

Registered number: 07879288 (England and Wales)

Erudition Schools Trust

Trustees Report and Financial Statements

For the year ended 31 August 2013



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Erudition Schools Trust
(A company limited by guarantee)

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Erudition Schools Trust
(A company limited by guarantee)

Reference and Administrative Details of the Academy, its Trustees and Advisers
For the year ended 31 August 2013

Trustees	Mr C R Hopkins Ms K L Mackay Mr J L Konantz Mr R J Packard Mr M J Smith, Head Teacher (appointed 24 October 2012) Ms P C Roberts (resigned 26 September 2013) Ms G Vander Ploeg (resigned 15 May 2013)
Senior management team	Mr R J Packard - C.E.O. K12 Mr J L Konantz - Sr. Vice President, School Services, K12 Ms K L Mackay - Managing Director, Erudition Schools Trust Mr C R Hopkins - Director of Education, Lichfield Diocese Mr M J Smith - Head Teacher Mr A Windram - Head of Finance & Resources (UK)
Principal and registered office	Coventry University Technology Park Puma Way Coventry CV1 2TT
Company registered number	07879288 (England and Wales)
Independent auditors	Dains LLP 15 Colmore Row Birmingham B3 2BH
Bankers	Lloyds Bank plc 41 Market Street Longton Stoke on Trent ST3 1BN
Solicitors	Geldards LLP Number One Pride Place Pride Park Derby DE24 8QR

Erudition Schools Trust
(A company limited by guarantee)

Trustees' Report
For the year ended 31 August 2013

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of Erudition Schools Trust (the Multi Academy Trust) for the year ended 31 August 2013. The Trustees confirm that the Annual report and financial statements of the Academy comply with the current statutory requirements, the requirements of the Academy's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

Structure, governance and management

a. Constitution

The Multi Academy Trust is a charitable company limited by guarantee and was incorporated by a Memorandum of Association on 12 December 2012. The Multi Academy Trust has exempt charity status and its principal regulator is the Department for Education (DfE).

The Multi Academy Trust is constituted under a Memorandum of Association dated 12 December 2012.

The Multi Academy Trust was dormant until the 1 January 2013 when the North Walsall Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Erudition Schools Trust from Walsall Metropolitan Borough Council.

b. 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.

c. Trustees' indemnities

Since the incorporation of the Charitable Company on 12 December 2012, the Trustees (directors) have been indemnified in respect of their legal liability for financial loss arising as a result of a negligent act, accidental error or omission in the course of their official duties. As explained in Note 13 to the financial statements the limit of this indemnity is £5,000,000.

d. Principal activities

To establish, maintain, carry on, manage and develop the Academies at locations to be determined by the Directors.

To provide educational facilities and services to students of all ages and the wider community for the public benefit and in so doing shall have regard to the respective ethos and mission statement of each Academy.

e. Method of recruitment and appointment or election of Trustees

The number of Directors shall be not less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum.

The Directors may appoint such number of Directors as they see fit having regard to any recommendations and views of the Members in relation to ensuring that the people serving on the Board of Directors between them have an appropriate range of skills and experience and due attention is given to succession planning.

1. Staff Directors

The Directors may appoint such number of Staff Directors and/or Principals to be Directors through such process as they may determine provided that the total number of Directors including the Chief Executive Officer who are employees of the Company does not exceed one third of the total number of Directors.

2. Academy Directors

There shall be a minimum of 1 Academy Director but otherwise such number as the directors shall decide.

3. Co-opted Directors

The Directors may appoint up to 3 Co-opted Directors. A 'Co-opted Director' means a person who is appointed to be a Director by being Co-opted by Directors who have not themselves been so appointed. The Directors may not co-opt an employee of the Company as a Co-opted Director if thereby the number of Directors who are employees of the Company would exceed one third of the total number of Directors including the Chief Executive Officer.

f. Policies and procedures adopted for the induction and training of Trustees

Induction for new Trustees is tailored according to their experience and background. External Trustees are provided with information about the Multi Academy Trust by the Clerk to Trustees with an Induction Pack. New Trustees requiring guidance on the roles of Trustees are provided with external training and through internal meetings and discussion with staff and other Trustees.

g. Organisational structure

The Trust is a multi-academy trust and runs a growing number of schools. This will allow the schools to work collaboratively, sharing resources to improve efficiencies and pool expertise, as well as enable peer to peer support and challenge.

The Trust is managed by a Board of Directors (also referred to as the Trustees) who meet regularly and provide strategic leadership and vision to the schools. The Board of Directors is made up of executive officers of EST (e.g. Chief Executive Officer and Finance Director) together with non-executive officers (Directors/ Trustees) appointed by the Members and individuals drawn from the schools, such as a representative head teacher and a chair of a governing body.

The Board appoints a Local Governing Body to be an advisory body for each EST school. The members of the Local Governing body are referred to as Governors to distinguish them from the Directors of the Trust.

Directors/Trustees

Our Directors/ Trustees form the Board of EST and oversee the operation of all schools within the group. The Members use their power of appointment to ensure that the Board has a broad balance of skills and experience to oversee the strategy and performance of EST schools and to provide appropriate support and challenge to Local Governing Bodies.

