

**FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)**

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2013

Registered Number 08027205 (England and Wales)

WEDNESDAY



A2NHWBFM

A38

18/12/2013

#53

COMPANIES HOUSE

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
FINANCIAL STATEMENTS
PERIOD ENDED 31 AUGUST 2013

CONTENTS	PAGES
Reference and Administrative Details	1
Trustees' Report	3
Governance Statement	9
Statement of Regularity, Propriety and Compliance	12
Statement of Trustees' Responsibilities	13
Independent Auditor's Report on the financial statements	14
Statement of Financial Activities (incorporating Income & Expenditure Account)	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Financial Statements incorporating	19
- Statement of Accounting Policies	
- Other Notes to the Financial Statements	

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

PERIOD ENDED 31 AUGUST 2013

Trustees

C Cartwright (Chair effective from 02/10/13) (appointed 01/06/12)
K Edwards (appointed 12/04/12) (Chair until 01/10/13)
B Watkinson (Head Teacher and Accounting Officer) (appointed 01/06/12)
A Grant (appointed 01/06/12)
A Walecki (appointed 01/06/12)
D Turner (appointed 01/06/12)
J Saint (appointed 01/06/12)
J Park (Staff Trustee) (appointed 01/06/12)
K Burney (Staff Trustee) (appointed 01/06/12)
N Hamilton (appointed 28/01/13)
R Lewis (appointed 01/06/12)
E McAllister (appointed 01/06/12)
S Jones (appointed 01/06/12)
V Rayner (appointed 12/04/12)
I Wishart (appointed 12/04/12 / resigned 22/05/13)
E May (Staff Trustee) (appointed 01/06/12 / resigned 22/05/13)
S Cook (Staff Trustee) (appointed 10/07/13)

Finance and Audit Committee

C Cartwright (appointed 01/06/12)
S Cook (appointed 10/07/12)
A Grant (appointed 01/06/12)
S Jones (appointed 01/06/12)
R Lewis (appointed 01/06/12, resigned 31/08/13)
E McAllister (appointed 01/06/12)
D Turner (appointed 01/06/12)
A Walecki (appointed 01/06/12)
B Watkinson (appointed 01/06/12)
I Wishart (appointed 01/06/12, resigned 22/05/13)

Senior Management Team

Executive Head Teacher	B Watkinson
Deputy Head Teacher	A Johnson
Deputy Head Teacher	S Wheeler (in position until December 2012)
Deputy Head Teacher	M Abbey (in position from January 2013)

Principal and Registered Office

Federation of Mowden Schools Academy Trust
Mowden Junior School
Conyers Avenue
Darlington
Co Durham
DL3 9DE

Company Registration Number

08027205 (England and Wales)

Independent Auditor

Baker Tilly Audit Limited
Tenon House
Ferryboat Lane
Sunderland
SR5 3JN

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

PERIOD ENDED 31 AUGUST 2013

Bankers

Lloyds TSB Plc
Skinnergate
Darlington
Co Durham
DL3 7ND

Santander
43-45 High Row
Town Centre
Darlington
Co Durham
DL3 7QW

Solicitors

Bond Dickinson LLP
One Trinity
Newcastle upon Tyne
NE1 2HF

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

TRUSTEES' REPORT

PERIOD ENDED 31 AUGUST 2013

Structure, Governance and Management

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period ended 31 August 2013

Constitution

Federation of Mowden Schools Academy Trust (the "Trust") was incorporated on 12 April 2012. It is a company limited by guarantee with no share capital (registration number 08027205) and an exempt charity under the Academies Act 2010. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust.

The Trustees of the Trust are also the directors of the Charitable Company for the purposes of company law. Directors of the Charitable Company are nominated by either the Secretary of State for Education or by the members. Federation of Mowden Schools Academy Trust (the "Trust") is a single trust multi-academy sponsor. In that capacity, it acts as one employer across all Academies which it sponsors. The Academies forming part of the Trust during the financial period were

- Mowden Junior School - Conyers Avenue, Darlington, DL3 9DE
- Mowden Infants' School - Bushel Hill Drive, Darlington, DL3 9QG

Both Academies within the Trust converted to Academy status on 1 June 2012.

Details of the Trustees who served during the period 1 June 2012 to 31 August 2013 are included in the Reference and Administrative Details on page 1.

Members' Liability

Each member of the Charitable Company undertakes to contribute to the assets of the Charitable Company in the event of it being wound up while they are a member, or within one period 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

A Trustee may benefit from any indemnity insurance purchased at the Trust's expense to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Trust. Provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard to whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as Directors of the Trust.

Principal Activities

The principal activity of the Federation of Mowden Schools Academy Trust is to provide quality, free education for young people aged 4 to 11 in the local area.

Method of Recruitment and Appointment or Election of Trustees

The term of office for any Trustee shall be four years with the exception of the Head Teacher. The Head teacher is appointed as an ex-officio Trustee.

The Members may appoint up to 7 Trustees (Member appointed).

The Members may appoint Staff Trustees through the staff election process, providing the total number of Trustees who are employees of the company does not exceed one third of the total number of Trustees.

