

Registration number: 009666511



The Sovereign Trust

(A company limited by guarantee)

Annual Report and Financial Statements

For the year ended 31 August 2018

Our schools:



Manor Academy
"Succeeding Together"



NEW PARK
ACADEMY



Hallidays
Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

TUESDAY



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09/04/2019

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COMPANIES HOUSE

The Sovereign Trust

Contents

| | |
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| Reference and Administrative Details | 1 to 2 |
| Trustees' Report | 3 to 13 |
| Governance Statement | 14 to 17 |
| Statement on Regularity, Propriety and Compliance | 18 |
| Statement of Trustees' Responsibilities | 19 |
| Independent Auditor's Report on the Financial Statements | 20 to 22 |
| Independent Reporting Accountant's Report on Regularity | 23 to 24 |
| Statement of Financial Activities incorporating Income and Expenditure Account | 25 to 26 |
| Balance Sheet | 27 |
| Statement of Cash Flows | 28 |
| Notes to the Financial Statements | 29 to 51 |

The Sovereign Trust

Reference and Administrative details

| | | |
|--|--|---|
| Members | Rik Waddon Jean Spruce John Lomas Caroline Oxley (Appointed 23/04/2018) David Rowntree (Appointed 23/04/2018) Natalie Jones (Appointed 23/04/2018) | |
| Trustees (Directors) | Ian McGrath (resigned from Chair 16/07/2018) Maurice French Nicholas Gill* Shirley Jones* (Appointed 23 April 2018) Dilys Morgan Paul Nolan* (Appointed Chair 16 July 2018) Beverly Owens* David Rowntree (Appointed 15 July 2018) *Trustee members of the Audit and Risk committee | Head of Finance Committee Chairman Chief Executive Officer and Accounting Officer |
| Senior Management Team | Beverley Owens, Chief Executive Jacqueline Wheble, Head of Pictor Academy Paul Eckley, Head of Manor Academy Almut Bever-Warren, Head of New Park Pamela Symonds, Assistant Head Manor Simon Birch, Deputy Head Pictor Karen Larsen Gresty, Assistant Head Pictor Ian Thomas, Deputy Head New Park Sara Nolan, Director of Autism Ian Hilton, Finance Manager (Started 27 March 2018) Paul Haselden, Operations Directors (Left 1 December 2017) | |
| Company Name | The Sovereign Trust | |
| Principal and Registered Office | Pictor Academy Grove Lane Timperley Altrincham WA15 6PH | |
| Company Registration Number | 09666511 | |
| Company Secretary | Elderflower Legal & Secretarial | |
| Auditors | Halliday's Riverside House Kings Reach Business Park Yew Street Stockport SK4 2HD | |
| Bankers | Lloyds Bank PLC 40-42 School Road Sale M33 7XL | |

The Sovereign Trust

Trustees' Report

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1st September 2017 to 31st August 2018. The annual report serves the purposes of both a Trustees' report, and a directors' report under company law.

The trust operates three academies for pupils aged 2 to 19 serving a catchment area of Trafford, Salford with surrounding boroughs. Its academies have a combined pupil capacity of 340 and had a roll of 372 in the school census on 18th June 2018.

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 The Sovereign Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as The Sovereign Trust (company number (09666511)).

Details of the Trustees who served throughout the year except as noted are included in the Reference and Administrative Details section.

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

The Trustees have liability insurance with the RPA scheme effective date 1st September 2018. There is a limit of indemnity of £10,000,000.

Method of recruitment and appointment or election of Trustees

Trustees are assessed based on the expertise, experience and skills required by the Board in the discharge of their duties as representatives of the Trust. The Board elects Trustees and contains eight elected Trustees who are appointed for a term of three years.

No Trustee received any remuneration in respect of their duties as a Director from the Academy during the year.

Policies and procedures adopted for the induction and training of Trustees

Trustee training is taken very seriously by the Trust. All new Trustees are given the opportunity to develop their knowledge and skills through various online resources, such as 'The Key', that provides a regular update on topical educational matters. The Trust provides an online Governor's resource that stores all current policies and procedures.

All new trustees are actively encouraged to take advantage of all the support on offer so as to gain a better understanding of the role and responsibilities of being a director. Additionally Trustees with specific roles within the Board or Advisory Committee are strongly encouraged to undertake specific training.

Organisational Structure

The Trustees are responsible for setting general policy, approving an annual development plan and budget, monitoring performance against the development plan and budget, monitoring the Trusts' Academies, capital expenditure and Senior Leadership appointments and approval of the Financial Statements. The performance of the Senior Leadership Team is also monitored by the members.

The Sovereign Trust

Trustees' Report (continued)

Structure, governance and management (continued)

During 2018, the Board appointed several new Trustees to improve the mix of expertise and skills and the resulting effectiveness of the Board. The day-to-day management of the Trust has been delegated to the Chief Executive Officer, who is also the Accounting Officer, and the Senior Leadership Team.

The Senior Leadership Team control the academies at an executive level implementing the policies laid down by the Trustees. Control is devolved to members of the Senior Leadership Team within agreed limits through the Scheme of Delegation.

The Trustees meet each term to receive reports from the Senior Leadership Team to manage strategic objectives. The Audit and Risk committee meet separately from the main Board meetings to discuss the financial position and the risk register for the Trust.

The work of the Board consists of:

Finance and risk

Ensures the Trust acts in accordance with the Articles, Funding Agreements, vision, mission and values; and complies with relevant legislation, regulations, the Academies Financial Handbook and Education & Skills Funding Agency (ESFA) guidance.

Exercise oversight and provide an independent objective view on the appropriateness, adequacy and effectiveness of the Trust's risk management, financial management, and internal control and assurance arrangements including reviewing the financial statements.

Estates, Health and Safety

To oversee the use of premises, grounds and extended academy facilities ensuring that the academy complies with health and safety guidelines, including appropriate external advice if required.

HR/Staffing

To be responsible for reviewing and agreeing staff provision, agreeing procedures for staff selection, appointment and performance management, contributing to the appraisal of the CEO, reviewing and agreeing staff pay and training programmes.

Audit

The Audit and Risk sub-committee continues to meet as an advisory body to the Board; it has no executive powers, but aims to promote the highest standards of propriety and governance around the use of public funds whilst encouraging proper accountability for the use of these funds.

The committee satisfies the statutory requirements for the use of public funds by reviewing the internal and external financial statements on behalf of the Board and to promote a climate of financial discipline and internal control within the Trust. The committee appoints and oversees the work from the internal and external auditors. It will also obtain independent professional advice if considered necessary.

The Advisory Committees

Advisory committees meet termly and comprise all learning and other experiences that each academy provides for its pupils. Responsibilities for the curriculum are shared between the Chief Executive Officer, Heads of Schools, the Board of Trustees, and the Secretary of State for Education and Skills. The Advisory committee will have responsibility for monitoring test results and teaching of the curriculum including the review of the assessment policy, and all other policies relevant to curriculum, assessment and pupil progress and welfare.

The Sovereign Trust

Trustees' Report (continued)

Structure, governance and management (continued)

Day-to-day management is delegated to the Chief Executive Officer and individual Academies Senior Leadership Teams:

| Senior Leadership Team | Manor | New Park | Factor |
|-------------------------|----------------------------|------------------------------|---------------|
| Chief Executive Officer | Beverley Owens | | |
| Chief Finance Officer | Ian Hilton | | |
| Head of Academy | Paul Eckley | Almut Bever-Warren | Jacqui Wheble |
| Deputy Head of Academy | | Ian Thomas | Simon Birch |
| Assistant Headteacher | Pam Symonds/ Sarah Nolan | Phillipa Peploe/ Laura Clegg | Karen Larsen |
| HR Manager | Sophie Tothill/Andy Wilson | | |
| Estates Manager | Tracey Nolan | | |

The Senior Leadership Teams recognise that equal opportunities should be an integral part of good practice within the workplace. The Trust aims to establish equal opportunity in all areas of its activities including creating working environments in which the contribution and needs of all people are fully valued.

Trade union facility time

There are currently no trade union officials or members of staff that take part in trade union activities either paid or not.

Arrangements for Setting Pay and Remuneration of Key Personnel

The Trustees consider that they, together with the Chief Executive Officer, Heads of School, and the Operations Director currently comprise the Key Management Personnel. The Trustees give of their time freely and the pay and remuneration of the Chief Executive Officer, Heads of Schools and senior staff is set by the Finance committee advising the Board of Trustees and is kept under annual review via a robust Performance Management and Appraisal system.

A number of criteria are used in setting pay;

- nature of the role and responsibilities;
- competitor salaries in the region; and
- the sector average salary for comparable positions.

Related Parties and other Connected Charities and Organisations

Throughout the year, the Trust has continued to develop partnerships with schools and academies both locally, nationally and internationally. The Chief Executive Officer is a key member of Trafford's Branch of National Association of Head Teachers, the Special School representative on Funding Forum and the High Needs Block funding committee.