The EST Board of Directors meets at least three times a year, and more frequently when necessary, to discharge its duties.

The Directors have put in place a Scheme of Delegation which says that:

- The EST Directors are accountable for the quality of education across the group
- The Directors will set policies and monitor performance, intervening or supporting where necessary.
- The Directors will retain responsibility for Audit throughout the Trust and its Academies. - They will determine the ethos and mission statement of each school within the group
- They will appoint the CEO and all Principals of EST schools
- They will appoint a Local Governing Body as "Advisory Body" under the Funding Agreement.

In discharging these duties, the Board will approve a Statement of Strategic Direction and a School Action Plan for each of its schools. These will establish standards of educational and financial performance for each school. Local Governing Bodies, Principals and Senior Leadership Teams will be held accountable for delivering this performance.

LGBs of EST schools must submit a report to each EST Board meeting reporting their performance to date against these educational and financial performance standards and forecasting their future performance.

In the event that the LGB report suggests that the school might deviate from acceptable performance, the Board will intervene as necessary to support, challenge or otherwise ensure that the school returns to an acceptable level of performance.

Operationally, the EST Head of Finance & Resources works with the Bursar/ Finance Manager of each EST school to ensure that the financial performance of each school remains acceptable, supporting, challenging and intervening where necessary.

All reports and forecasts from schools to the Secretary of State, EFA or other parts of DfE must come via the EST Board to ensure that appropriate group support and challenge has been applied.

Governors

A school's local governing body (SGB) will be made up of governors appointed by the EST Directors (usually on the advice of the governing body) plus the Principal, 2 elected staff governors, 2 elected parent governors and other governors appointed by the Trust to achieve an appropriate balance of skills, experience, challenge and succession planning within the governing body.

The Scheme of Delegation says:

- the management of the school will be delegated to SGB within the overall strategic direction, ethos & mission set by the Directors
- SGB will be responsible for setting the strategic direction of the school
- SGB will be responsible for its own finances (with an annual budget being approved by the EST Directors) but must seek EST approval for expenditure above specified levels
- SGB will provide educational & management accounts to the EST Directors
- SGB will be responsible for recruitment and standards.
- SGB will operate within a rolling 5 year Estates Strategy approved by the Directors
- However, the EST Directors reserve the power to direct SGB if necessary and (in the extreme) retain the power to replace the SGB governing body.

h. Risk management

The Trust is undertaking a comprehensive assessment of possible risks to the future of the Trust. The potential risks that have been identified are being included in the Trust's "Risk Register and Continuity Plan" The areas covered will include Strategic, Financial, Regulatory, Operational, Reputation, Staffing and ICT. Once completed the Register will be brought before the Board for approval and reviewed regularly.

i. Connected organisations, including related party relationships

K12 Education (UK) Limited - a subsidiary of K12 Inc, a company incorporated in the United States of America, in which R Packard, a trustee, has a majority interest. Details of transactions with this company are disclosed in Note 24.

Objectives and Activities

a. Objects and aims

The Company's object is to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools and Academies, offering a broad and balanced curriculum. Also to promote for the benefit of the areas served by the Academies the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

b. Strategies and activities for achieving objectives

Learning culture and approaches to learning and teaching

- Approaches to learning and teaching that will bring about the highest level of knowledge, skills and understanding for learners within subjects.
- The use of inspirational resources, especially a wide range of technologies, to support innovative teaching and motivate students.
- A common written and verbal feedback policy which, together with consistent whole school assessment for learning strategies, will support and guide students in making progress. Students will know at all times at what level they are working, what their target is and what they need to do to improve
- The development of a shared understanding of learning, so that staff cater for a range of different ways of learning and students are encouraged to learn in different ways and in a range of contexts.
- The creation of a whole school culture of personalised and independent learning through the structured development of Behaviours for Learning, supported by E- learning and teacher mentoring.
- The development of extended learning both on site and at home which is relevant, enjoyable and engaging and which encourages lifelong learning.

Planning for learning

- The development of high quality planning for learning which emphasises the main characteristics of school's curriculum commitment i.e. literacy, numeracy and key skills across the curriculum, SEAL, individualised learning, personalised pathways to success, thematic delivery, using appropriate facilities and technologies.
- Rigorous application of a range of data across all subject areas to inform lesson planning and provide differentiated activities and resources.
- The development in all teaching areas of good learning spaces which are designed to be flexible enough to allow for a range of different teaching and learning activities such as experiential and distance learning and flexible school days.

Building learners' independence, resilience and engagement

- The development of language for learning, shared by learners and staff.
- An emphasis on developing meta-cognition.
- The development in all lessons, including those on-line collaborative lessons, of higher level, 'open' style questioning which provides rigour and challenges students' thinking by probing their answers and encouraging higher order thinking skills.
- The development of opportunities to develop SEAL.
- The development of opportunities for students to transfer knowledge and core skills across subject boundaries and to develop an understanding of learning to learn.

c. Public benefit

The Trustees have considered the Charity Commission's guidance on Public Benefit. The key public benefit delivered by Erudition Schools Trust is the maintenance and development of a quality education provided by the school. It is the Trustees' aim to deliver outstanding learning to all of its students during the journey of improvement towards excellence. It is a priority to ensure the public benefit for all young people in the areas in which it operates.