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

TRUSTEES' REPORT

PERIOD ENDED 31 AUGUST 2013

Structure, Governance and Management (*continued*)

The Members may appoint a minimum of 2 Parent Trustees who are nominated by the parent body and elected by parent ballot

The Trust ensures all new Trustees undergo all relevant checks such as DBS check

Policies and Procedures Adopted for the Induction and Training of Trustees

The training and induction provided for each new Trustee will depend on their existing experience. Training is available from the Local Authority and from a number of public service and commercial operations. As there are normally only one or two new Trustees a year, induction tends to be done informally and is tailored specifically to the individual.

Organisational Structure

The Trust's management structure consists of

- Governing Body
- Senior Leadership Team (consisting of Head Teacher and 2 Deputy Head Teachers)
- Phase Leaders (consisting of 4 teaching staff)
- School Business Manager who also acts as the company secretary

The Trustees are responsible for setting general policy, adopting an annual development plan and budget, monitoring the Trust and making decisions regarding the direction of the Academy, capital expenditure and staff appointments.

The Senior Leadership Team consists of a Head Teacher and two deputies. The middle management of the Academy is centred on the phase leaders. We have one middle manager (phase leader) responsible for overseeing the progress of pupils and the organisation of different phases, these are reception stage, years 1 and 2, years 3 and 4, and years 5 and 6. The Head Teacher and the Business Manager are responsible for the authorisation of spending within agreed budgets.

The Head Teacher, deputies and the phase leaders are responsible for the day to day operation of the Federation, in particular organising the teaching staff, facilities and pupils.

The School Business Manager is responsible for the day to day financial operation of the Academy and reports to the Governing Body.

Risk Management

The Trustees have assessed the major risks to which the Trust is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Trust and its finances. The Trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, and school trips) and its relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. They are satisfied that these systems are consistent with guidelines issued by the Charities Commission.

The Trust has a risk register which is regularly reviewed by the Governing Body. Risk controls and action required are identified and responsible persons appointed.

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

TRUSTEES' REPORT

PERIOD ENDED 31 AUGUST 2013

Connected Organisations including Related Party Relationships

There are no related parties which either control or significantly influence the decisions and operations of the Academy Trust

Objectives and Activities

Aims and Values

Our Motto Learning in Partnership.

We believe that everyone should contribute to the ethos of our schools, all staff, pupils, helpers, Governors and parents work together to enable all children to achieve their potential

Good teamwork and supportive partnerships are essential in achieving the high standards we strive for. Our children are encouraged to be curious, polite, friendly and responsible and to take an active role within the local and global community

Federation Aims

- To create a learning community that challenges and supports
- To provide a caring environment where each individual is able to flourish
- To nurture confident, independent children
- To promote respect for all people, regardless of ability, religion, race or background
- To be aspirational, stimulating, happy, friendly and purposeful
- To forge links with the wider community and teach the children an awareness of their role in the outside world

Objectives, Strategies and Activities

Development Plan Objectives for 2013/14

- 1 Improving the quality of teaching and learning, building on the best practice in the Federation to raise the quality of teaching further
- 2 Expansion of the Federation, to prepare the Federation for transferring from two to three form entry
- 3 Communication to improve communication for all stakeholders, move towards using electronic communication rather than paper
- 4 Curriculum development to ensure curriculum is fit for purpose, ensure continuity of learning across the Federation, critically evaluate what opportunities we are giving our children, appoint working party to examine the amended National Curriculum

Public Benefit

The Trustees have complied with the duty in Section 4 of the Charities Act 2006, to have due regard to public benefit guidance published by the Charity Commission in exercising their powers or duties. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set. The Trust has provided a fully comprehensive education to all pupils in its care. It fully complies with all statutory guidance and seeks to support its wider educational objectives via a strong community role

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

TRUSTEES' REPORT

PERIOD ENDED 31 AUGUST 2013

Achievements and Performance

Key Stage 1

The percentage of pupils attaining level 2 and above (these included levels 2+, 2b, 2a and 3) were significantly above the National Average. This was in all subjects: speaking and listening, reading, writing, maths and science.

Key Stage 2

The percentage of pupils attaining level 4+ and level 5 in the key stage two assessment tests were significantly above the National Average. It was pleasing that pupils' performance in a newly introduced test 'Grammar, punctuation and spelling' were again significantly above the National average.

Please note that 13.1% of this cohort attained level 6 in their maths test, a level which is usually attained in year 8.

Whilst the above data is encouraging, it is our wish and belief that we should and can improve on these.

Going Concern

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

Key Financial Performance Indicators

The key financial performance indicators of the Trust relate to the effectiveness of the use of funds for the benefit of the education of children. The key non-financial performance indicators of the Trust relate to the achievements and performance of its students. Please see the Achievements and Performance section.

Financial Review

Financial Review for the period

Most of the Academy's income is obtained from the Department for Education (DfE) via the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted for particular purposes. The grants received from the DfE/EFA during the period 1 June 2012 to 31 August 2013 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

Total expenditure of £2,074,887 during this period was exceeded by recurrent grant funding from the DfE/EFA together with other incoming resources. The excess of income over expenditure for the period (excluding inherited assets and liabilities and before pensions transfer) was £97,990.