The Trust belongs to a Teaching School Alliance across Greater Manchester and works with the Greater Manchester Challenge, a collective of nine Local Authorities. As a trust, we work with local hospitals and Manchester Metropolitan University who form a base for our Manor College pupils on work placements.

The Sovereign Trust

Trustees' Report (continued)

Structure, governance and management (continued)

Since becoming an Academy Sponsor, we have supported New Park School in Salford who then joined the Trust in June 2018.

The Pictor Academy Parent, Staff and Friends Association and the Manor Academy Parent Teacher Association are both registered charities; set up to fundraise within The Sovereign Trust. New Park Academy Parent Teacher Association is not a registered charity but also raises money within the Trust.

One of the Trustees, Dilys Morgan, has carried out paid consultancy work supporting Academies in the Trust on an adhoc basis.

One of the Trustees, Paul Nolan, is married to the Estates Manager.

Pictor Academy buys the services of a yoga teacher, Sarah Birch, for one hour per week during term time, to work with the children of the Academy.

Objectives and Activities

The principal objective and activity of the charitable company is the operation of The Sovereign Trust to ensure the clarity of vision, ethos and strategic direction to provide education for pupils between the ages of 2 and 19 with a statement of special educational needs or an Education Health and Care Plan.

The Trustees of the Trust carry out the following duties:

- compliance with the laws and regulations of the Charity Commission;
- ensure the Trust is managed efficiently and effectively including the employment of additional professional advice on matters where there is a material risk to the charity;
- overseeing the financial performance of the schools and making sure effective use of funds; and
- Ensure the Trust assets and resources are protected and used in the pursuit of the objectives, aims and benefit of the Trust. The Trustees oversee the financials to make sure it remains solvent and keeps appropriate financial records as per the Academies Financial Handbook [2017/ 2018].

Objects and aims of the Trust

Our vision

The Sovereign Trust strives to be the centre of excellence for learning and development for pupils, parents and staff.

Our mission statement

The Sovereign Trust Seeks excellence and growth through acquisitions and development to:

- offer all pupils access to innovative SEND education in the highest quality environments together with wider trust collaboration and expertise;
- support each pupil to flourish through a challenging, wider curriculum and by promoting achievement for all and an enjoyment in learning for life;
- provide the opportunities for innovative developments in the financial and non-financial areas through synergies and savings across the Trust; and
- Ensure the future viability of the Trust.

The Sovereign Trust

Trustees' Report (continued)

Objectives and Activities (continued)

Our values

The Sovereign Trust Multi Academy Trust is a family of schools who believe that by learning and growing together we can:

| | |
|----------------|---|
| Inspire | Enable all pupils to achieve and develop to their highest potential through inspirational teaching |
| Nurture | Create an environment that nurtures, encourages exploration, celebrates creativity and forges a love of learning. |
| Support | Support both pupils and families alike in creating the ethos that our family of schools shares. |
| Passion | Encourage strong and passionate leadership that is central in helping every pupil to flourish. |
| Include | Provide a fully inclusive environment to ensure differing needs, cultures and abilities are respected and valued. |
| Respect | Remain vigilant in how we treat each other, ensuring the respect of each other and of the views of others. |
| Enjoy | Include fun and enjoyment in our curriculum that we believe supports a positive learning environment. |

Strategies and activities of the Trust

The principle strategies of the Trust are as follows:

- ensuring that each academy enables all pupils to achieve their own outstanding outcomes;
- establishing a culture in each academy where the central focus is on the success and well-being of each child;
- building a self-sustaining, system-led, collaborative approach to school improvement;
- ensure high quality, strong and passionate leadership and governance at all levels throughout the Trust; and
- to strengthen the Trust by growing our family of schools who share the Trust values.

Public Benefit

The Trustees confirm that they have complied with their duty in Section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission for England & Wales. The Trustees refer to the Charities Commission's general guidance on public benefit when reviewing the Trust's objectives and aims and in planning future activities for the year. The Academy Trust continues to be at the heart of its community, promoting community cohesion and sharing facilities with other schools and academies and the wider community.

The Sovereign Trust

Trustees' Report (continued)

Strategic Report

The Trustees are determined to maintain our traditional ethos, values, standards and achievements, whilst continuing to work to fulfil our medium and longer-term development plans.

Achievements and performance

In order to maintain educational standards each academy in the Trust applies the following strategies:

- **Manor Academy** - transitional pathways leading to fulfilling, contributory and worthwhile opportunities for all students as they progress into adulthood to drive the ethos, aims and curriculum.
- **New Park Academy** - building confidence in learning, developing pupils as respectful, tolerant and well-mannered citizens of the local and wider community is used to drive their ethos and aims, together with a challenging curriculum and supportive partnerships with home and wider services.
- **Pictor Academy** - the ethos, aims and curriculum are driven by supporting development through personalised learning opportunities with a focus on independence and communication.

The achievements of our children and young people is outstanding overall across The Sovereign Trust because from very low starting points each student leaves with a range of skills and go on to a range of opportunities. There is an expectation, in all core areas, that the majority of young people will engage in external accreditation at the end of Key Stage 4.

OFSTED inspections

In January 2015, Pictor Academy achieved a third "outstanding" judgement following a full OFSTED inspection; they are due for re-inspection 2018/19. Manor Academy's inspection was carried out in October 2018 and achieved a 'Good' judgement. New Park Academy had an inspection in November 2016 and were put into a category of 'special measures'. This judgement remains for three years despite major improvements made and an external review that judged the school to be 'Good'.

All of the academies were oversubscribed throughout the year with demand for places far in excess of our published admission numbers. Manor Academy is increasing pupil numbers to accommodate pupils to the age of 19 as well as creating provision for a 16- 19 provision for pupils with autism.

Key performance indicators

| | |
|-------------------------------------|---|
| Financial | • Cost of staffing as a percentage of income is below 88% in all academies |
| Sustainability | • The Trust operates at a break-even position |
| | • Academy outturns are measured to established budgets and variances investigated |
| | • Operational costs as a percentage of income are less than 95% in all academies |
| Leadership and Governance | • All academies are compliant with the requirements of Finance Handbook |
| Development | • Board and Audit Committee meeting Trustee attendance levels are above 85% |
| Attendance and Pupil Numbers | • Leadership is rated good or outstanding in all academies |
| | • Pupil Attendance percentages |
| | Manor Academy Sale: 94.5% |
| | New Park Academy: 85% |
| | Pictor Academy: 91.65% |
| | • All academies in the Trust have full pupil numbers |
| | • Staff absence rate reduce below 10% |

The Sovereign Trust

Trustees' Report (continued)

Strategic Report (continued)

- | | |
|---|---|
| Achievement | <ul style="list-style-type: none">• 90% of pupils achieve individual targets• The Restrictive Physical Interventions reduces below 10%• 85% of Teaching is judged to be least good or better |
| Growth of the Trust | <ul style="list-style-type: none">• All academies are at maximum capacity pupil numbers• All academies self-generate income above expenses |
| Safety, Health and Environment (SHE) | <ul style="list-style-type: none">• Number of RIDDOR incidents reduces to zero• SHE registers are up to date at all academies with the Trust• Condition Improvement Investments are made where required |

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, it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Operating and Financial Review

The academy's income is obtained from the ESFA in the form of a General Annual Grant (GAG), the use of which is restricted to particular purposes; i.e. the objectives of the Academy Trust. The GAG received during the period covered by this report and the associated expenditure are shown as restricted funds in the Statement of Financial Activities. We also receive High Needs Funding from Local Authorities. In addition, the Academy generates income through the hire of facilities and services.

Capital Grants were awarded to the Academy by the ESFA for windows at Manor, and boiler works at Pictor.

The trust also received grants from the ESFA and other organisations. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income in the restricted general fund and fixed asset fund. The restricted fixed asset fund balance is reduced by depreciation charges over the expected useful life of the assets concerned.

During the period ended 31 August 2018, total expenditure of £6,333,461 was incurred (which excludes depreciation of £559,617 and FRS 102 service costs of £285,000. Recurrent grant income from the EFA, together with other incoming resources totaled £6,590,380 (including £228,229 balance transferred with New Park School on conversion). The excess of expenditure over income for the period was £256,919. Total restricted and unrestricted funds carried forward amount to £321,904. This is in line with the trust's strategy to build and maintain adequate reserves to meet the long-term cyclical needs of renewal and any unforeseen contingencies.

Unrestricted income in the year ended 31 August 2017 amounted to £420,266. Unrestricted expenditure amounted to £13,488.

At 31 August 2018 the net book value of fixed assets amounted to £21,779,879 and movements in fixed assets are shown in note 12 of the financial statements. The cost of fixed asset additions in the year ended 31 August 2018 amounted to £603,265.

The Sovereign Trust

Trustees' Report (continued)

Strategic Report (continued)

Reserves policy

The trustees and governors review the level of reserves on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The trust's current level of free reserves (total reserves less the amounts held in fixed asset reserve and restricted pension fund reserve) is £321,904.

The policy of the Trust is to carry forward a prudent level of reserves designed to meet the long-term cyclical needs of renewal and any unforeseen contingencies, subject to the constraint that the level of reserves does not exceed the level permitted by the ESFA. In addition, that the resources are primarily used to meet the needs of the pupils within the academies and therefore that any reserves are kept under review and are not deemed excessive.