In doing this, Erudition Schools Trust not only offers a broadly based academic education but aims to educate the whole individual. A very wide-range of extra-curricular activities and educational trips and visits are offered to students.

Achievements and performance

a. Progress and Attainment

On 1st January 2013 the Trust opened its first academy as the North Walsall Primary school converted to the Charles Caddy Walker academy (CCWA).

CCWA uses a school tracking system that is linked to national curriculum levels and age related expectations in reading, writing and maths. This allows us to easily identify any pupils who are in danger of underachievement and to target resources to support these pupils. EYFS uses the Development matters age related bands to track progress in all of the prime and core areas of the EYFS curriculum. This allows us to identify any pupils in EYFS who are not making progress and target these pupils.

End of KS2

The SATs results at the end of KS2 were 80% of pupils achieved a combined L4 in reading, writing and maths. This is in line with national expectations and above the LA average. Progress made by the pupils from the end of KS1 showed that in reading 92% of the pupils made expected progress (2 Levels) and 52% made more than expected progress; in writing 92% made expected progress with 20% making more than expected progress and in maths 88% made expected progress with 44% making more than expected progress. These results represented a continuation of the good results from the previous year.

End of KS1

At the end of KS1, 70% of the children achieved a L2C or above in reading, 73% of the children achieved a L2C or above in writing and 77% of the children achieved a L2C or above in maths. This was below both the national and LA averages. This represents good progress from the start of EYFS when no pupils entered the school at age related expectations.

Year 1 Phonics Check

At the end of year 1, 67% of the children achieved the required standard in the phonics test. This is an improvement on the 58% achieved last year. This is expected to be below the national and LA averages. All of the year 2 children who did not achieve the required standard in year 1 achieved it when they were retested this year.

EYFS

At the end of EYFS, 33% of the children left with a "good level of development". This is below LA and national averages and can be considered to be satisfactory to good progress as no children entered EYFS at age related expectations.

b. 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.

c. Key financial performance indicators

The Trustees of the Multi Academy Trust agreed the following key financial performance indicators for 2012-13:-

- **Achieving a balanced budget at year-end**

The Trustees monitor the financial position on a half-termly basis by reviewing written financial year-end projections.

- **Benchmarking expenditure against other similar organisations**

New benchmarking information recently provided by the Department for Education will be reviewed by Trustees on an annual basis to make comparative judgements on a spend per student basis.

- **Achieving value for money through effective financial management procedures**

The school complies with its Financial Procedures Manual.

- **Maintain a positive cash flow with sufficient cash balances to cover monthly expenditure**

Monitoring of cash flow throughout the year has secured sufficient cash balances to ensure cash balances to cover monthly expenditure.

Financial review

The majority of the Trust's income is received from the Department for Education via the Education Funding Agency in the form of the General Annual Grant (GAG); the use of which is restricted to particular purposes i.e. the objects of the Trust. The GAG received during the period covered by this report and the associated expenditure are shown in the restricted funds in the Statement of Financial Activity.

On 1st January 2013 the North Walsall Primary School converted to the Charles Caddy Walker Academy, for which Start Up Grants were received totalling £185,000. All of the fixed assets of the former maintained school were transferred to the Trust for nil consideration and are shown as restricted asset funds and are reduced by the depreciation charge over the expected useful life of the assets concerned.

The trust was successful in its bid for a capital grant from the Academy Capital Maintenance Fund and received a grant of £384,000, 50% of which was received in 2012/13.

a. Principal risks and uncertainties

The principal risks to the Trust are financial and result from a projected deficit on the Local Government Pension Scheme. (See note 23 to the Financial Statements).

b. Reserves policy

The Board reviews the reserve levels of the Trust annually and will continue to do so. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves .

c. Material investments policy

The Trust has no material investments.

Plans for the future

a. Future developments

As a Multi Academy Trust, Erudition Schools Trust aims to develop the number of academies within the Trust to include pupils from KS1 through to KS5. By securing a smooth transition on conversion and establishing a partnership between sponsor and school the Trust ensures key beliefs and ideas remain the same and current best practices are transferred to provide stability and assurance to both pupils and staff.

Building upon a school's existing strengths we simply introduce a range of exciting new 21st century teaching practices that will provide our pupils with the foundations to succeed in today's world.

Funds held as custodian

The trust holds no funds on behalf of others as a custodian trustee.

Employee involvement and employment of the disabled

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The Multi Academy Trust carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and the Trustees.

The Multi Academy Trust has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy

In accordance with the Multi Academy Trust's Equal opportunities policy, the Multi Academy Trust has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the Multi Academy Trust's offices.

Disclosure of information to auditors

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish that the charitable company's auditors are aware of that information.