At 31 August 2013, the net book value of fixed assets was £2,984,408 and movements in tangible fixed assets are shown in note 15 of the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

The provisions of Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17) have been applied in full, resulting in a deficit of £333,000 recognised on the balance sheet.

The Trust held fund balances at 31 August 2013 of £2,996,389 comprising £2,829,153 of restricted funds and £167,236 of unrestricted funds.

All of the expenditure shown in the Statement of Financial Activities is in support of the key objectives of the Trust.

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

TRUSTEES' REPORT

PERIOD ENDED 31 AUGUST 2013

Financial Review (*continued*)

Financial and Risk Management Objectives and Policies

The Trust has in place procedures to identify and mitigate financial risks which are reviewed in detail at each half termly Finance and Audit Committee meeting. The Risk Management Policy, which includes financial risk, is reviewed annually by the Full Governing Body.

Since conversion, the Trustees have reviewed finances every term, reviewing performance against budgets and overall expenditure by means of regular update reports at all Full Governing Body and Finance and Audit Committee meetings.

At the period end, the Trust had no significant liabilities arising from trade creditors or debtors where there would be a significant effect on liquidity.

Principal Risks and Uncertainties

The key risk facing the Trust is changes to national funding arrangements. In addition, the Governing Body recognises that the Local Government Pension Scheme presents a significant potential liability due to the current deficit. However the Trust is able to meet its known annual contribution commitments for the foreseeable future, the risk from this liability is minimised.

Reserves Policy

The Finance and Audit Committee review the reserves policy on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitment and the nature of reserves. The Trustees have determined that the appropriate level of free reserves should be equivalent to five weeks' worth of expenditure, both in terms of salaries and invoices.

Investment Policy

The Finance and Audit Committee review the investment policy on an annual basis. The Trustees agreed to invest £150,000 from the reserves in an investment account across a period of 3, 6 and 9 months. The final £50,000 matured September 2013.

Plans for Future Periods

An expansion programme is currently in progress to increase Mowden Infant and Junior Schools from a two-form entry to three-form entry, phased over a maximum of seven years. This will create an additional 30 places per year, from September 2013, with the long term aim of increasing the PAN (pupil admission number) from 430 to 640 across the Trust. Associated additional income and expenditure is being monitored on a regular basis by the Finance and Audit Committee.

All building work is scheduled to be complete by September 2014. This programme is funded by Darlington Borough Council.

Funds held as Custodian Trustee on behalf of others

There are no funds held as Custodian Trustee on behalf of others.

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

TRUSTEES' REPORT

PERIOD ENDED 31 AUGUST 2013

Auditor

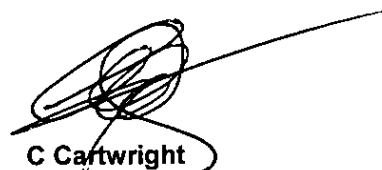
In so far as the trustees are aware

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

The auditors are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting

On 1 October 2013, RSM Tenon Audit Limited changed its name to Baker Tilly Audit Limited

Approved by order of the board of trustees on 5 December 2013 and signed on their behalf by



C Cartwright
Chair

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

GOVERNANCE STATEMENT

PERIOD ENDED 31 AUGUST 2013

Scope of Responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that the 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 Head Teacher, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' responsibilities. The Board of Trustees has formally met 8 times during the period. Attendance at meetings of the Trustees during the period 1 June 2012 to 31 August 2013 were as follows:

Governor	Meetings attended	Out of a possible
C Cartwright (Chair)	4	8
K Edwards	6	8
K Burney (Staff Governor)	4	8
S Cook (Staff Governor)	1	1
A Grant	5	8
N Hamilton	4	4
S Jones	4	8
R Lewis	6	8
E May (Staff Governor)	5	6
E McAllister	6	8
J Park (Staff Governor)	6	8
V Rayner	7	8
J Saint	8	8
D Turner	8	8
A Walecki	7	8
B Watkinson (Head Teacher and Accounting Officer)	8	8
I Wishart	2	6

The Finance and Audit Committee is a sub-committee of the main Board of Trustees. Its purpose is to ensure sound financial management of the Trust's resources including proper planning, monitoring and probity.