In addition, the net liability due to the trust's participation in the Local Government Pension scheme (Greater Manchester Pension Fund – GMPF) amounts to £1,234,000. It should be noted, however, that an immediate liability for this amount is not crystallised at the financial year end. 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 liabilities would be met by the Department of Education. The guarantee came into force on 18 July 2013. This guarantee provides comfort to the trustees in the unlikely event of an academy closure.

Investment Policy

Any surplus income is held within each academy's designated bank account or within the Sovereign Trust account with Lloyds Bank and accrues interest at the designated rate. The Trust does not invest funds elsewhere or enter into any schemes e.g. equity bonds. It does not have sufficient reserves to enter into any long term secured investments.

Principal Risks and Uncertainties

The major risks, to which the Trust is exposed, as identified by the Trustees, have been reviewed, and systems and procedures have been established to mitigate those risks. There is a risk register that is regularly reviewed at Board Meetings and any actions are agreed as required.

The Sovereign Trust

Trustees' Report (continued)

Strategic Report (continued)

| Principal risks | Mitigation |
|---|---|
| Compliance risk The risk of legal, financial or regulatory sanctions due to a failure to comply with applicable laws and regulations. | <ul style="list-style-type: none"> • Maintain processes that focus on financial and statutory reporting requirements • Ensuring the provision of education is of the highest standard • Ensuring the standard of governance in the Trust are of the highest level • Development of a programme of security for the Trusts IT systems |
| Finance risk The risk that the Trust is unable to maintain overall financial viability and an inability to invest in the Trust | <ul style="list-style-type: none"> • Review of the monthly Financial position against budget • Development of suitable control policies and processes to protect against financial loss • Monitoring capital investment to ensure the Trust maintains its physical assets • Ensuring a clear supplier or third party policy and a clear tender process to protect the Trust Financially |
| Governance risk The risk that the Board of Trustees is ineffective in the management of the Trust's assets and financial mismanagement occurs | <ul style="list-style-type: none"> • Maintaining a broad and diverse Board structure with the required skillset to challenge the senior leadership team and make decisions in the best interests of the Trust • Rigorous risk management to ensure the principal risks are mitigated and controlled • Ensuring a comprehensive disaster recovery plan is in place |
| People risk The risk that the right people are in place to lead the Trust and provide excellent education whilst constantly striving to meet the needs of the Trust's students. | <ul style="list-style-type: none"> • Ensuring the promotion of standards and compliance with the HR policies of the Trust • Development of employees with comprehensive succession plans • Maintenance and compliance with Health Safety standards • Ensuring all academies in the Trust maintain a full complement of pupil numbers • Maintenance of adequate safeguarding measures and all employees are aware of their responsibilities |
| Reputation risk The risk of negative consequences from a failure to meet the expectations and standards of pupils, ESFA and DfE during the course of academy activities | <ul style="list-style-type: none"> • Maintain a clear and explicit set of policies and ensuring that all employees comply • Ensure the Board complies with all requirements of the ESFA DfE and the charities commission • Review of the monthly Financial position against budget and monitoring of the Trust key performance indicators • Management of educational standards within the academies to meet OFSTED standards |
| Strategic risk The risk that the Trust does not achieve its vision and objectives | <ul style="list-style-type: none"> • Maintenance and development of a suitable long term strategy to give focus and direction to the Trust • Constant review of the external environment of the Trust to ensure the Trust is at the forefront of changes |

The Sovereign Trust

Trustees' Report (continued)

Strategic Report (continued)

Emerging Risks

| Emerging risks | Mitigation |
|--|--|
| The Trust recognises that the Local Government Pension Scheme is a significant potential liability. | The Trust is able to meet its known annual deficit contribution commitments for the foreseeable future, the risk from this liability is minimised and is manageable. |
| Following the plans to build a third school could reduce the number of pupils from the local area over the next four years to 88 full time equivalents (FTE). | Pictor academy can offset this reduction by attracting pupils from Boroughs outside Trafford. The academy feels this is a reasonable strategy given that the academy has been oversubscribed in previous years. The senior leadership team discusses numbers regularly with the Local Authority to discuss pupil admissions to meet the shortage of places in the Borough. Pictor academy's reputation for high-class education is shown in parent's preference for the academy. The building of the new school has been delayed with Trafford reducing numbers by five FTE but the requirements for places from Trafford and surrounding Boroughs has led to Pictor academy pupil numbers at 125 pupils. |
| Manor academy has significant building issues which require urgent and ongoing repairs and replacement | The academy has attracted Condition Improvement Funding (CIF) was awarded through the emergency bidding route. There are two grants: one for the kitchen and roof and a second on to replace the windows and fascia. Both are currently underway. A further CIF grant application for the boiler is in progress. Due to the prevalence of asbestos in the building, the cost of work escalates and is halted whilst the asbestos is removed. |
| The current issues with the Manor academy buildings will affect plans to expand the educational offering to include post sixteen up to the age of nineteen including a provision for pupils with autism. | Further grants have been applied for to improve the condition of the buildings and enable expansion of the building to incorporate these plans. |
| New Park academy operates from a Private Finance Initiative (PFI) with a repayment programme until 2030. | By monitoring the financial position of the academy, the Board will anticipate issues with meeting the requirements of the PFI. |
| There has been an increase in costs for all academies with no increase in income levels | Monitoring the financial position by the Board to anticipate periods where there is an increase in the overrun and decisions around costs need to be made. During 2018, investigations were made into the level of staff at each academy leading to some redundancies. Any further pressures experienced by remaining employees is being monitored. |

The Sovereign Trust

Trustees' Report (continued)

Strategic Report (continued)

Plans for Future Period

Longer-term developmental needs include improving our facilities wherever funding will allow. In particular, we shall strive to secure grants to allow:

- the expansion of pupil opportunities;
- improved academy accommodation particularly at Manor Academy and expansion at Pictor Academy;
- increased funding from lettings opportunities; and
- future school acquisitions.

Fundraising

The majority of our fundraising is done through lettings of the buildings after school hours and of the hydrotherapy pool throughout the week (when available), and at weekends.

Other fundraising activities include events organised by the parent/staff/friends groups.

Funds Held as Custodian Trustee On Behalf of Others

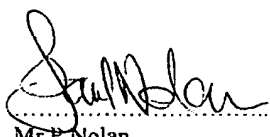
During the period from 1 September 2017 to 31 August 2018, The Sovereign Trust did not hold any funds as a custodian trustee on behalf of any other charitable organisation.

Auditors

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.

This Trustees' report, incorporating a Strategic report, was approved by order of the members of the Board of Trustees on 20/12/18... and signed on its behalf by:



Mr P Nolan

Chair of Board of Trustees

Date: 20/12/18.....

The Sovereign Trust

Governance Statement

Scope of Responsibility

As Directors, we acknowledge we have overall responsibility for ensuring that The Sovereign Trust has an effective and appropriate system of control, financial and otherwise.

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for ensuring financial controls conform to the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Sovereign Trust and the Secretary of State for Education.

They are also responsible for reporting to the Board any material weaknesses or breakdowns in internal control. The information on governance included here supplements that described in the Director's Report and in the Statement of Directors' responsibilities.

Board of Trustees

The information on governance here supplements that described in the Trustees' report and in the Statement of Trustees responsibilities.

The Board of Trustees has formally met six times during the year. Attendance during the year at meetings of the Board was as follows:

| Trustee Name | Meetings attended⁽¹⁾ | Out of a possible |
|--|--|--------------------------|
| Ian McGrath (resigned from Chair 16/07/2018) | 2 | 5 |
| Maurice French (resigned October 2018) | 0 | 5 |
| Nicholas Gill | 4 | 5 |
| Shirley Jones (Appointed April 2018) | 2 | 2 |
| Dilys Morgan | 5 | 5 |
| Paul Nolan (Appointed Chair 16/07/2018) | 5 | 5 |
| Beverly Owens | 5 | 5 |
| David Rowntree (Appointed 15 July 2018) | 1 | 1 |

⁽¹⁾Members who joined during the course of the year have their attendance reported on the basis of the maximum number of meetings that they could have attended following their appointment.

Governance review

The Board carried out a full review of its skills and effectiveness following submission of the 2016/17 Report and Accounts. In December 2017, the Operations Director was asked to leave the Trust due to under-performance leaving behind significant issues to sort out. As part of a Governance review, it was acknowledged that the Board required additional support and skills, more particularly in the area of financial and audit areas.

The Board appointed a highly qualified accountant with extensive experience in academies and across different boroughs into the Chief Financial Officer role. The Board also engaged the services, in a Board advisory role, of a highly experienced commercially minded finance, business and governance professional, who is a senior leader with a wealth of board level, audit committee and change experience as an executive, a trustee and business consultant.

The Board appointed two further Trustees, a qualified accountant and an insurance/risk professional, thereby strengthening the Board with a particular emphasis on finance. A separate Finance, Risk & Audit Committee was formed in order to discuss Finance Audit and risk matters. This committee now acts as an Audit Committee and challenges Senior Leadership decisions in a knowledgeable way.