Erudition Schools Trust
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Trustees' Report (continued)
For the year ended 31 August 2013

Auditors

The auditors, Dains LLP, have indicated their willingness to continue in office. The Designated Trustees will propose a motion re-appointing the auditors at a meeting of the Trustees.

This report was approved by order of the board of trustees on 11 December 2013 and signed on its behalf by:



Mr R J Packard
Chair of Trustees

Erudition Schools Trust
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Governance Statement

Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Erudition Schools 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 Sr. Vice President, School Services, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Erudition Schools Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Trustees' responsibilities statement. The board of trustees has formally met 7 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mr C R Hopkins	6	7
Ms K L Mackay	6	7
Mr J L Konantz	7	7
Mr R J Packard	1	2
Mr M J Smith, Head Teacher	6	7
Ms P C Roberts	0	0
Ms G Vander Ploeg	5	5

The Trust had one academy during the current financial year and all financial matters relating to the Charles Cuddy Walker Academy were dealt with by the academy's Resources Committee. When a further academy is added to the Trust then a Trust Finance & General Purposes Committee will be established. All Trust finance matters have currently been dealt with at Board level.

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 Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Erudition Schools Trust for the year 1 January 2013 to 31 August 2013 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 Academy 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's significant risks, that has been in place for the year 1 January 2013 to 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Board of Trustees of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Mr J L Konantz, a Trustee, as Responsible Officer (RO).

The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a semi-annual basis, the RO reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

Review of Effectiveness

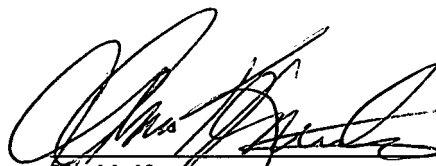
As Accounting Officer, the Sr. Vice President, School Services has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the Responsible Officer;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the board of trustees on 11 December 2013 and signed on their behalf, by:


Mr R J Packard
Chair of Trustees


Mr J L Konantz
Accounting Officer


**Erudition Schools Trust
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Statement on Regularity, Propriety and Compliance

As Accounting Officer of Erudition Schools Trust I have considered my responsibility to notify the Academy board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2012).

I confirm that I and the Academy board of trustees are able to identify any material, irregular or improper use of funds by the Academy, or material non-compliance with the terms and conditions of funding under the Academy's funding agreement and the Academies Financial Handbook (2012).

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



Mr J L Konantz
Accounting Officer

Date: 11 December 2013

Erudition Schools Trust
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Trustees' Responsibilities Statement
For the year ended 31 August 2013

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

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


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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 11 December 2013 and signed on its behalf by:


Mr R J Packard
Chair of Trustees

Independent Auditors' Report to the Members of Erudition Schools Trust

We have audited the financial statements of Erudition Schools Trust for the year ended 31 August 2013 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

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

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the Academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs as at 31 August 2013 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters

The financial statements for the period ended 31 August 2012 were eligible for audit exemption and therefore were unaudited.

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Independent Auditors' Report to the Members of Erudition Schools Trust

Matters on which we are required to report by exception

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

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



Andrew Morris FCA (Senior statutory auditor)

for and on behalf of

Dains LLP

Statutory Auditor
Chartered Accountants

Birmingham
17 December 2013

Erudition Schools Trust
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Independent Reporting Auditors' Assurance Report on Regularity to Erudition Schools Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 21 October 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Erudition Schools Trust during the year 1 January 2013 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Erudition Schools Trust's accounting officer and the reporting auditors

The accounting officer is responsible, under the requirements of Erudition Schools Trust's funding agreement with the Secretary of State for Education dated 1 January 2013, and the Academies Financial Handbook extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 January 2013 to 31 August 2013 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2013 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant 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's income and expenditure.

Erudition Schools Trust
(A company limited by guarantee)

Independent Reporting Auditors' Assurance Report on Regularity to Erudition Schools Trust and the Education Funding Agency (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 January 2013 to 31 August 2013 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Dains LLP

Statutory Auditor
Chartered Accountants

Birmingham

11 December 2013

Erudition Schools Trust
(A company limited by guarantee)

Statement of Financial Activities
For the year ended 31 August 2013

		Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
	Note					
Incoming resources						
Incoming resources from generated funds:						
Voluntary income - transfer from						
Local Authority on conversion	2	33,091	(545,000)	1,483,299	971,390	-
Other voluntary income	2	14,292	-	-	14,292	-
Activities for generating funds	3	1,443	14,179	-	15,622	-
Investment income	4	105	-	-	105	-
Incoming resources from charitable activities:						
	5					
Funding for the academy trust's educational operations		-	1,072,121	360,272	1,432,393	-
Total incoming resources		48,931	541,300	1,843,571	2,433,802	-
Resources expended						
Charitable activities:						
	7					
Academy trust educational operations		11,728	1,004,376	25,561	1,041,665	-
Other costs of activities		-	35,711	-	35,711	-
Governance costs	8	-	49,483	-	49,483	-
Total resources expended	6	11,728	1,089,570	25,561	1,126,859	-
Net incoming resources / (resources expended) before transfers		37,203	(548,270)	1,818,010	1,306,943	-
Transfers between funds	17	(30,285)	(9,730)	40,015	-	-
Net incoming resources before revaluations		6,918	(558,000)	1,858,025	1,306,943	-
Actuarial gains on defined benefit pension scheme	14	-	20,000	-	20,000	-
Net movement in funds for the year		6,918	(538,000)	1,858,025	1,326,943	-
Total funds at 1 September 2012		-	-	-	-	-
Total funds at 31 August 2013		6,918	(538,000)	1,858,025	1,326,943	-

All of the multi-academy trusts activities derive from acquisitions in the current financial period.