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

GOVERNANCE STATEMENT

PERIOD ENDED 31 AUGUST 2013

The Finance and Audit Committee took on the role of an Audit Committee during the period Attendance at meetings of the Finance and Audit committee during the period 1 June 2012 to 31 August 2013 were as follows

Trustee	Meetings attended	Out of a possible
C Cartwright	4	5
S Cook (Staff Trustee)	0	0
A Grant	2	5
S Jones	1	5
R Lewis	0	5
E McAllister	4	5
D Turner	2	5
A Walecki	4	5
B Watkinson (Head Teacher & Accounting Officer))	5	5
I M Wishart	1	4

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Federation of Mowden Schools Academy Trust for the period ended 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 Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees of the view that there is a formal on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the period commencing on 12 April 2012 ending 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 Trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes

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

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

GOVERNANCE STATEMENT

PERIOD ENDED 31 AUGUST 2013

The Board of Trustees have considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However the Trustees have appointed Baker Tilly Business Services Limited's Risk Management team to perform additional checks. Their 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 Risk Management team reports to the Governing Body of the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

Review of Effectiveness

As Accounting Officer, the Head Teacher has responsibility for reviewing the effectiveness of the system of internal control. During the period in question, the review has been informed by

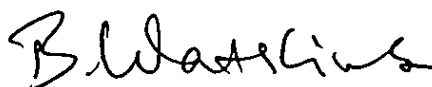
- the work of the external auditor,
- the financial management and governance self-assessment process,
- the work of the School Business Management Team within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Audit Committee 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 5 December 2013 and signed on its behalf by



C Cartwright
Chair



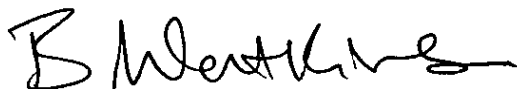
B Watkinson
Accounting Officer

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE
PERIOD ENDED 31 AUGUST 2013

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

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

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



B Watkinson
Accounting Officer

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

PERIOD ENDED 31 AUGUST 2013

The Trustees (who act as Governors of Federation of Mowden Schools Academy 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 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 period. 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 statement 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

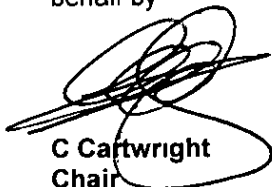
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 with the requirements of both 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 5 December 2013 and signed on its behalf by



C Cartwright
Chair

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT

PERIOD ENDED 31 AUGUST 2013

Independent Auditor's Report on the Financial Statements to the Board of Trustees of Federation of Mowden Schools Academy Trust

We have audited the financial statements of Federation of Mowden Schools Academy Trust for the period ended 31 August 2013 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

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

Respective responsibilities of trustees' and auditor

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

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx).

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT

PERIOD ENDED 31 AUGUST 2013

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other requirement of the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Kevin Rooney
Senior Statutory Auditor
for and on behalf of

Baker Tilly Audit Limited

Baker Tilly Audit Limited
Chartered Accountants
Tenon House
Ferryboat Lane
Sunderland
SR5 3JN

Date 5 December 2013

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

STATEMENT OF FINANCIAL ACTIVITIES

(including Income and Expenditure Account and Statement of Recognised Gains and Losses)

FOR THE PERIOD ENDED 31 AUGUST 2013

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2013 £
Incoming resources					
<i>Income resources from generated funds</i>					
Voluntary income	2	17,045	5,792	–	22,837
Transfer from Local Authority on conversion	30	143,298	(259,000)	3,083,101	2,967,399
Investment income	4	533	–	–	533
Activities for generating funds	3	67,884	–	–	67,884
<i>Incoming resources from charitable activities</i>					
Funding for the Academy Trust's educational operations	5	–	2,054,094	5,530	2,059,624
Other incoming resources	6	16,449	5,550	–	21,999
Total incoming resources		245,209	1,806,436	3,088,631	5,140,276
Resources expended					
<i>Cost of generating funds</i>					
Cost of generating voluntary income		–	5,792	–	5,792
Fundraising trading		57,615	–	–	57,615
<i>Charitable activities</i>					
Academy Trust's educational operations	9	20,358	1,887,127	86,291	1,993,776
Governance costs	10	–	17,704	–	17,704
Total resources expended		77,973	1,910,623	86,291	2,074,887
Net incoming/ (outgoing) resources before transfers		167,236	(104,187)	3,002,340	3,065,389
Gross transfers between funds		–	–	–	–
Net income/(expenditure) for the period		167,236	(104,187)	3,002,340	3,065,389
Other recognised gains and losses.					
Actuarial losses on defined benefit pension schemes		–	(69,000)	–	(69,000)
Net movement in funds		167,236	(173,187)	3,002,340	2,996,389
Reconciliation of funds					
Funds carried forward at 31 August 2013		167,236	(173,187)	3,002,340	2,996,389

All of the academy's activities derive from acquisitions in the current financial period

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities

The notes on pages 19 to 38 form part of these financial statements

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

BALANCE SHEET AS AT 31 AUGUST 2013

COMPANY NUMBER: 08027205

	Notes	£	2013 £
Fixed assets			
Tangible assets	15		2,984,408
Current assets			
Stock	16	2,000	
Debtors	17	59,462	
Cash at bank and in hand		<u>371,586</u>	
		433,048	
Liabilities			
Creditors amounts falling due within one year	18	<u>(88,067)</u>	
Net current assets			<u>344,981</u>
Total assets less current liabilities and net assets excluding pension liability			3,329,389
Pension scheme liability			<u>(333,000)</u>
Net assets including pension liability			<u>2,996,389</u>
Funds of the academy trust:			
Restricted income funds			
Fixed asset fund	19	3,002,340	
General fund	19	159,813	
Pension reserve	28	<u>(333,000)</u>	
Total restricted funds			2,829,153
Unrestricted income funds			
General fund	19	167,236	
Total unrestricted funds			<u>167,236</u>
Total funds			<u>2,996,389</u>

