,468</u>	<u>(773,919)</u>	<u>2,080,637</u>	<u>1,504,186</u>

18 Pensions and similar obligations

The academy trust'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 Hymens Robertson LLP. Both are multi-employer defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS and LGPS related to the period ended 31 March 2015.

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014.

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

18 Pensions and similar obligations

(Continued)

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

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

The employer's pension costs paid to the TPS in the period amounted to £103,636 (2015: £83,308)

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 19% for employers.

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

Total contributions made	2016 £	2015 £
Employer's contributions	75,000	65,000
Employees' contributions	22,000	20,000
Total contributions	97,000	85,000

Principal actuarial assumptions	2016 %	2015 %
Rate of increases in salaries	2.5	4.5
Rate of increase for pensions in payment	2.1	2.6
Discount rate	2.0	3.7
Inflation assumption (CPI)	2.0	3.7

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

18 Pensions and similar obligations

(Continued)

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

	2016 Years	2015 Years
Retiring today		
- Males	22.1	22.1
- Females	24.3	24.3
Retiring in 20 years		
- Males	24.3	24.3
- Females	26.6	26.6

The academy trust's share of the assets in the scheme

	2016 Fair value £	2015 Fair value £
Equities	512,000	354,000
Bonds	75,000	53,000
Property	54,000	43,000
Other assets	41,000	29,000
Total market value of assets	682,000	479,000

Actual return on scheme assets - gain/(loss)	106,000	(12,000)
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Amounts recognised in the statement of financial activities

	2016 £	2015 £
Current service cost (net of employee contributions)	106,000	98,000
Net interest cost	24,000	14,000

Changes in the present value of defined benefit obligations

	2016 £
Obligations at 1 September 2015	1,132,000
Current service cost	106,000
Interest cost	44,000
Employee contributions	22,000
Actuarial loss	211,000
At 31 August 2016	1,515,000

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

18	Pensions and similar obligations	(Continued)	
	Changes in the fair value of the academy trust's share of scheme assets	2016	
		£	
	Assets at 1 September 2015	479,000	
	Interest income	20,000	
	Return on plan assets (excluding amounts included in net interest):		
	Actuarial gain	86,000	
	Employer contributions	75,000	
	Employee contributions	22,000	
	At 31 August 2016	682,000	
19	Reconciliation of net expenditure to net cash flows from operating activities	2016	2015
		£	£
	Net expenditure for the reporting period	(69,611)	(32,544)
	Adjusted for:		
	Capital grants from DfE/EFA and other capital income	(11,866)	(11,750)
	Investment income	(377)	(331)
	Defined benefit pension costs less contributions payable	31,000	33,000
	Defined benefit pension net finance cost/(income)	24,000	14,000
	Depreciation of tangible fixed assets	48,994	48,200
	(Increase)/decrease in debtors	(8,144)	17,094
	Increase/(decrease) in creditors	17,665	5,482
	Net cash provided by operating activities	31,661	73,151
20	Commitments under operating leases		
	At 31 August 2016 the total future minimum lease payments under non-cancellable operating leases were as follows:		
		2016	2015
		£	£
	Amounts due within one year	790	790
	Amounts due in two and five years	2,278	3,068
		3,068	3,858

MERCIA PRIMARY ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

21 Related party transactions

No related party transactions took place in the period of account other than certain trustees' remuneration and expenses already disclosed in note 10.

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 or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.