A statement of total recognised gains and losses is not required as all gains and losses are included in the statement of financial activities.

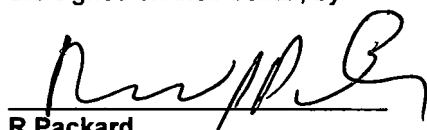
The notes on pages 21 to 41 form part of these financial statements.

Erudition Schools Trust
(A company limited by guarantee)
Registered number: 07879288 (England and Wales)

Balance Sheet
As at 31 August 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	14		1,858,025		-
Current assets					
Debtors	15	381,952		-	
Cash at bank		172,754		-	
		<u>554,706</u>		<u>-</u>	
Creditors: amounts falling due within one year	16	(547,788)		<u>-</u>	
Net current assets			6,918		-
Total assets less current liabilities			<u>1,864,943</u>		<u>-</u>
Defined benefit pension scheme liability	23	(538,000)			-
Net assets including pension scheme liabilities			<u>1,326,943</u>		<u>-</u>
Funds of the academy					
Restricted funds:					
Restricted fixed asset funds		1,858,025		-	
Pension reserve		<u>(538,000)</u>		<u>-</u>	
Total restricted funds			1,320,025		-
Unrestricted funds	17		<u>6,918</u>		<u>-</u>
Total funds			<u>1,326,943</u>		<u>-</u>

The financial statements were approved by the Trustees, and authorised for issue, on 11 December 2013 and are signed on their behalf, by:


R Packard
Chair of Trustees

The notes on pages 21 to 41 form part of these financial statements.

Erudition Schools Trust
(A company limited by guarantee)

Cash Flow Statement
For the year ended 31 August 2013

		31 August 2013 £	Period ended 31 August 2012 £
Net cash flow from operating activities	19	243,963	-
Returns on investments and servicing of finance	20	105	-
Capital expenditure and financial investment	20	(71,314)	-
Cash transferred on conversion to an academy trust	22	(64,390)	-
Increase in cash in the year		108,364	-

Reconciliation of Net Cash Flow to Movement in Net Funds
For the year ended 31 August 2013

	31 August 2013 £	Period ended 31 August 2012 £
Increase in cash in the year	108,364	-
Change in net debt resulting from cash flows	108,364	-
Cash transferred on conversion to an academy trust	64,390	-
Movement in net funds in the year	172,754	-
Net funds at 31 August 2013	172,754	-

All of the cashflows are derived from acquisitions in the current financial period.

The notes on pages 21 to 41 form part of these financial statements.

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 issued by the EFA and the Companies Act 2006.

A summary of the principal accounting policies, which have been applied consistently, except where noted is set out below.

1.2 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 Academy to continue as a going concern. The Trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

1. Accounting Policies (continued)

1.3 Incoming resources

All incoming resources are included in the statement of financial activities when the Academy has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

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

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

Sponsorship income

Sponsorship income provided to the Academy which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

Donated services and gifts in kind

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

Donations

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

Other income

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

1. Accounting Policies (continued)

1.4 Resources expended

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

Charitable activities

Charitable activities are costs incurred in the Academy's educational operations.

Governance costs

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised.

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

On the 1st January 2013, the leasehold title of the North Walsall Primary School site was transferred to the multi-academy trust. As the school is a specialised property, as defined in Financial Reporting Standard Number 15 - Tangible Fixed Assets, this leasehold property has been valued in the accounts on a Depreciated Replacement Cost Basis.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold land	-	over the term of the lease
Leasehold property	-	2% straight line
Computer equipment	-	33.3% 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.

Erudition Schools Trust

(A company limited by guarantee)

Notes to the Financial Statements For the year ended 31 August 2013

1. Accounting Policies (continued)

1.6 Operating leases

Rentals under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

1.7 Taxation

The Academy 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 is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.8 Pensions

Retirement benefits to employees of the Academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets are held separately from those of the Academy.

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 in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 23, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

1. Accounting Policies (continued)

1.9 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education and the Education Funding Agency.

Investment income, gains and losses are allocated to the appropriate fund.

1.10 Conversion to an academy trust

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

The assets and liabilities transferred on conversion from North Walsall Primary School to an academy trust have been valued at their fair value, being a reasonable estimate of the current market value that the Trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Erudition Schools Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

On conversion the school entered into a lease arrangement with Walsall Metropolitan Borough Council to lease the land and buildings over a period of 125 years for a peppercorn rental. Also on conversion the school inherited the fixtures and fittings and other tangible assets for the continued use of the school. It has been estimated that the valuation of these assets equates to £1,452,000. As part of the conversion the LGPS obligation relating to the employees of the Academy, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the year. The obligation in respect of employees who transferred on conversion was valued at £545,000.