The financial statements on pages 16 to 38 were approved by the trustees and authorised for issue on 5 December 2013 and are signed on their behalf by


C Gartwright
 Chair of Trustees

The notes on pages 19 to 38 form part of these financial statements

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 AUGUST 2013

	Notes	2013 £
Net cash inflow from operating activities	23	215,353
Returns on investment and servicing of finance	24	533
Capital expenditure	25	(4,422)
Cash transferred on conversion to Academy Trust	30	<u>160,122</u>
Increase in cash in the period		<u>371,586</u>
Reconciliation of net cash flow to movement in net funds		
Net funds at 31 August 2013		<u>371,586</u>

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

The notes on pages 19 to 38 form part of these financial statements

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2013

1. Statement of Accounting Policies

Basis of Preparation

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

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

Conversion to an Academies Trust

The conversion of each of the state maintained schools to an Academies Trust involved the transfer of identifiable assets and liabilities and the operation of the schools for £nil consideration and has been accounted for under the acquisition accounting method

The assets and liabilities transferred on conversion from Mowden Junior School and Mowden Infants' School to the 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 policies set out for Federation of Mowden Schools Academy Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds

The land and buildings were transferred by Darlington Borough Council to the Trust under a 125 year lease. The land value is considered immaterial to the financial statements and has not been recognised on that basis. The buildings have however been included at their valuation upon conversion.

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 trust to continue as a going concern. The trustees make this assessment each year in respect of a period of one year from the date of approval of the financial statements.

Incoming resources

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

- **Grants receivable**

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.

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

1. Statement of Accounting Policies (*continued*)

- **Donations**

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

- **Other income**

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

- **Donated services and gifts in kind**

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

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

- **Cost of generating funds**

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

- **Charitable activities**

These are costs incurred on the trust's educational operations

- **Governance costs**

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

All resources expended are inclusive of irrecoverable VAT

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. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy

1 Statement of Accounting Policies (*continued*)

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

Long leasehold buildings	- 50 years
Plant and Machinery	- 7 years
Furniture and equipment	- 7 years
Computer equipment	- 3 years

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

Leased Assets

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

Stock

Educational supplies stocks are valued at the lower of cost or net realisable value

Taxation

The 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 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

Pensions Benefits

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the Trust

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 28, the TPS is a multi-employer scheme and the trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2013

1. Statement of Accounting Policies (*continued*)

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

Fund Accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by 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 Education Funding Agency or the Department for Education.

2. Voluntary Income

	Unrestricted funds £	Restricted funds £	Total 2013 £
Other donations	<u>17,045</u>	<u>5,792</u>	<u>22,837</u>
	17,045	5,792	22,837
	<u> </u>	<u> </u>	<u> </u>

3. Activities for Generating Funds

	Unrestricted funds £	Restricted funds £	Total 2013 £
Hire of facilities	8,984	–	8,984
Catering income	<u>58,900</u>	<u>–</u>	<u>58,900</u>
	67,884	–	67,884
	<u> </u>	<u> </u>	<u> </u>

4. Investment Income

	Unrestricted funds £	Restricted funds £	Total 2013 £
Short term deposits	<u>533</u>	<u>–</u>	<u>533</u>

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

5. Funding for Academy Trust's Educational Operations

	Unrestricted funds £	Restricted funds £	Total 2013 £
DfE/EFA revenue grants			
• General Annual Grant (GAG)	–	1,990,777	1,990,777
• Capital grants	–	5,530	5,530
• Other DfE/EFA Grants	<u>–</u>	<u>46,883</u>	<u>46,883</u>
	–	2,043,190	2,043,190
Other Government grants			
• Local Authority grants	<u>–</u>	<u>16,434</u>	<u>16,434</u>
	–	16,434	16,434
	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>2,059,624</u>	<u>2,059,624</u>

6 Other Incoming Resources

	Unrestricted funds £	Restricted funds £	Total 2013 £
Sickness insurance	–	5,550	5,550
Sundry income	<u>16,449</u>	<u>–</u>	<u>16,449</u>
	16,449	5,550	21,999

7. Resources Expended

	Staff costs £	Non pay expenditure Premises costs £	Other costs £	Total 2013 £
Costs of generating voluntary income	–	–	5,792	5,792
Costs of activities for generating funds	–	–	57,615	57,615
Trust's education operations				
• Direct costs	1,139,270	86,291	94,468	1,320,029
• Allocated support costs	<u>359,427</u>	<u>191,315</u>	<u>123,005</u>	<u>673,747</u>
	1,498,697	277,606	280,880	2,057,183
Governance costs including allocated support costs	<u>–</u>	<u>–</u>	<u>17,704</u>	<u>17,704</u>
	1,498,697	277,606	298,584	2,074,887

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

8 Resources Expended (continued)

Incoming/outgoing resources for the period include.

