

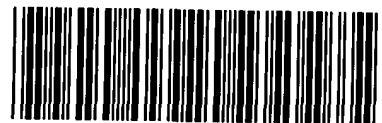
Registered number: 08289583

The Lilac Sky Schools Trust
(A company limited by guarantee)

Revised trustees' report and financial statements

For the year ended 31 August 2015

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The Lilac Sky Schools Trust
(A company limited by guarantee)

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The Lilac Sky Schools Trust
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Reference and administrative details of the Academy Trust, its Members/Trustees and advisers
For the year ended 31 August 2015

Members

Trevor Averre-Beeson (resigned 31 March 2015)
Jane Fielding (resigned 5 June 2016)
Victoria Rezaie (resigned 5 June 2016)
Samantha Busch (appointed 1 July 2015, resigned 21 July 2016)
Carole Pattison (appointed 1 July 2015, resigned 21 July 2016)
Carole Waterson (appointed 30 July 2015, resigned 21 July 2016)
Nicholas Tyler (appointed 1 July 2016)
Nicolette King (appointed 21 July 2016)
Stephen Ward (appointed 21 July 2016)

Trustees

Trevor Averre-Beeson (resigned 6 May 2015)
Jane Fielding (resigned 1 April 2016)
Christopher Bowler
Charlotte Antoniou
Kate Cooper (resigned 19 April 2016)
Angela Gartland (resigned 1 July 2016)
Philip Bunn (appointed 24 July 2015, resigned 1 July 2016)
Stephen Ward (appointed 8 June 2016)
Nicholas Tyler (appointed 8 June 2016)
Angela Barry (appointed 22 June 2016)
Nicolette King (appointed 1 July 2016)

Company registered number

08289583

Principal and registered office

Thistle Hill Academy
Aspen Drive
Sheerness
Kent
ME12 3UD

Company secretary

Michelmores Secretaries Limited

Senior management team

Chris Bowler, CEO
Anne Donaldson, Director of Learning
Jane Fielding, Managing Director
Victoria Rezaie, Principal

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Reference and administrative details of the Academy Trust, its members/ trustees and advisers
For the year ended 31 August 2015

Administrative details (continued)

Independent auditor

Kreston Reeves LLP
Statutory Auditor
Chartered Accountants
Montague Place
Quayside
Chatham Maritime
Chatham
Kent
ME4 4QU

Bankers

Barclays Bank PLC
Priory Place
Level 3
New London Road
Chelmsford
Essex
CM2 0PP

Solicitors

Michelmores LLP
12th Floor
6 New Street Square
London
EC4A 3BF

Member Schools

Tabor Academy (to 31 March 2015)
Richmond Academy
Morehall Academy
Knockhall Academy
White House Academy
Marshlands Academy

Other Addresses

Richmond Academy
Unity Street
Sheerness
Kent
ME12 2ET

Other Addresses

Morehall Academy
Chart Road
Folkestone
Kent
CT19 4PN

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Reference and administrative details of the Academy Trust, its members/ trustees and advisers
For the year ended 31 August 2015

Administrative details (continued)

Other Addresses

Knockhall Academy
Eynsford Road
Greenhithe
Kent
DA9 9RF

Other Addresses

White House Academy
Marshfoot Lane
Halisham
East Sussex
BN27 2FB

Other Addresses

Marshlands Academy
Marshfoot Lane
Halisham
East Sussex
BN27 2PH

Websites

<http://www.richmond.lilacskyschools.co.uk/>
<http://www.morehall.lilacskyschools.co.uk/>
<http://www.knockhall.lilacskyschools.co.uk/>
<http://www.whitehouse.lilacskyschools.co.uk/>
<http://www.marshlands.lilacskyschools.co.uk/>

The Lilac Sky Schools Trust
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Trustees' report
For the year ended 31 August 2015

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their revised annual report together with the audited financial statements and Auditor's report of The Lilac Sky Schools Trust (the Academy Trust) for the year ended 31 August 2015.

Trust reconstitution

The Board was reconstituted from 8 June 2016 with the following new Trustees being appointed:

- Stephen Ward (appointed 8 June 2016)
- Nicholas Tyler (appointed 8 June 2016)
- Angela Barry (appointed 22 June 2016)
- Nicolette King (appointed 1 July 2016)

These new Trustees were not in control or in governance at the time of these 2014/15 accounts and whilst they are required to approve these accounts in order to meet the requirements of the SORP and the Education Funding Agency, they were not in any way involved or responsible for the outcomes of the 2014/15 academic year financial position for the Lilac Sky Schools Trust.