The Sovereign Trust

Governance Statement (continued)

Board of Trustees (continued)

Audit Committee

The Audit Committee is a sub-committee of the Board of Trustees. During 2017/2018, an independent advisor supported the committee. The term of this tenure finishes at the end of 2018 but the Board feels that the current composition is of suitable quality to continue without this support. The purpose and responsibility of the committee is to oversee the financial, risk management and the wider internal control framework of the Trust and report any findings to the Board. The committee has met three times during the year.

Attendance during the year was as follows:

| Trustee Name | Meetings attended | Out of a possible |
|---|--------------------------|--------------------------|
| Paul Nolan | 3 | 3 |
| Nicholas Gill | 3 | 3 |
| Shirley Jones (appointed April 2018) | 2 | 2 |
| Beverly Owens, CEO | 3 | 3 |
| Grenville Page (Independent Chair of Audit Committee) | 3 | 3 |

Review of value for money

As Accounting Officer, the Chief Executive Officer Beverley Owens 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 resources has provided good value for money during each academic year, and reports to the Board of Directors where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the academy trust has delivered improved value for money as described below.

Improving Educational results

Our resources are directed where they will be the most effective in meeting educational requirements, for example;

- robust tracking systems to record and monitor all aspects of pupil data including progress;
- continuing to monitor staffing levels and deploy staff efficiently to support the curriculum and areas of development;
- through robust performance management systems that ensure staff development delivers excellent teaching and learning opportunities for pupils;
- funding is allocated to optimal effect, e.g. through personalised programmes for pupils, after school clubs, breakfast clubs;
- working collaboratively with other schools, forming a Teaching School Alliance to improve CPD and share excellent practice and improve standards;
- implement strategies to improve attendance; and
- provide increased speech and language support for pupils.

The Sovereign Trust

Governance Statement (continued)

Review of value for money (continued)

Financial Governance and Oversight

Financial governance arrangements include regular monitoring by The Board of Directors and through the Finance and Audit committee including;

- comprehensive budgeting and monitoring systems with an annual budget and monthly financial reports reviewed and agreed by the Board;
- regular monitoring review of reports and data within the Board meetings, monitoring the impact of activities and funding streams such as pupil premium;
- monthly reviews by the Executive Team of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- robust financial procedures and regular policy reviews ensure the academy trust is operating within the regulations of the Academies Handbook; and
- comprehensive external and internal audit checks, monitoring and reporting on the Academy trusts financial procedures and performance.

Better Purchasing

- spending proposals are priced and presented to the Board, challenged appropriately and recorded in minutes; and
- contracts and service level agreements are reviewed regularly to ensure the service remains suitable for the needs of the Trust and tenders/quotes are obtained to ensure value for money.

Reviewing controls and managing Risks

- cash flow forecasts are included within regular reports to identify surplus cash balances;
- clearly defined purchasing guidelines;
- delegation of authority and segregation of duties are defined within policies and Board meetings; and
- review of Risk Register is a standing item for all meetings.

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 The Sovereign 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 managed and reviewed in line with DfE guidance in the Financial Handbook at The Sovereign Trust from [September 2017 to August 2018] and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Board of Trustees has reviewed the key risks to which The Sovereign 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 from September 2017 to August 2018 and up to the date of approval of the annual report and financial statements. The Board of Trustees regularly reviews this process.

The Sovereign Trust

Governance Statement (continued)

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 Directors;
- regular reviews by the Executive team of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties; and
- Identification and management of risks.

The Board of Directors has considered the need for a specific internal audit function and decided to appoint an 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. On a termly basis, the internal auditor reports to the Board of Directors on the operation of the systems of control and on the discharge of the Board's financial responsibilities.

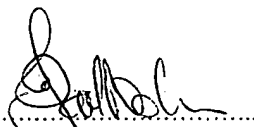
Review of effectiveness

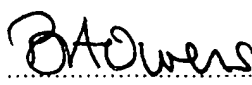
As Accounting Officer, Beverley Owens has responsibility for reviewing the effectiveness of the system of internal control. During the time since conversion, the review has been informed by:

- the work of Local Authority Finance team;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the Chief Financial Officer; and
- the work of the Directors within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Board of Directors on 20/12/18 and signed on its behalf by:


Mr. Paul Nolan
Chair of Directors


Mrs Beverley Owens
Accounting Officer


The Sovereign Trust

Statement on Regularity, Propriety and Compliance

As Accounting Officer of The Sovereign Trust, I have considered my responsibility to notify the Academy Trust Governing Body and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA 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 2017.

I confirm that the Academy Trust Board of Directors and I 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 Trusts' funding agreement and the Academies Financial Handbook 2017.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.



Mrs Beverley Owens
Accounting Officer

Date: 20/12/18.

The Sovereign Trust

Statement of Trustees' Responsibilities

The Trustees (who act as Directors for the charitable activities of The Sovereign Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees report and financial statements in accordance with the Annual Accounts Requirements issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- 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 Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended. The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Companies website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Governing Body on the 20/12/18..... and signed on its behalf by:



Mr Paul Nolan
Chair

The Sovereign Trust

Independent Auditor's Report on the Financial Statements to the Members of The Sovereign Trust

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2018 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.
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2017 to 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Academy in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Academy's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

The Sovereign Trust

Independent Auditor's Report on the Financial Statements to the Members of The Sovereign Trust (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Trustees' Report.

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

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

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities [set out on page 19], the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Academy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Academy or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

The Sovereign Trust

Independent Auditor's Report on the Financial Statements to the Members of The Sovereign Trust (continued)

- Conclude on the appropriateness of the Trustees use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Academy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Academy to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Academy to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Academy audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Academy's Trustees, 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 Academy's trustees 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 Academy and its Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



Anna Bennett (Senior Statutory Auditor)
For and on behalf of Hallidays, Statutory Auditor

Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

Date: 21/12/18

The Sovereign Trust

Independent Reporting Accountant's Report on Regularity to The Sovereign Trust and the Education & Skills Funding Agency

In accordance with the terms of our engagement letter dated 8 July 2015 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Sovereign Trust during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of the Governing Body's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of the Board of Directors's funding agreement with the Secretary of State for Education dated 16 December 2015 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 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year from 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- We have confirmed that the activities conform to the trust's framework of authorities. As identified by review of minutes, management accounts, discussion with the accounting officer and other key management personnel.
- We have carried out an analytical review as part of the consideration of whether general activities of the trust are within the trust's framework of authorities.
- We have considered the evidence supporting the accounting officer's statement on regularity, propriety and compliance and have evaluated the general control environment of the trust and extended the procedures required for financial statements to include regularity.

The Sovereign Trust

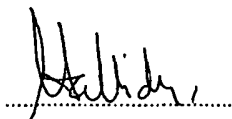
Independent Reporting Accountant's Report on Regularity to The Sovereign Trust and the Education & Skills Funding Agency (continued)

- We have assessed and tested a sample of the specific control activities over regularity of a particular activity. In performing sample testing of expenditure, we have considered whether the activity is permissible within the trust's framework of authorities. We confirm that each item tested has been appropriately authorised in accordance with the trust's delegated authorities and that the internal delegations have been approved by the Trust Board and conform to the limits set by the Department for Education.
- Formal representations have been obtained from the Board of Directors and the accounting officer acknowledging their responsibilities including disclosing all non-compliance with laws and regulations specific to the authorising framework, access to accounting records, provision of information and explanations, and other matters where direct evidence is not available.
- In performing sample testing of expenditure, we have reviewed against specific terms of grant funding within the funding agreement. We have reviewed the list of suppliers and have considered whether supplies are from related parties and have reviewed minutes for evidence of declaration of interest, and whether or not there was involvement in the decision to order from this supplier.
- We have performed sample testing of other income and tested whether activities are permitted within the trust's charitable objects.

Conclusion

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

- Management information was not made available to the board on a timely and regular basis and the information they did receive was not in the form that would allow robust monitoring of the Trust's financial position.
- Changes required to control processes arising from weaknesses on procurement and payroll identified during the 2016/17 audit have not been fully implemented.