	2013 £
Operating leases	
Fees payable to auditor	2,584
• Audit	3,469
• Other services	925
Depreciation of fixed assets	<u>86,291</u>

9. Charitable Activities – Academy Trust's Educational Operations

	Unrestricted funds £	Restricted funds £	Total 2013 £
Direct costs.			
Teaching and educational support staff costs	–	1,139,270	1,139,270
Depreciation	–	86,291	86,291
Technology costs	–	10,974	10,974
Educational supplies	20,358	33,537	53,895
Examination fees	–	–	–
Staff development	–	9,437	9,437
Educational consultancy	–	20,162	20,162
Other direct costs	<u>–</u>	<u>–</u>	<u>–</u>
	20,358	1,299,671	1,320,029
	<u>20,358</u>	<u>1,299,671</u>	<u>1,320,029</u>
Allocated support costs:			
Support staff costs	–	359,427	359,427
Depreciation	–	–	–
Technology costs	–	32,669	32,669
Recruitment and support	–	2,038	2,038
Maintenance of premises and equipment	–	50,639	50,639
Cleaning	–	40,971	40,971
Rent and rates	–	15,716	15,716
Energy costs	–	37,667	37,667
Insurance	–	39,560	39,560
Security and transport	–	6,762	6,762
Bank interest and charges	–	–	–
FRS 17 finance charges	–	13,000	13,000
Other support costs	<u>–</u>	<u>75,298</u>	<u>75,298</u>
	–	673,747	673,747
	<u>–</u>	<u>673,747</u>	<u>673,747</u>
Total	<u>20,358</u>	<u>1,973,418</u>	<u>1,993,776</u>

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

10. Governance Costs

	Unrestricted funds £	Restricted funds £	Total 2013 £
Legal & professional fees	–	10,110	10,110
Legal & professional fees on conversion	–	3,200	3,200
Auditor's remuneration	–		
Audit of financial statements	–	3,469	3,469
Responsible officer audit	–	925	925
Support staff costs	–	–	–
Governors reimbursed expenses	–	–	–
	–	17,704	17,704

11. Staff costs

Staff costs during the period were

	Total 2013 £
Wages and salaries	1,214,018
Social security costs	90,221
Pension costs	168,601
	1,472,840
Supply teacher costs	25,857
	1,498,697

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

	2013 No
Charitable activities	
Teachers	17
Administration and support	12
Management	3
	32

The number of employees whose annual emoluments fell within the following band was

	2013 No.
£60,001 - £70,000	0
£70,001 - £80,000	1
£80,001 - £90,000	0
£90,001 - £100,000	0

The employee noted above participated in the Teachers' Pension Scheme. During the period ended 31 August 2013, pension contributions for this staff member amounted to £12,760

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

12. Central Services

The Academy Trust has provided the following central services to its Academies during the period

- Human Resources,
- Financial Services,
- Legal Services,
- Education and Support Services, and
- Technology Support Services

The central service costs incurred during the period were £42,316 and were split between the two different Academies based upon student numbers

13. Related Party Transactions – Trustees' Remuneration & Expenses

The Head Teacher and other Staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as Trustees. Other Trustees did not receive any payments from the Academy Trust in respect of their role as Trustees. The value of Trustees remuneration paid in respect of their teaching duties is disclosed for the period that they were Trustees and the value of this remuneration is shown below. We do however draw your attention to the fact that this is a 15 month period of account and therefore this disclosure is for a 15 month period.

B Watkinson (Head Teacher and Trustee)	£90,000 - £95,000
E May (Staff Trustee)	£40,000 - £45,000
K Burney (Staff Trustee)	£45,000 - £50,000
J Park (Staff Trustee)	£30,000 - £35,000
S Cook (Staff Trustee)	£0 - £5,000

During the period ended 31 August 2013, no expenses were reimbursed to governors.

Related party transactions involving the trustees are set out in note 29.

14. Trustees' and Officers' Insurance

In accordance with normal commercial practice, the Trust 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 £2,000,000 on any one claim and the cost for the period ended 31 August 2013 was £1,013.

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

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2013

15. Tangible Fixed Assets

	Long leasehold buildings £	Furniture and equipment £	Computer equipment £	Total £
Cost				
Transfer on conversion	3,042,000	12,937	11,340	3,066,277
Additions	—	4,422	—	4,422
Disposals	—	—	(5,000)	(5,000)
At 31 August 2013	3,042,000	17,359	6,340	3,065,699
Depreciation				
Charged in period	76,050	2,599	7,642	86,291
Disposals	—	—	(5,000)	(5,000)
At 31 August 2013	76,050	2,599	2,642	81,291
Net book values				
At 31 August 2013	<u>2,965,950</u>	<u>14,760</u>	<u>3,698</u>	<u>2,984,408</u>

16. Stock

	2013
	£
Educational supplies	<u>2,000</u>

17. Debtors

	2013
	£
Trade debtors	350
VAT recoverable	8,014
Prepayments and accrued income	<u>51,098</u>
	<u>59,462</u>