Further details of the transaction are set out in note 22.

1.11 Transfers between funds

Transfers between funds relate to fixed asset purchases from GAG and other revenue sources.

Erudition Schools Trust
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 August 2013

2. Voluntary income

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Voluntary income - transfer from Local Authority on conversion	33,091	938,299	971,390	-
School fund income	11,550	-	11,550	-
Voluntary income - transfer from North Walsall Primary School on conversion	2,742	-	2,742	-
Subtotal	14,292	-	14,292	-
Voluntary income	47,383	938,299	985,682	-

3. Activities for generating funds

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Charity trading income				
Catering income	-	14,179	14,179	-
Hire of facilities	1,443	-	1,443	-
	1,443	14,179	15,622	-
Net income from activities for generating funds	1,443	14,179	15,622	-

4. Investment income

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Bank interest receivable	105	-	105	-

Erudition Schools Trust
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 August 2013

5. Funding for Academy's educational operations

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
DfE/EFA grants				
General Annual Grant (GAG)	-	668,476	668,476	-
Local Authority Central Support Equivalent Grant (LACSEG)	-	38,887	38,887	-
Insurance grant	-	7,814	7,814	-
Rates grant	-	2,067	2,067	-
Pupil premium	-	61,683	61,683	-
Start up grants	-	185,000	185,000	-
Academies Maintenance Fund Grant	-	353,898	353,898	-
Devolved formula capital grant	-	6,374	6,374	-
	-	1,324,199	1,324,199	-
Other government grants				
SEN grants	-	56,360	56,360	-
Early years grants	-	51,834	51,834	-
	-	108,194	108,194	-
	-	1,432,393	1,432,393	-

6. Analysis of resources expended by expenditure type

	Staff costs 2013 £	Premises 2013 £	Other costs 2013 £	Total 2013 £	Total 2012 £
Direct costs	521,027	25,561	300,440	847,028	-
Support costs	142,139	45,576	42,633	230,348	-
Charitable activities	663,166	71,137	343,073	1,077,376	-
Governance	-	-	49,483	49,483	-
	663,166	71,137	392,556	1,126,859	-

Erudition Schools Trust
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 August 2013

7. Charitable Activities - Academy's Educational Operations

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Direct costs				
Wages and salaries	-	436,133	436,133	-
National insurance	-	30,624	30,624	-
Pension cost	-	54,270	54,270	-
Depreciation	-	25,561	25,561	-
Pension income	-	16,000	16,000	-
Educational supplies	-	37,056	37,056	-
Supply staff	-	41,422	41,422	-
Staff development	-	3,489	3,489	-
Educational consultancy	-	168,794	168,794	-
Travel and subsistence	-	1,086	1,086	-
Other direct costs	-	12,248	12,248	-
Insurance	-	8,617	8,617	-
School fund expenditure	11,728	-	11,728	-
	<u>11,728</u>	<u>835,300</u>	<u>847,028</u>	<u>-</u>
Support costs				
Wages and salaries	-	123,393	123,393	-
National insurance	-	3,798	3,798	-
Pension cost	-	14,948	14,948	-
Other direct costs	-	11,009	11,009	-
Maintenance of premises	-	34,935	34,935	-
Maintenance of equipment	-	2,656	2,656	-
Rates	-	2,644	2,644	-
Water rates	-	3,480	3,480	-
Energy	-	14,572	14,572	-
Catering	-	18,913	18,913	-
	<u>-</u>	<u>230,348</u>	<u>230,348</u>	<u>-</u>
	<u>11,728</u>	<u>1,065,648</u>	<u>1,077,376</u>	<u>-</u>

Erudition Schools Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2013

8. Governance costs

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Auditors' remuneration	-	5,250	5,250	-
Auditors' non audit remuneration	-	1,900	1,900	-
Legal and professional fees	-	42,096	42,096	-
Trustees' expenses reimbursed	-	237	237	-
	-	49,483	49,483	-

9. Net incoming resources / (resources expended)

This is stated after charging:

	31 August 2013 £	Period ended 31 August 2012 £
Depreciation of tangible fixed assets:		
- owned by the charity	25,561	-
Auditors' remuneration	5,250	-
Auditors' non audit remuneration	1,900	-

Erudition Schools Trust
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 August 2013

10. Staff costs

Staff costs were as follows:

	31 August 2013 £	Period ended 31 August 2012 £
Wages and salaries	559,526	-
Social security costs	34,422	-
Other pension costs (Note 23)	69,218	-
	<hr/>	<hr/>
	663,166	-
Supply teacher costs	41,422	-
Other costs	3,489	-
	<hr/>	<hr/>
	708,077	-
	<hr/>	<hr/>

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

	31 August 2013 No.	Period ended 31 August 2012 No.
Teachers	7	-
Administration	17	-
Management	6	-
	<hr/>	<hr/>
	30	-
	<hr/>	<hr/>

No employee received remuneration amounting to more than £60,000 in either year.