Hallidays
Chartered Accountants
and
Registered Auditors

Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

Date: 21/12/18

The Sovereign Trust

Statement of Financial Activities for the Year Ended 31 August 2018 (including Income and Expenditure Account)

| | Note | Unrestricted Funds £ | Restricted General Funds £ | Restricted Pension Funds £ | Restricted Fixed Asset Funds £ | 2017/18 Total £ |
|---|------|----------------------------|-------------------------------------|-------------------------------------|---|-----------------------|
| Income and endowments from: | | | | | | |
| Voluntary income | | | | | | |
| Donations and capital grants | 2 | 11,298 | - | - | 1,091,395 | 1,102,693 |
| Transfer from local authority on conversion | | 228,229 | - | (263,000) | 68,750 | 33,979 |
| <i>Charitable activities:</i> | | | | | | |
| Funding for the Academy trust's educational operations | 3 | - | 6,167,289 | - | - | 6,167,289 |
| Other trading activities | 4 | 180,435 | 2,825 | - | - | 183,260 |
| Investments | 5 | 304 | - | - | - | 304 |
| Total | | 420,266 | 6,170,114 | (263,000) | 1,160,145 | 7,487,525 |
| Expenditure on: | | | | | | |
| <i>Charitable activities:</i> | | | | | | |
| Academy trust educational operations | 7 | 13,488 | 6,319,973 | 285,000 | 559,617 | 7,178,078 |
| Net income/(expenditure) | | 406,778 | (149,859) | (548,000) | 600,528 | 309,447 |
| Transfers between funds | | (273,250) | 242,650 | - | 30,600 | - |
| Other recognised gains and losses | | | | | | |
| Actuarial (losses) / gains on defined benefit pension schemes | 24 | - | - | 648,000 | - | 648,000 |
| Net movement in funds | | 133,528 | 92,791 | 100,000 | 631,128 | 957,447 |
| Reconciliation of funds | | | | | | |
| Total funds/(deficit) brought forward at 1 September 2017 | | 56,368 | 39,217 | (1,334,000) | 22,144,552 | 20,906,137 |
| Total funds/(deficit) carried forward at 31 August 2018 | | 189,896 | 132,008 | (1,234,000) | 22,775,680 | 21,863,584 |

The Sovereign Trust

Statement of Financial Activities for the Year Ended 31 August 2017 (including Income and Expenditure Account)

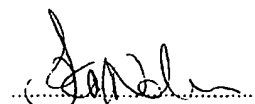
| | Note | Unrestricted Funds £ | Restricted General Funds £ | Restricted Pension Funds £ | Restricted Fixed Asset Funds £ | Total 2016/17 £ |
|---|------|----------------------------|-------------------------------------|----------------------------------|---|-----------------------|
| Income and endowments from: | | | | | | |
| Voluntary income | | | | | | |
| Donations and capital grants | 2 | 14,447 | - | - | 587,592 | 602,039 |
| <i>Charitable activities:</i> | | | | | | |
| Funding for the Academy trust's educational operations | 3 | - | 5,025,700 | - | - | 5,025,700 |
| Other trading activities | 4 | 105,699 | - | - | - | 105,699 |
| Investments | 5 | 258 | - | - | - | 258 |
| Total | | 120,404 | 5,025,700 | - | 587,592 | 5,733,696 |
| Expenditure on: | | | | | | |
| <i>Charitable activities:</i> | | | | | | |
| Academy trust educational operations | 7 | 21,594 | 5,356,083 | 207,000 | 581,162 | 6,165,839 |
| Net income/(expenditure) | | 98,810 | (330,383) | (207,000) | 6,430 | (432,143) |
| Transfers between funds | | (414,646) | 369,600 | - | 45,046 | - |
| Other recognised gains and losses | | | | | | |
| Actuarial gains on defined benefit pension schemes | 24 | - | - | 909,000 | - | 909,000 |
| Net movement in (deficit)/funds | | (315,836) | 39,217 | 702,000 | 51,476 | 476,857 |
| Reconciliation of funds | | | | | | |
| Total funds/(deficit) brought forward at 1 September 2016 | | 372,204 | - | (2,036,000) | 22,093,076 | 20,429,280 |
| Total funds/(deficit) carried forward at 31 August 2017 | | 56,368 | 39,217 | (1,334,000) | 22,144,552 | 20,906,137 |


The Sovereign Trust

(Registration number: 09666511)
Balance Sheet as at 31 August 2018

| | Note | 2018 £ | 2017 £ |
|---|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 21,779,879 | 21,667,481 |
| Current assets | | | |
| Debtors | 13 | 757,682 | 267,072 |
| Cash at bank and in hand | | <u>1,022,723</u> | <u>589,262</u> |
| | | 1,780,405 | 856,334 |
| Creditors: Amounts falling due within one year | 14 | <u>(449,828)</u> | <u>(283,678)</u> |
| Net current assets | | <u>1,330,577</u> | <u>572,656</u> |
| Total assets less current liabilities | | 23,110,456 | 22,240,137 |
| Creditors: Amounts falling due after more than one year | 15 | <u>(12,872)</u> | - |
| Net assets excluding pension liability | | 23,097,584 | 22,240,137 |
| Defined benefit pension scheme liability | 24 | <u>(1,234,000)</u> | <u>(1,334,000)</u> |
| Net assets including pension liability | | <u>21,863,584</u> | <u>20,906,137</u> |
| Funds of the Academy Trust: | | | |
| Restricted funds | | | |
| Restricted general fund | 16 | 132,008 | 39,217 |
| Restricted fixed asset fund | 16 | 22,775,680 | 22,144,552 |
| Restricted pension fund | 16 | <u>(1,234,000)</u> | <u>(1,334,000)</u> |
| | | 21,673,688 | 20,849,769 |
| Unrestricted funds | | | |
| Unrestricted general fund | 16 | <u>189,896</u> | <u>56,368</u> |
| Total funds | | <u>21,863,584</u> | <u>20,906,137</u> |

The financial statements on pages 25 to 51 were approved by the Trustees, and authorised for issue on 21/12/18 and signed on their behalf by:


Paul Nolan
Trustee


Beverley Owens
Trustee

The Sovereign Trust

Statement of Cash Flows for the Year Ended 31 August 2018

| | Note | 2018 £ | 2017 £ |
|---|------|-------------------------|-----------------------|
| Cash flows from operating activities | | | |
| Net cash (used in)/provided by operating activities | 20 | (283,202) | 26,612 |
| Cash transferred on conversion to an Academy Trust | | 228,229 | - |
| Cash flows from investing activities | 21 | <u>488,434</u> | <u>432,283</u> |
| Change in cash and cash equivalents in the year | | 433,461 | 458,895 |
| Cash and cash equivalents at 1 September | | <u>589,262</u> | <u>130,367</u> |
| Cash and cash equivalents at 31 August | 22 | <u><u>1,022,723</u></u> | <u><u>589,262</u></u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018

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.

Basis of preparation

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

Going concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the 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 financial statements 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 financial statements.

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

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 year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

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.

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

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'.

Transfer on conversion

Where assets and liabilities are received by the academy trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the academy trust. An equal amount of income is recognised as transfer on conversion within Donations and capital grant income to the net assets received.

Transfer of existing academies into the trust

Where assets and liabilities are received on the transfer of an existing academy into the academy trust, the transferred net assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the academy trust. An equal amount of income is recognised for the transfer of an existing academy into the academy trust within Donations and capital grant income to the net assets acquired.

Donated fixed assets

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.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on raising funds

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.

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

1 Accounting policies (continued)

All resources expended are inclusive of irrecoverable VAT.

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.

Tangible fixed assets

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. 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 over its expected useful lives, per the table below.

| Asset class | Depreciation method and rate |
|----------------------------------|------------------------------|
| Leasehold land | 0.80% straight line |
| Leasehold buildings | 2% straight line |
| Fixtures, fittings and equipment | 20% reducing balance |
| Computer equipment | 33 1/3% straight line |
| Motor vehicles | 25% straight line |

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

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

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.

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

1 Accounting policies (continued)

Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

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

Leased assets

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

Financial Instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

Cash at bank - is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

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.

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

1 Accounting policies (continued)

Pension 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.

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 the notes to the financial statements, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities 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.

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 & Skills Funding Agency/Department for Education.

Critical accounting estimates and areas of judgement

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

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

1 Accounting policies (continued)

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 (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Donations and capital grants

| | Unrestricted funds £ | Restricted fixed asset funds £ | Total 2018 £ | Total 2017 £ |
|------------------------------|----------------------------|---|--------------------|--------------------|
| Educational trips and visits | 10,552 | - | 10,552 | 7,577 |
| Capital grants | - | 1,091,395 | 1,091,395 | 587,592 |
| Other donations | 746 | - | 746 | 6,870 |
| | <u>11,298</u> | <u>1,091,395</u> | <u>1,102,693</u> | <u>602,039</u> |

3 Funding for the Academy Trust's educational operations

| | Restricted funds £ | 2017/18 Total £ | 2016/17 Total £ |
|--------------------------------|--------------------------|-----------------------|-----------------------|
| DfE/ESFA revenue grants | | | |
| General Annual Grant | 2,640,276 | 2,640,276 | 2,612,795 |
| Start Up Grant | 80,000 | 80,000 | - |
| Other DfE/ESFA Grants | <u>247,761</u> | <u>247,761</u> | <u>137,972</u> |
| | 2,968,037 | 2,968,037 | 2,750,767 |
| Other government grants | | | |
| Other Government Grants/Income | <u>3,199,252</u> | <u>3,199,252</u> | <u>2,274,933</u> |
| Total grants | <u>6,167,289</u> | <u>6,167,289</u> | <u>5,025,700</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