All amounts shown within debtors fall due for repayment within one year

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

18 Creditors: amounts falling due within one year

	2013
	£
Trade creditors	39,541
Accruals and deferred income	<u>48,526</u>
	88,067
Deferred income	<u> </u>
Resources deferred in the period	<u>35,587</u>
Deferred Income at 31 August 2013	<u>35,587</u>

At the balance sheet date the Trust holds funding received in advance in respect of ILS funding, devolved capital funding and parent contributions in respect of a pupil visit to take place in the autumn term 2013

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

19. Funds

	Transfer on conversion £	Income resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2013 £
Restricted general funds					
General Annual Grant (GAG)	–	1,990,777	(1,830,964)	–	159,813
Other DfE/EFA grants	–	46,883	(46,883)	–	–
Pension reserve	(259,000)	–	(5,000)	(69,000)	(333,000)
Local Authority grants	–	16,434	(16,434)	–	–
Other donations	–	5,792	(5,792)	–	–
Sickness insurance	–	5,550	(5,550)	–	–
	<u>(259,000)</u>	<u>2,065,436</u>	<u>(1,910,623)</u>	<u>(69,000)</u>	<u>(173,187)</u>
Restricted fixed asset funds					
DfE/EFA capital grants	–	5,530	–	–	5,530
Capital expenditure from other funds	16,824	–	(289)	–	16,535
Assets transferred on conversion	<u>3,066,277</u>	<u>–</u>	<u>(86,002)</u>	<u>–</u>	<u>2,980,275</u>
	<u>3,083,101</u>	<u>5,530</u>	<u>(86,291)</u>	<u>–</u>	<u>3,002,340</u>
Total restricted funds	<u>2,824,101</u>	<u>2,070,966</u>	<u>(1,996,914)</u>	<u>(69,000)</u>	<u>2,829,153</u>
Unrestricted funds					
General funds	<u>143,298</u>	<u>101,911</u>	<u>(77,973)</u>	<u>–</u>	<u>167,236</u>
Total funds	<u>2,967,399</u>	<u>2,172,877</u>	<u>(2,074,887)</u>	<u>(69,000)</u>	<u>2,996,389</u>

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

The General Annual Grant (GAG) must be used for the normal running costs of the Trust. Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2013.

Other DfE/EFA grants and local authority grants include pupil premium, insurance income and ILS transfers.

The costs and income associated with the defined benefit pension scheme have been recorded in the restricted fund. Staff costs are paid from this fund, including contributions to LGPS, and the pension liability has therefore been aligned with these funds.

The transfer from the Local Authority reflects the fixed assets, the pension deficit, the surplus GAG and any surplus capital grants acquired on conversion.

Unrestricted funds can be used for any purpose at the discretion of the Trust.

The deficit on the restricted funds is attributable to the deficit on the LGPS pension scheme alone.

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

19. Funds (continued)

Analysis of Academies by fund balance

Final balances as at 31 August 2013 were allocated as follows

	Total £
Mowden Junior School	190,456
Mowden Infants' School	<u>136,593</u>
Total before fixed assets and pension reserve	<u>327,049</u>
Restricted fixed asset fund	3,002,340
Pension reserve	<u>(333,000)</u>
Total	<u>2,996,389</u>

Expenditure incurred by each academy during the period was as follows

	Teaching & Educational Support Costs £	Other Support Staff Costs £	Educational Supplies £	Other costs (excluding depreciation) £	Total £
Mowden Junior School	660,777	208,468	37,624	249,083	1,155,952
Mowden Infants' School	<u>478,493</u>	<u>150,959</u>	<u>27,245</u>	<u>175,947</u>	<u>832,644</u>
Academy Trust	<u>1,139,270</u>	<u>359,427</u>	<u>64,869</u>	<u>425,030</u>	<u>1,988,596</u>

20 Analysis of net assets between funds

Fund balances at 31 August 2013 are represented by

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	–	–	2,984,408	2,984,408
Current assets	167,236	247,880	17,932	433,048
Current liabilities	–	(88,067)	–	(88,067)
Pension scheme liability	<u>–</u>	<u>(333,000)</u>	<u>–</u>	<u>(333,000)</u>
Total net assets	<u>167,236</u>	<u>(173,187)</u>	<u>3,002,340</u>	<u>2,996,389</u>

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

21 Capital Commitments

	2013
	£
Contracted for, but not provided in the financial statements	<u>—</u>

22. Financial Commitments

Operating Leases

At 31 August 2013 the academy trust had annual commitments under non-cancellable operating leases as follows

	2013
	£
Other	
Expiring within one year	—
Expiring within two and five years inclusive	2,584
Expiring in over five years	<u>—</u>
	<u>2,584</u>

23. Reconciliation of net income to net cash inflow from operating activities

	2013
	£
Net income	3,065,389
Depreciation (note 15)	86,291
Interest receivable	(533)
Transfers from Local Authority on conversion	(2,967,399)
FR17 pension finance cost	5,000
Increase in stock	(2,000)
(Increase) in debtors	(59,462)
Increase in creditors	<u>88,067</u>
Net cash inflow from operating activities	<u>215,353</u>