11. Central services

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

- financial services
- legal services
- educational support services

The Academy Trust has not recharged for these services in the year as they related to the creation of the multi-academy trust.

12. Trustees' remuneration and expenses

Staff Trustees only receive remuneration in respect of services they provide undertaking the roles of staff, and not in respect of their services as Trustees. Other Trustees did not receive any payments, other than expenses, from the Academy in respect of their role as Trustees. The value of Trustees' remuneration fell within the following bands:

	31 August 2013 £	Period ended 31 August 2012 £
M Smith (Head Teacher, Charles Cuddy Walker Academy)	45,000-50,000	N/A

M Smith was appointed a trustee on 24 October 2012, his remuneration for the role of Head Teacher followed the conversion of to North Walsall Primary School to Charles Cuddy Walker Academy on 1 January 2013.

During the year ended 31 August 2013, expenses totalling £235 (2012 - £NIL) were reimbursed to 1 Trustee (2012 - nil).

13. Trustees' and Officers' Insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2013 was £290 (2012 - £nil).

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

Erudition Schools Trust
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 August 2013

14. Tangible fixed assets

	Leasehold land and buildings £	Computer equipment £	Assets under construction £	Total £
Cost				
At 1 September 2012	-	-	-	-
Additions	-	68,995	362,591	431,586
Transfer on conversion	1,452,000	-	-	1,452,000
At 31 August 2013	1,452,000	68,995	362,591	1,883,586
Depreciation				
At 1 September 2012	-	-	-	-
Charge for the year	18,328	7,233	-	25,561
At 31 August 2013	18,328	7,233	-	25,561
Net book value				
At 31 August 2013	1,433,672	61,762	362,591	1,858,025
At 31 August 2012	-	-	-	-

15. Debtors

	2013 £	2012 £
VAT recoverable	143,675	-
Prepayments and accrued income	238,277	-
	381,952	-

16. Creditors:
Amounts falling due within one year

	2013 £	2012 £
Trade creditors	431,529	-
Other taxation and social security	15,363	-
Other creditors	13,835	-
Accruals and deferred income	87,061	-
	547,788	-

Erudition Schools Trust
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 August 2013

17. Statement of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
Unrestricted funds	-	48,931	(11,728)	(30,285)	-	6,918
Restricted funds						
General Annual Grant (GAG)	-	716,361	(706,631)	(9,730)	-	-
Other DfE/EFA grants	-	247,566	(247,566)	-	-	-
Other government grants	-	108,194	(108,194)	-	-	-
Other restricted income	-	14,179	(14,179)	-	-	-
Pension reserve	-	(545,000)	(13,000)	-	20,000	(538,000)
	-	541,300	(1,089,570)	(9,730)	20,000	(538,000)
Restricted fixed asset funds						
DfE/EFA capital grants	-	1,843,571	(25,561)	40,015	-	1,858,025
Total restricted funds	-	2,384,871	(1,115,131)	30,285	20,000	1,320,025
Total of funds	-	2,433,802	(1,126,859)	-	20,000	1,326,943

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

Restricted general funds

This fund represents grants and other income received for the Academy's operational activities and development.

Pension reserve

The pension reserve included within restricted general funds represents the Academy's share of the pension liability arising on the LGPS pension fund.

Restricted fixed asset funds

This fund represents grants received from the DfE and EFA to carry out works of a capital nature.

Under the funding agreement with the Secretary of State, the Academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2013.

Erudition Schools Trust
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 August 2013

17. Statement of funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August 2013 were allocated as follows:

	Total £
The Charles Cuddy Walker Academy	97,218
Erudition Schools Trust	(90,300)
Total before fixed asset fund and pension reserve	6,918
Restricted fixed asset fund	1,858,025
Pension reserve	(538,000)
Total	1,326,943

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 £
The Charles Cuddy Walker Academy	619,010	44,911	83,156	60,310	807,387

Summary of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
General funds	-	48,931	(11,728)	(30,285)	-	6,918
Restricted funds	-	541,300	(1,089,570)	(9,730)	20,000	(538,000)
Restricted fixed asset funds	-	1,843,571	(25,561)	40,015	-	1,858,025
	-	2,433,802	(1,126,859)	-	20,000	1,326,943

Erudition Schools Trust
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 August 2013

18. Analysis of net assets between funds

	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
Tangible fixed assets	-	-	1,858,025	1,858,025	-
Current assets	6,918	385,890	161,898	554,706	-
Creditors due within one year	-	(385,890)	(161,898)	(547,788)	-
Provisions for liabilities and charges	-	(538,000)	-	(538,000)	-
	<u>6,918</u>	<u>(538,000)</u>	<u>1,858,025</u>	<u>1,326,943</u>	<u>-</u>

19. Net cash flow from operations

	31 August 2013 £	Period ended 31 August 2012 £
Net incoming resources before revaluations	1,306,943	-
Returns on investments and servicing of finance	(105)	-
Non cash gift from the Local Authority	(907,000)	-
Depreciation of tangible fixed assets	25,561	-
Capital grants from DfE	(360,272)	-
Increase in debtors	(381,952)	-
Increase in creditors	547,788	-
FRS 17 adjustments	13,000	-
Net cash inflow from operations	<u>243,963</u>	<u>-</u>