4 Other trading activities

| | Unrestricted funds £ | Restricted funds £ | 2017/18 Total £ | 2016/17 Total £ |
|------------------------------|----------------------------|--------------------------|-----------------------|-----------------------|
| Hire of facilities | 53,640 | - | 53,640 | 35,839 |
| Catering income | 15,006 | - | 15,006 | 3,508 |
| School shop sales | 20 | - | 20 | 3,451 |
| Recharges and reimbursements | 75,721 | - | 75,721 | 15,235 |
| Other sales | 36,048 | 2,825 | 38,873 | 47,666 |
| | <u>180,435</u> | <u>2,825</u> | <u>183,260</u> | <u>105,699</u> |

5 Investment income

| | Unrestricted funds £ | 2017/18 Total £ | 2016/17 Total £ |
|---------------------|----------------------------|-----------------------|-----------------------|
| Short term deposits | <u>304</u> | <u>304</u> | <u>258</u> |

6 Expenditure

| | Non Pay Expenditure | | | 2017/18 Total £ | 2016/17 Total £ |
|---|---------------------|----------------|------------------|-----------------------|-----------------------|
| | Staff costs £ | Premises £ | Other costs £ | | |
| Academy's educational operations | | | | | |
| Direct costs | 4,611,332 | 525,157 | 223,234 | 5,359,723 | 4,825,813 |
| Allocated support costs | <u>826,216</u> | <u>400,860</u> | <u>591,279</u> | <u>1,818,355</u> | <u>1,340,026</u> |
| | <u>5,437,548</u> | <u>926,017</u> | <u>814,513</u> | <u>7,178,078</u> | <u>6,165,839</u> |

Net income/(expenditure) for the year includes:

| | 2017/18 £ | 2016/17 £ |
|---------------------------------|----------------|----------------|
| Operating leases - other leases | 119,859 | 2,318 |
| Fees payable to auditor - audit | 12,700 | 7,850 |
| - other audit services | 4,800 | 6,165 |
| Depreciation | <u>559,617</u> | <u>581,162</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

7 Charitable activities

| | | Total 2018 £ | Total 2017 £ |
|--|---|--------------------------------|--------------------------------|
| Direct costs - educational operations | | 5,359,723 | 4,825,813 |
| Support costs - educational operations | | <u>1,818,355</u> | <u>1,340,026</u> |
| | | 7,178,078 | 6,165,839 |
| | Educational operations £ | 2017/18 Total £ | 2016/17 Total £ |
| Analysis of support costs | | | |
| Support staff costs | 826,216 | 826,216 | 500,735 |
| Depreciation | 34,460 | 34,460 | 45,532 |
| Technology costs | 33,926 | 33,926 | 35,749 |
| Premises costs | 366,400 | 366,400 | 398,302 |
| Other support costs | 523,073 | 523,073 | 339,605 |
| Governance costs | <u>34,280</u> | <u>34,280</u> | <u>20,103</u> |
| Total support costs | <u>1,818,355</u> | <u>1,818,355</u> | <u>1,340,026</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

8 Staff

Staff costs

| | 2018 £ | 2017 £ |
|--|-------------------|-------------------|
| Staff costs during the year were: | | |
| Wages and salaries | 3,953,126 | 3,176,065 |
| Social security costs | 358,669 | 452,553 |
| Pension costs | 963,964 | 848,397 |
| | <u>5,275,759</u> | <u>4,477,015</u> |
| Supply teacher costs | 145,359 | 74,464 |
| Staff restructuring costs | 16,430 | 35,146 |
| | <u>5,437,548</u> | <u>4,586,625</u> |
| | 2018 £ | 2017 £ |

Staff restructuring costs comprise:

| | | |
|--------------------|--------------|---------------|
| Severance payments | <u>6,500</u> | <u>35,146</u> |
|--------------------|--------------|---------------|

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £6,500 (2017: £35,146). Individually, the payments were:

Non-statutory payments £6,500 made on 12 June 2018

Staff numbers

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

| | 2017/18 No | 2016/17 No |
|------------------------------|---------------|---------------|
| Charitable Activities | | |
| Teachers | 71 | 44 |
| Administration and support | 272 | 131 |
| Management | 7 | 8 |
| | <u>350</u> | <u>183</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

8 Staff (continued)

Higher paid staff

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

| | 2018 No | 2017 No |
|--------------------|------------|------------|
| £60,001 - £70,000 | 2 | 2 |
| £90,001 - £100,000 | <u>1</u> | <u>1</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 and employer national insurance contributions) received by key management personnel for their services to the academy trust was £658,208 (2017: £518,398).

9 Central services

The academy trust has provided the following central services to its academies during the year:

- Governance
- Professional services
- Finance
- Leadership

The academy trust charges for these services on the following basis:

- New Park - 5% of GAG and LA income
- Manor/Pictor - Calculation of costs incurred by Trust

The actual amounts charged during the year were as follows:

| | 2018 £ |
|--------------------|----------------|
| Pictor Academy | 107,701 |
| Manor Academy Sale | 107,701 |
| New Park School | <u>28,827</u> |
| | <u>244,229</u> |

10 Related party transactions - trustees' remuneration and expenses

One or more trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment.

The value of trustees' remuneration and other benefits was as follows:

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

10 Related party transactions - trustees' remuneration and expenses (continued)

Beverley Owens (Headteacher):

Remuneration: £95,000 - £100,000 (2017 - £95,000 - £100,000)

Employer's pension contributions: £15,000 - £20,000 (2017 - £10,000 - £15,000)

Helen Wilson (Headteacher):

Remuneration: £Nil (2017 - £25,000 - £30,000)

Employer's pension contributions: £Nil (2017 - £0 - £5,000)

Dilys Morgan (Consultant):

Remuneration: £5,000 - £10,000 (2017 - £10,000 - £15,000)

Employer's pension contributions: £Nil (2017 - £Nil)

Other related party transactions involving the trustees are set out in note 25.

11 Trustees' and officers' insurance

The academy trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business, and provides cover up to £10,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

12 Tangible fixed assets

| | Leasehold land and buildings £ | Furniture and fixtures £ | Plant and equipment £ | Total £ |
|-----------------------|---|--------------------------------|-----------------------------|-------------------|
| Cost | | | | |
| At 1 September 2017 | 21,243,381 | 1,173,048 | 227,556 | 22,643,985 |
| Additions | 491,673 | 111,592 | - | 603,265 |
| Inherited assets | - | - | 68,750 | 68,750 |
| At 31 August 2018 | <u>21,735,054</u> | <u>1,284,640</u> | <u>296,306</u> | <u>23,316,000</u> |
| Depreciation | | | | |
| At 1 September 2017 | 521,735 | 354,456 | 100,313 | 976,504 |
| Charge for the year | <u>319,182</u> | <u>169,167</u> | <u>71,268</u> | <u>559,617</u> |
| At 31 August 2018 | <u>840,917</u> | <u>523,623</u> | <u>171,581</u> | <u>1,536,121</u> |
| Net book value | | | | |
| At 31 August 2018 | <u>20,894,137</u> | <u>761,017</u> | <u>124,725</u> | <u>21,779,879</u> |
| At 31 August 2017 | <u>20,721,646</u> | <u>818,592</u> | <u>127,243</u> | <u>21,667,481</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

13 Debtors

| | 2018 | 2017 |
|--------------------------------|----------------|----------------|
| | £ | £ |
| Trade debtors | 31,088 | 64,245 |
| VAT recoverable | 38,953 | 6,309 |
| Other debtors | 12,872 | - |
| Prepayments | 21,199 | 2,319 |
| Accrued grant and other income | 653,570 | 194,199 |
| | <u>757,682</u> | <u>267,072</u> |

14 Creditors: amounts falling due within one year

| | 2018 | 2017 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Trade creditors | 58,268 | 185,370 |
| Other taxation and social security | 168,320 | - |
| Other creditors | 8,811 | - |
| Accruals | 206,144 | 88,876 |
| Deferred income | 8,285 | 9,432 |
| | <u>449,828</u> | <u>283,678</u> |

| | 2018 | 2017 |
|--|----------------|----------------|
| | £ | £ |
| Deferred income | | |
| Deferred income at 1 September 2017 | 9,432 | 7,648 |
| Resources deferred in the period | 8,285 | 9,432 |
| Amounts released from previous periods | <u>(9,432)</u> | <u>(7,648)</u> |
| Deferred income at 31 August 2018 | <u>8,285</u> | <u>9,432</u> |

At the balance sheet date the academy trust was holding funds received in advance for UIFSM in respect of the academic year 2018/2019.

15 Creditors: amounts falling due after one year

| | 2018 |
|-----------------|---------------|
| | £ |
| Other creditors | <u>12,872</u> |

At the balance sheet date, the academy trust had received £12,872 of Salix funding relating to capital projects. Salix funding is an interest free loan approved by the Education and Skills Funding Agency (ESFA) repayable in equal instalments over eight years.