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

24. Returns on investments and servicing of finance

	2013 £
Interest received	<u>533</u>

25 Capital expenditure and financial investment

	2013 £
Purchase of tangible fixed assets	<u>4,422</u>
Net cash outflow from capital expenditure and financial investment	<u>4,422</u>

26 Analysis of changes in net funds

	Cash flows £	31 August 2013 £
Cash in hand and at bank	<u>371,586</u>	<u>371,586</u>

27. Members' Liabilities

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

28. Pension and Similar Obligations

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

As described in note 30 the LGPS obligation relates to employees of the Trust, who were the employees transferred as part of the conversions from the maintained schools and new employees who were eligible to, and did, join the Scheme in the period The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor schools and the Trust at the balance sheet date

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

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

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

28. Pension and similar obligations (*continued*)

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' Pension 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.

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

28. Pension and similar obligations (*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, and 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.

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

28. Pension and similar obligations (*continued*)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2013 was £63,000 of which employer's contributions totalled £47,000 and employees' contributions totalled £16,000. The agreed contribution to the fund for the year ending 31 August 2014 are £39,000.

Principal Actuarial Assumptions	At 31 August 2013	At 1 June 2012
Rate of increase in salaries	4.7%	4.3%
Rate of increase for pensions in payment	2.8%	2.4%
Discount rate for scheme liabilities	4.5%	4.6%
Inflation assumption (CPI)	2.8%	2.4%
Commutation of pensions to lump sums		
• past service pension entitlements	60%	60%
• future service pension entitlements	80%	80%

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

	At 31 August 2013	At 1 June 2012
<i>Retiring today</i>		
Males	22.1	22.0
Females	24.3	24.1
<i>Retiring in 20 years</i>		
Males	23.9	23.8
Females	26.2	26.1

The academy's share of the assets and liabilities in the scheme and the expected rates of return were

	Expected return at 31 August 2013	Fair value at 31 August 2013 (£)	Expected return at 1 June 2012	Fair value at 1 June 2012 (£)
Equities	7.9%	186,017	7.6%	113,584
Government bonds	3.4%	97,720	2.6%	85,312
Corporate bonds	4.1%	32,806	3.6%	27,528
Property	7.4%	24,430	7.1%	17,608
Cash	0.9%	8,027	1.7%	3,968
Other	7.9%	–	7.6%	–
 Total market value of assets		 349,000		 248,000
Present value of scheme liabilities		<u>(682,000)</u>		<u>(507,000)</u>
 Deficit in the scheme		 <u><u>(333,000)</u></u>		 <u><u>(259,000)</u></u>

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2013

28. Pension and similar obligations (*continued*)

Federation of Mowden Schools Academy Trust employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principals. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each class over the actual assets allocation for the fund at 31 August 2013.

The actual return on scheme assets was £39,000

Amounts recognised in the statement of financial activities

	2013 £
Current service cost (net of employee contributions)	39,000
Past service cost	—
Total operating charge	39,000

Analysis of pension finance income/(costs)

Expected return on pension scheme assets	18,000
Interest on pension liabilities	<u>(31,000)</u>
Net return / (charge)	(13,000)

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is £69,000 loss.

Movements in the present value of defined benefit obligations were as follows.

	2013 £
Transfer on conversion	507,000
Current service cost	39,000
Employee contributions	16,000
Actuarial loss	90,000
Interest cost	31,000
Net benefits paid out	<u>(1,000)</u>
At 31 August	682,000

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

28. Pension and similar obligations (*continued*)

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

	2013
	£
Transfer on conversion	248,000
Expected return on assets	18,000
Actuarial gain	21,000
Employer contributions	47,000
Employee contributions	16,000
Net benefits paid out	<u>(1,000)</u>
At 31 August	349,000

The estimated value of employer contributions for the year ended 31 August 2014 is £39,000

The five year history of experience adjustments is as follows

	As at 31 August 2013	As at 1 June 2012
	£	£
Present value of defined benefit obligations	(682,000)	(507,000)
Fair value share of scheme assets	<u>349,000</u>	<u>248,000</u>
Deficit in the scheme	(333,000)	(259,000)
Experience adjustments on share of scheme assets		
Amount £	<u>21,000</u>	
Experience adjustments on scheme liabilities		
Amount £	<u>-</u>	

Please note that the above deficit is the total deficit for both academies within the Trust

29. Related Party Transactions

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

FEDERATION OF MOWDEN SCHOOLS ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

30. Conversion to an academy trust

On 1 June 2012 Mowden Infant's School and Mowden Junior's School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Federation of Mowden Schools Academy Trust from Darlington 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 as net income 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 general funds	Restricted fixed asset funds	Total
	£	£	£	£
Fixed assets	–	–	3,066,277	3,066,277
Budget surplus on LA funds	138,735	–	16,824	155,559
Budget surplus on school fund	4,563	–	–	4,563
LGPS pension deficit	–	(259,000)	–	(259,000)
Net assets/(liabilities)	143,298	(259,000)	3,083,101	2,967,399