The issues that have come to light since the original accounts were prepared in autumn 2015 have been fully considered by the new Trustees and non-executive Trustees in conjunction with the auditors, Kreston Reeves LLP. A further audit of the end of year position has been completed and the accounts revised accordingly. The Trustees and non-executive Trustees can assert that to the best of their knowledge and belief that the revised accounts do represent a true and fair reflection.

Introduction

The Trustees confirm that to the best of their knowledge and belief the Annual report and financial statements of the academy comply with the current statutory requirements, the requirements of the Academy Trust's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Academy Trust operates five primary academies in Kent and East Sussex. Its academies have a combined pupil capacity of 1,663 and had a roll of 1,461 in the school census of January 2015. During the period 1 September 2014 ending 31 August 2015, the Academy Trust also had a secondary academy in Essex, with a pupil capacity of 1,050, with 998 pupils on roll at the time of the January 2015 census. This academy transferred to an alternative sponsor on 1 April 2015.

Revised annual report

This revised annual report replaces the original annual report for the year ended 31 August 2015 that was approved by the Trustees holding office on 17 December 2015, and is now the statutory annual report of the charitable company for that financial year. This revised annual report has been prepared by the new Trustees and non-executive Trustees with the aim to reflect the correct position as at the date of the approval of the original annual report in December 2015 but taking into consideration the short period of office.

The annual report has been revised as follows:

1. The new Trustees and non-executive Trustees have become aware of a number of instances of non-compliance with the Trust's policies on the procurement of services with connected persons which indicated that the original annual report was defective and did not adequately disclose details of transactions with related parties that took place during the year. Note 33 to the financial statements has been revised to correct this defect. Additionally our auditor has revised their report on regularity on pages 19 and 20 in order to reflect these instances of non-compliance.
2. Income amounting to £700,000 in respect of a capital grant, and a corresponding debtor, is no longer recognised in the financial statement as the new Trustees and non-executive Trustees have become aware that this income did not meet the recognition criteria outlined in the SORP. Instead this grant will now be recognised

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Trustees' report (continued)
For the year ended 31 August 2015

as income in the Academy Trust's financial statements for the year ended 31 August 2016 when the recognition criteria will have been fulfilled.

3. Previously identified immaterial misstatements have now been adjusted for following a decision by the new Trustees and non-executive Trustees. As a result, Free School Meals grants for 2015/16 amounting to £47,289 are now recognised as deferred income and will now be recognised as income in the Academy Trust's financial statements for the year ended 31 August 2016. In addition, insurance prepayments and accruals net of £5,047 have now been recognised.

4. Bad debt provisions amounting to £9,310 are now recognised as since 17 December 2015 the new Trustees and non-executive Trustees have become aware that these debts should not have been considered recoverable at the balance sheet date.

All statements within the Trustees' annual report, that cannot be substantiated by the new Trustees and non-executive Trustees have been removed. All other aspects of the Trustees' annual report, governance statement, statement on regularity, propriety and compliance, and trustees' responsibilities statement remain unchanged from that originally approved by the previous Trustees on 17 December 2015.

The Education Funding Agency have been informed of these issues, and management are working closely with them to improve the governance of the Trust.

Structure, governance and management

a. Constitution

The Academy Trust is a charitable company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The Governors act as the Trustees for the charitable activities of the Lilac Sky Schools Trust and are also the directors of the charitable company for the purposes of company law. The charitable company is known as the Lilac Sky Schools Trust and the Lilac Sky Schools Academy Trust, which is often abbreviated to LSSAT.

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

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

The Governors and Trustees indemnity provides cover for the Academy Trust's costs incurred as a result of allegations of negligence following a wrongful action resulting in a subsequent financial loss. This is against both the entity and individuals. This is arranged through our insurance brokers, Arthur J. Gallagher.

d. Principal activities

The main activities of the Academy Trust are to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, developing and managing academies that offer a broad and balanced curriculum.

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Trustees' report (continued)
For the year ended 31 August 2015

e. Method of recruitment and appointment or election of Trustees

The Trustees are the directors of the charitable company for the purposes of the Companies Act 2006. They are also the trustees for the purposes of charity legislation.

The Trustees represent the Sponsors, Lilac Sky Schools. In addition, the Academy Trust is represented on the board by the Accounting Officer.