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

16 Funds

| | Balance at 1 September 2017 £ | Incoming resources £ | Resources expended £ | Gains, losses and transfers £ | Balance at 31 August 2018 £ |
|-------------------------------------|--|----------------------------|----------------------------|--|--------------------------------------|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | 39,217 | 2,640,275 | (2,516,884) | (30,600) | 132,008 |
| Other DfE/EFA grants | - | 247,761 | (247,761) | - | - |
| Start up grant | - | 80,000 | (80,000) | - | - |
| Other restricted income | - | 3,202,078 | (3,475,328) | 273,250 | - |
| | <u>39,217</u> | <u>6,170,114</u> | <u>(6,319,973)</u> | <u>242,650</u> | <u>132,008</u> |
| Restricted fixed asset funds | | | | | |
| Transfer on conversion | 21,303,416 | 68,750 | (522,936) | - | 20,849,230 |
| DfE/EFA capital grants | 588,076 | 1,091,395 | (30,333) | - | 1,649,138 |
| Other capital income | 34,300 | - | (900) | - | 33,400 |
| Capital expenditure from GAG | <u>218,760</u> | <u>-</u> | <u>(5,448)</u> | <u>30,600</u> | <u>243,912</u> |
| | 22,144,552 | 1,160,145 | (559,617) | 30,600 | 22,775,680 |
| Restricted pension funds | | | | | |
| Restricted pension funds | <u>(1,334,000)</u> | <u>(263,000)</u> | <u>(285,000)</u> | <u>648,000</u> | <u>(1,234,000)</u> |
| Total restricted funds | 20,849,769 | 7,067,259 | (7,164,590) | 921,250 | 21,673,688 |
| Unrestricted funds | | | | | |
| Unrestricted general funds | <u>56,368</u> | <u>420,266</u> | <u>(13,488)</u> | <u>(273,250)</u> | <u>189,896</u> |
| Total funds | <u>20,906,137</u> | <u>7,487,525</u> | <u>(7,178,078)</u> | <u>648,000</u> | <u>21,863,584</u> |

Comparative information in respect of the preceding period is as follows:

| | Balance at 1 September 2016 £ | Incoming resources £ | Resources expended £ | Gains, losses and transfers £ | Balance at 31 August 2017 £ |
|---------------------------------|--|----------------------------|----------------------------|--|--------------------------------------|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | - | 2,612,795 | (2,943,178) | 369,600 | 39,217 |
| Other DfE/EFA grants | - | 137,972 | (137,972) | - | - |
| Other restricted income | - | 2,274,933 | (2,274,933) | - | - |
| | <u>-</u> | <u>5,025,700</u> | <u>(5,356,083)</u> | <u>369,600</u> | <u>39,217</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

16 Funds (continued)

| | Balance at 1 September 2016 £ | Incoming resources £ | Resources expended £ | Gains, losses and transfers £ | Balance at 31 August 2017 £ |
|-------------------------------------|--|----------------------------|----------------------------|--|--------------------------------------|
| Restricted fixed asset funds | | | | | |
| Transfer on conversion | 21,862,504 | - | (559,088) | - | 21,303,416 |
| DfE/EFA capital grants | 15,917 | 587,592 | (15,433) | - | 588,076 |
| Other capital income | 35,200 | - | (900) | - | 34,300 |
| Capital expenditure from GAG | 179,455 | - | (5,741) | 45,046 | 218,760 |
| | <u>22,093,076</u> | <u>587,592</u> | <u>(581,162)</u> | <u>45,046</u> | <u>22,144,552</u> |
| Restricted pension funds | | | | | |
| Restricted pension funds | <u>(2,036,000)</u> | <u>-</u> | <u>(207,000)</u> | <u>909,000</u> | <u>(1,334,000)</u> |
| Total restricted funds | 20,057,076 | 5,613,292 | (6,144,245) | 1,323,646 | 20,849,769 |
| Unrestricted funds | | | | | |
| Unrestricted general funds | <u>372,204</u> | <u>120,404</u> | <u>(21,594)</u> | <u>(414,646)</u> | <u>56,368</u> |
| Total funds | <u>20,429,280</u> | <u>5,733,696</u> | <u>(6,165,839)</u> | <u>909,000</u> | <u>20,906,137</u> |

A current year 12 months and prior year 12 months combined position is as follows:

| | Balance at 1 September 2016 £ | Incoming resources £ | Resources expended £ | Gains, losses and transfers £ | Balance at 31 August 2018 £ |
|-------------------------------------|--|----------------------------|----------------------------|--|--------------------------------------|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | - | 5,253,070 | (5,460,062) | 339,000 | 132,008 |
| Other DfE/EFA grants | - | 385,733 | (385,733) | - | - |
| Start up grant | - | 80,000 | (80,000) | - | - |
| Other restricted income | - | 5,477,011 | (5,750,261) | 273,250 | - |
| | <u>-</u> | <u>11,195,814</u> | <u>(11,676,056)</u> | <u>612,250</u> | <u>132,008</u> |
| Restricted fixed asset funds | | | | | |
| Transfer on conversion | 21,862,504 | 68,750 | (1,082,024) | - | 20,849,230 |
| DfE/EFA capital grants | 15,917 | 1,678,987 | (45,766) | - | 1,649,138 |
| Other capital income | 35,200 | - | (1,800) | - | 33,400 |
| Capital expenditure from GAG | 179,455 | - | (11,189) | 75,646 | 243,912 |
| | <u>22,093,076</u> | <u>1,747,737</u> | <u>(1,140,779)</u> | <u>75,646</u> | <u>22,775,680</u> |
| Restricted pension funds | | | | | |
| Restricted pension funds | <u>(2,036,000)</u> | <u>(263,000)</u> | <u>(492,000)</u> | <u>1,557,000</u> | <u>(1,234,000)</u> |
| Total restricted funds | 20,057,076 | 12,680,551 | (13,308,835) | 2,244,896 | 21,673,688 |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

16 Funds (continued)

| | Balance at 1 September 2016 £ | Incoming resources £ | Resources expended £ | Gains, losses and transfers £ | Balance at 31 August 2018 £ |
|----------------------------|--|----------------------------|----------------------------|--|--------------------------------------|
| Unrestricted funds | | | | | |
| Unrestricted general funds | 372,204 | 540,670 | (35,082) | (687,896) | 189,896 |
| Total funds | <u>20,429,280</u> | <u>13,221,221</u> | <u>(13,343,917)</u> | <u>1,557,000</u> | <u>21,863,584</u> |

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

Restricted general funds are those resources that have been designated restricted by the grant provider in meeting the objectives of the Academy.

Restricted fixed asset funds are those funds relating to the long term assets of the Academy used in delivering the objects of the Academy.

Unrestricted funds are funds which the Trustees may use in the pursuance of the Academy's objectives and are expendable at the discretion of the Trustees.

Analysis of academies by fund balance

Fund balances at 31 August 2018 were allocated as follows:

| | Total £ |
|---|--------------------------|
| Pictor Academy | 67,600 |
| Manor Academy Sale | (54,812) |
| New Park School | 252,095 |
| Central services | <u>57,021</u> |
| Total before fixed assets and pension reserve | 321,904 |
| Restricted fixed asset fund | 22,775,680 |
| Restricted pension funds | <u>(1,234,000)</u> |
| Total | <u><u>21,863,584</u></u> |

Manor Academy Sale is carrying a net deficit of £54,812 on these funds.

The Board have identified that savings need to be made, additional grant funding needs to be applied for and steps taken to review levels of expenditure.

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

16 Funds (continued)

Analysis of academies by cost

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

| | Teaching and Educational Support Staff Costs £ | Other Support Staff Costs £ | Educational Supplies £ | Other Costs (excluding Depreciation) £ | Total 2018 £ | Total 2017 £ |
|--------------------|--|--------------------------------------|------------------------------|---|--------------------|--------------------|
| Pictor Academy | 2,179,648 | 194,843 | 43,242 | 464,399 | 2,882,132 | 2,635,053 |
| Manor Academy Sale | 2,027,588 | 104,230 | 65,854 | 468,359 | 2,666,031 | 2,742,624 |
| New Park School | 404,096 | 54,317 | 3,790 | 230,047 | 692,250 | - |
| Central services | - | 225,826 | - | 111,450 | 337,276 | - |
| Academy Trust | <u>4,611,332</u> | <u>579,216</u> | <u>112,886</u> | <u>1,274,255</u> | <u>6,577,689</u> | <u>5,377,677</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

17 Analysis of net assets between funds

Fund balances at 31 August 2018 are represented by:

| | Unrestricted funds £ | Restricted general funds £ | Restricted fixed asset funds £ | Total funds £ |
|--------------------------|----------------------------|----------------------------------|---|-------------------|
| Tangible fixed assets | - | - | 21,779,879 | 21,779,879 |
| Current assets | 189,896 | 594,708 | 995,801 | 1,780,405 |
| Current liabilities | - | (449,828) | - | (449,828) |
| Creditors over 1 year | - | (12,872) | - | (12,872) |
| Pension scheme liability | - | (1,234,000) | - | (1,234,000) |
| Total net assets | <u>189,896</u> | <u>(1,101,992)</u> | <u>22,775,680</u> | <u>21,863,584</u> |