20. Analysis of cash flows for headings netted in cash flow statement

	31 August 2013 £	Period ended 31 August 2012 £
Returns on investments and servicing of finance		
Interest received	<u>105</u>	<u>-</u>

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20. Analysis of cash flows for headings netted in cash flow statement (continued)

	31 August 2013 £	Period ended 31 August 2012 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(431,586)	-
Capital grants from DfE	360,272	-
Net cash outflow capital expenditure	(71,314)	-

21. Analysis of changes in net funds

	1 September 2012 £	Cash flow £	Acquisition £	Other non-cash changes £	31 August 2013 £
Cash at bank and in hand:	-	108,364	64,390	-	172,754
Net funds	-	108,364	64,390	-	172,754

22. Conversion to an academy trust

On 1 January 2013 North Walsall Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Erudition Schools Trust from Walsall Metropolitan Borough Council for £nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised in the statement of financial activities as voluntary income.

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

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Leasehold land and buildings	-	-	1,452,000	1,452,000
Budget surplus on LA funds	33,091	-	31,299	64,390
LGPS pension deficit	-	(545,000)	-	(545,000)
Net assets/(liabilities)	33,091	(545,000)	1,483,299	971,390

The above net assets include £64,390 that were transferred as cash.

On the 1st January 2013, the leasehold title of the Charles Caddy Walker Academy school site was transferred to the multi-academy trust, on a 125 year lease with a peppercorn rent.

23. Pension commitments

The Academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Walsall Metropolitan Borough Council. Both are defined benefit schemes.

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

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

Teachers' Pension Scheme

Introduction

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

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

23. Pension commitments (continued)

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

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

Teachers' Pension Scheme Changes

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

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

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

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

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

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23. Pension commitments (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £42,000, of which employer's contributions totalled £32,000 and employees' contributions totalled £10,000. The agreed contribution rates for future years are 20.1% for employers and 5.5 - 7.5% 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.

As described in note 22 the LGPS obligation relates to the employees of the Academy, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy at the balance sheet date.

The amounts recognised in the Balance sheet are as follows:

	31 August 2013 £	Period ended 31 August 2012 £
Present value of funded obligations	(698,000)	-
Fair value of scheme assets	160,000	-
	<hr/>	<hr/>
Net liability	(538,000)	-
	<hr/>	<hr/>

The amounts recognised in the Statement of financial activities are as follows:

	31 August 2013 £	Period ended 31 August 2012 £
Interest on obligation	(21,000)	-
Expected return on scheme assets	5,000	-
Current service cost	(32,000)	-
	<hr/>	<hr/>
Total	(48,000)	-
	<hr/>	<hr/>

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23. Pension commitments (continued)

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

	31 August 2013 £	Period ended 31 August 2012 £
Interest cost	21,000	-
Contributions by scheme participants	10,000	-
Current service costs	32,000	-
Liabilities assumed in a business combination	650,000	-
Actuarial gains on liabilities	(15,000)	-
	<hr/>	<hr/>
Closing defined benefit obligation	698,000	-
	<hr/>	<hr/>

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

	31 August 2013 £	Period ended 31 August 2012 £
Expected return on assets	5,000	-
Employer contributions	35,000	-
Contributions by employees	10,000	-
Assets acquired in a business combination	105,000	-
Actuarial gains	5,000	-
	<hr/>	<hr/>
	160,000	-
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The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses was £20,000 (2012 - £NIL).

The Academy expects to contribute £50,000 to its Defined benefit pension scheme in 2014.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2013	2012
Equities	42.40 %	- %
Bonds	19.60 %	- %
Property	8.70 %	- %
Cash/liquidity	4.10 %	- %
Other	25.20 %	- %

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

	2013	2012
Discount rate for scheme liabilities	4.60 %	- %
Expected return on scheme assets at 31 August	5.89 %	- %
Rate of increase in salaries	4.15 %	- %
Rate of increase for pensions in payment / inflation	2.40 %	- %
Inflation assumption (CPI)	2.40 %	- %

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23. Pension commitments (continued)

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

	2013	2012
Retiring today		
Males	22.1	-
Females	24.8	-
Retiring in 20 years		
Males	23.9	-
	26.7	-

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	2013	2012
	£	£
Defined benefit obligation	(698,000)	-
Scheme assets	160,000	-
Deficit	<u>(538,000)</u>	<u>-</u>

24. Related party transactions

Owing to the nature of the Academy's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which a trustee has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures.

The following related party transactions took place in the period of account.

K12 Education (UK) Limited - a subsidiary of K12 Inc, a company incorporated in the United States of America, in which R Packard, a trustee, has a majority interest. Transactions totalling £267,317 (2012 - £nil) relating to the purchase of specialist equipment, consultancy services and educational resources from K12 Education (UK) Limited took place in the year. At 31 August 2013 amounts due to K12 Education (UK) Limited totalled £227,342 (2012 - £nil).