The Secretary of State for Education may appoint trustees in certain circumstances, however no such appointments were made in the year under review.

The Trustees in office during the year to 31st August 2015 are named in the Reference and Administrative Details section of this report.

Trustees are appointed by nomination by the corporate sponsors with advice from the DfE.

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

Trustees are expected to participate in appropriate training programmes according to their needs and experience. The CEO and Sponsors provide new Trustees with comprehensive information and advice regarding the Academy Trust. Trustees are invited to attend all training and development activities that take place within the Academy Trust. Some individual academies have a subscription to the Governor Services training package within their Local Authority area which provides free access to a comprehensive range of induction, training and development programs which can be tailored to individual needs for member of Local Governing Bodies.

g. Organisational structure

The governance structure of the Academy Trust is on two levels: the Academy Trust Board and Local Governing Bodies within each Academy. The Academy Trust Board of the Lilac Sky Schools Trust is responsible for ensuring that high standards of corporate governance are maintained.

The Academy Trust Board are responsible for the strategic direction of the Academy Trust, setting policy and agreeing the annual budget and the Trust's development plan. The Local Governing Bodies are responsible for monitoring the work of the Academies and ensuring that the objectives of the Academy Trust are met.

h. Connected organisations, including related party relationships

The Lilac Sky Schools Trust is a charitable company, sponsored by Lilac Sky Schools Ltd, a national school improvement company.

Lilac Sky Schools Ltd provided advice and guidance to the Trustees at cost where any expense is incurred. Its role within the Academy Trust was that of quality assurance, guidance and advice.

Lilac Sky Outstanding Education Services Ltd provided services to the Lilac Sky Schools Trust, principally providing tutor input for Trust teachers through the Outstanding Teacher Diploma.

Following discussions with the EFA and Regional Schools Commissioner, and to ensure future compliance with the EFA's Academies Financial Handbook, the provision of services by both entities was ordered to cease on 1 April 2015.

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Trustees' report (continued)
For the year ended 31 August 2015

i. Risk management

The current and non-executive Trustees have assessed the major risks to which the Academy Trust is exposed, in particular those related to the operations and finances of the Academy Trust. They have implemented systems and procedures to mitigate exposure to the major risks.

Objectives and Activities

a. Objects and aims

The principal object and activity of the charitable company is the operation of academies and to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, developing and managing academies that offer a broad and balanced curriculum. The Academy Trust aims to deliver an 'outstanding' education on a fully inclusive basis to the communities it serves.

b. Objectives, strategies and activities

- Oversee conversion of White House and Marshlands academies and seek further opportunities for expansion of the Trust's network of schools
- Training and development opportunities for all staff
- Provide support to rapidly improve the quality of education at academies that have recently converted and joined the Academy Trust
- Ensure that SATs results at Richmond Academy improved at an increased level from those of summer 2014
- Provide a programme of enrichment activities for all pupils

c. Public benefit

The Trustees of the Lilac Sky Schools Trust confirm that they have referred to the guidance on public benefit published by the Charity Commission when reviewing the Trust's objectives, strategies and activities. The Academy Trust makes available its academies facilities to the wider community through negotiated community use.

Partnerships with local schools have been formed to strengthen those ties, especially for transfer from primary to secondary school.

Strategic report

Achievements and performance

a. Review of activities

During the course of the year, the Academy Trust has opened two new academies, White House Academy and Marshlands Academy, both in East Sussex. In addition, the Academy Trust has been working with the DfE and Local Authorities in Kent and East Sussex in preparation to open four new primary academies in September 2015.

The Academy Trust has developed its "Learning Network" which provides CPD and networking opportunities for its employees. Additionally, the Academy Trust held its inaugural trust-wide INSET day conference which provided training and development opportunities for all employees.

SATS results at Richmond Academy were a particular cause for celebration having increased by 35.9% (Level 4 combined Reading, Writing and Maths) from 2014.

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Trustees' report (continued)
For the year ended 31 August 2015

b. Going concern

The Academy Trust Board continues to adopt the going concern basis in preparing the financial statements for the academic year 2014/15. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

c. Key financial performance indicators

The Trustees approved a balanced budget for the 2014/15 academic year for all academies.

Academies within the Academy Trust are seeing an increase in pupil numbers as a result of improvements made within the Academies. The Academy Trust is working with Kent Local Authority to expand provision at Knockhall Academy in response for increased demand for places.