Comparative information in respect of the preceding period is as follows:

| | Unrestricted funds £ | Restricted general funds £ | Restricted fixed asset funds £ | Total funds £ |
|--------------------------|----------------------------|----------------------------------|---|-------------------|
| Tangible fixed assets | - | - | 21,667,481 | 21,667,481 |
| Current assets | 56,368 | 322,895 | 477,071 | 856,334 |
| Current liabilities | - | (283,678) | - | (283,678) |
| Pension scheme liability | - | (1,334,000) | - | (1,334,000) |
| Total net assets | <u>56,368</u> | <u>(1,294,783)</u> | <u>22,144,552</u> | <u>20,906,137</u> |

18 Capital commitments

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Contracted for, but not provided in the financial statements | <u>987,889</u> | <u>477,071</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

19 Commitments under operating leases

Operating leases

At 31 August 2018 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

| | 2018 £ | 2017 £ |
|--|------------------|---------------|
| Amounts due within one year | 470,870 | 3,992 |
| Amounts due between one and five years | 1,876,334 | 7,132 |
| Amounts due after five years | 4,680,144 | - |
| | <u>7,027,348</u> | <u>11,124</u> |

PFI Commitments

New Park School is a PFI school operating under a 25 year PFI contract. Upon the conversion to an academy on 1st June 2018, the Trust contracted with Salford City Council to discharge the financial obligations of unitary charges for the remainder of the contract. The unitary charges amount to £468K per annum, the unitary charge commitments for the remaining 15 years of the PFI contract are included in operating lease commitments.

20 Reconciliation of net income/(expenditure) to net cash inflow/(outflow) from operating activities

| | 2018 £ | 2017 £ |
|---|------------------|---------------|
| Net income/(expenditure) | 309,447 | (432,143) |
| Depreciation | 559,617 | 581,162 |
| Capital grants from DfE and other capital income | (1,091,395) | (587,592) |
| Interest receivable | (304) | (258) |
| FRS 102 Defined benefit pension scheme service cost | 247,000 | 163,000 |
| FRS 102 Defined benefit pension scheme finance cost | 38,000 | 44,000 |
| (Increase)/decrease in debtors | (490,610) | 186,793 |
| Increase in creditors | 179,022 | 71,650 |
| Cash transferred on conversion to an academy trust | (228,229) | - |
| FRS 102 deficit transferred on conversion to an academy trust | 263,000 | - |
| Assets inherited on conversion to an academy trust | (68,750) | - |
| Net cash (used in)/provided by Operating Activities | <u>(283,202)</u> | <u>26,612</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

21 Cash flows from investing activities

| | 2018 £ | 2017 £ |
|---|------------------|----------------|
| Dividends, interest and rents from investments | 304 | 258 |
| Purchase of tangible fixed assets | (603,265) | (155,567) |
| Capital funding received from sponsors and others | <u>1,091,395</u> | <u>587,592</u> |
| Net cash provided by investing activities | <u>488,434</u> | <u>432,283</u> |

22 Analysis of cash and cash equivalents

| | 2018 £ | 2017 £ |
|---------------------------------|------------------|----------------|
| Cash at bank and in hand | <u>1,022,723</u> | <u>589,262</u> |
| Total cash and cash equivalents | <u>1,022,723</u> | <u>589,262</u> |

23 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

24 Pension 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 Tameside Metropolitan Borough Council. Both are multi-employer defined benefit schemes.

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

Contributions amounting to £54,137 (2017: £Nil) were payable to the schemes at 31 August and are included with creditors.

Teachers' Pension Scheme

Introduction

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

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

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

24 Pension and similar obligations (continued)

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £309,341. (2017: £336,946)

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 an unfunded multi-employer pension scheme. The academy trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy trust has set out above the information available on the scheme.

Local government pension scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £485,000 (2017 - £397,000), of which employer's contributions totalled £393,000 (2017 - £322,000) and employees' contributions totalled £92,000 (2017 - £75,000). The agreed contribution rates for future years are 25 per cent for employers and banded from 5.5 to 12.5 per cent for employees.

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

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

24 Pension and similar obligations (continued)

Principal actuarial assumptions

| | 2018 % | 2017 % |
|--|-------------|-------------|
| Rate of increase in salaries | 3.10 | 3.20 |
| Rate of increase for pensions in payment/inflation | 2.30 | 2.40 |
| Discount rate for scheme liabilities | <u>2.80</u> | <u>2.50</u> |

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

| | 2018 | 2017 |
|------------------------------|--------------|--------------|
| Retiring today | | |
| Males retiring today | 21.50 | 21.50 |
| Females retiring today | 24.10 | 24.10 |
| Retiring in 20 years | | |
| Males retiring in 20 years | 23.70 | 23.70 |
| Females retiring in 20 years | <u>26.20</u> | <u>26.20</u> |

Sensitivity analysis

| | 2018 £ | 2017 £ |
|-----------------------------|-------------------|-------------------|
| Discount rate -0.5% | 853,000.00 | 602,000.00 |
| Salary increase rate +0.5% | 182,000.00 | 162,000.00 |
| Pension increase rate +0.5% | <u>658,000.00</u> | <u>426,000.00</u> |

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

| | 2018 £ | 2017 £ |
|------------------------------|------------------|------------------|
| Equities | 3,479,000 | 2,507,000 |
| Corporate bonds | 819,000 | 549,000 |
| Property | 358,000 | 206,000 |
| Cash and other liquid assets | <u>460,000</u> | <u>172,000</u> |
| Total market value of assets | <u>5,116,000</u> | <u>3,434,000</u> |

The actual return on scheme assets was £98,000 (2017 - £61,000).

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

24 Pension and similar obligations (continued)

Amounts recognised in the statement of financial activities

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|------------------|
| Current service cost | (247,000) | (161,000) |
| Past service cost | - | (2,000) |
| Interest income | 98,000 | 61,000 |
| Interest cost | (136,000) | (105,000) |
| Total amount recognized in the SOFA | <u>(285,000)</u> | <u>(207,000)</u> |

Changes in the present value of defined benefit obligations were as follows:

| | 2017/18 £ | 2016/17 £ |
|------------------------------|------------------|------------------|
| At start of period | 4,768,000 | 4,750,000 |
| Conversion of academy trusts | 1,264,000 | - |
| Current service cost | 640,000 | 483,000 |
| Interest cost | 136,000 | 105,000 |
| Employee contributions | 92,000 | 75,000 |
| Actuarial (gain)/loss | (529,000) | (626,000) |
| Benefits paid | (21,000) | (21,000) |
| Past service cost | - | 2,000 |
| At 31 August | <u>6,350,000</u> | <u>4,768,000</u> |

Changes in the fair value of academy's share of scheme assets:

| | 2017/18 £ | 2016/17 £ |
|------------------------------|------------------|------------------|
| At start of period | 3,434,000 | 2,714,000 |
| Conversion of academy trusts | 1,001,000 | - |
| Interest income | 98,000 | 61,000 |
| Actuarial gain/(loss) | 119,000 | 283,000 |
| Employer contributions | 393,000 | 322,000 |
| Employee contributions | 92,000 | 75,000 |
| Benefits paid | (21,000) | (21,000) |
| At 31 August | <u>5,116,000</u> | <u>3,434,000</u> |

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2018 (continued)

25 Related party transactions

Owing to the nature of the Academy Trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

Expenditure related party transactions

JSN Creative Ltd - A company in which Samuel Nolan, son of Paul Nolan (Trustee of Sovereign Trust) is the sole director.)

Transactions totalling £5,845 (2017: £3,266) related to logo designing, and website design and hosting took place in the year ended 31 August 2018. At the balance sheet date the amount due to JSN Creative Ltd was £Nil (2017: £500).

Dilys Morgan - Trustee of the Sovereign Trust

During the year Dilys Morgan provided consultancy services to the Academy Trust which was remunerated through payroll. The total amount paid for the year was £7,362 (2017: 14,398). This is also disclosed within note 10. At the balance sheet date the amount due to Dilys Morgan was £Nil (2017: £Nil).

Sandra Birch - Wife of Simon Birch (Deputy Headteacher)

Transactions totalling £1,480 (2017: £Nil) relating to the provision of yoga lessons took place in the year ended 31 August 2018. At the balance sheet date the amount due to Sandra Birch was £Nil (2017: £Nil).

26 Conversion to an academy trust

On 1 June 2018 the New Park School converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Sovereign Trust from the Salford City Council Local Authority for £Nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. 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 incoming resources in the Statement of Financial Activities as Donations - transfer from local authority on conversion.

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

| | Unrestricted fund £ | Restricted general fund £ | Restricted fixed asset fund £ | Total £ |
|-----------------------------|---------------------------|---------------------------------|--|---------------|
| Tangible fixed assets | | | | |
| Other tangible fixed assets | - | - | 68,750 | 68,750 |
| Budget surplus on LA funds | 228,229 | - | - | 228,229 |
| LGPS pension deficit | - | (263,000) | - | (263,000) |
| Net assets/(liabilities) | <u>228,229</u> | <u>(263,000)</u> | <u>68,750</u> | <u>33,979</u> |

The above net assets include £563,965 that were transferred as cash.