The Academy Trust reviews pupil numbers on a regular basis, ensuring that accurate returns are submitted to the two Local Authorities where the academies are situated - Kent and East Sussex - and to the Education Funding Agency who base funding for schools on pupil numbers.

Financial review

During the year to 31 August 2015 total income, including capital income, was £17,164,840 of which £413,456 was unrestricted income.

Total expenditure for the year to 31 August 2015, excluding other resources expended, was £12,101,025 of which:

Employee costs of £8,779,677 represented 72.6% of total expenditure; and
Premises related costs of £735,521 represented 6.1% of total expenditure

The operating surplus, excluding the pension reserve adjustments, transfers upon conversion, transfers out of the Academy Trust and revaluation losses for the year ended 31 August 2015 was £190,332.

a. Financial and risk management objectives and policies

The majority of the Academy Trust's income is obtained directly from the Education Funding Agency (EFA), an agent of the Department for Education (DfE), in the form of recurrent grants, the use of which is limited to specific purposes. The grants received from the EFA during the year ending 31st August 2015 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities. A high proportion of this funding is spent on wages, salaries and other associated personnel costs.

The Academy Trust has received additional funds during the course of the year to support the opening of four new academies in September 2015.

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Trustees' report (continued)
For the year ended 31 August 2015

b. Principal risks and uncertainties

Over the course of the year, the Academy Trust has opened two new academies, White House Academy and Marshlands Academy. These were opened in existing buildings, the freeholds of which were transferred to the Academy Trust. The Academy Trust inherited the full staff team of the predecessor schools with the exception of the Acting Headteacher of Marshlands Primary School.

The Academy Trust has identified risks resulting from the need to drastically and rapidly improve performance at these two converting academies. The Academy Trust and academies recognise that these two Academies are both at very critical and vulnerable points and there is a need to provide achievable and sustainable solutions to address their previous poor performance.

Recruitment remains a cause for concern with the attracting and retaining of outstanding teachers and senior leaders in the South East of England being a significant issue for the Academy Trust.

Additional risks impacting the Academy Trust result from the transfer of Tabor Academy to another sponsor resulting in a significant dip in income for the Academy Trust overall.

The Academy Trust Board assesses the other principal risks and uncertainties facing the Academy Trust as follows:

- The Academy Trust has considerable reliance on continued Government funding through the EFA and there is no assurance that Government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.
- Failures in governance and/or management - the risk in this area arises from potential failure to effectively manage the Academy Trust's finances, internal controls, compliance with regulations and legislation, statutory returns, etc.

The Academy Trust has continued to strengthen its risk management process throughout the year by improving the process and ensuring staff awareness.

c. Reserves policy

The Trustee's are expected to review reserves of the Trust on a regular basis. The Academy Trust acknowledges that reserves are necessary in order to provide sufficient working capital to cover delays between spending and the receipt of grants and to provide a buffer to deal with unexpected emergencies such as urgent maintenance.

The Academy Trust's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £29,523.

Due to the accounting rules for the Local Government Pension Scheme under FRS17, the Academy Trust is recognising a significant pension fund deficit of £1,320,000. This does not mean that an immediate liability for this amount crystallises but that such a deficit generally results in a cash flow effect in the form of increased employer contributions over a number of years.

d. Material investments policy

The Trustees agree all investments made by the Academy Trust and the Academy and will ensure that these are in line with the Charity Commission guidance. Investments are currently restricted to deposit accounts held in UK banks. The Trustees do not consider the investment of surplus funds as a primary activity, rather as a result of good stewardship and as and when circumstances allow.

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Trustees' report (continued)
For the year ended 31 August 2015

Plans for future periods

a. Future developments

The Academy Trust will continue striving for improved levels of performance throughout all academies within the Trust. A specific focus will be made on rapidly improving success as measured by KS2 test results at Marshlands and White House academies, in line with the progress made at Richmond Academy.

Additionally, the Academy Trust is committed to creating four outstanding new primary academies in September 2015 and supporting them as they increase in pupil number.

Employee involvement and employment of the disabled

The Academy Trust gives full consideration to application for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Academy Trust's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, CPD and promotion to disabled employees wherever appropriate.

During the year, the policy of providing employees with information about the Academy Trust has been continued through a number of mediums and employees have been encouraged to present their suggestions and views on the Academy Trust's performance, aims and goals. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

The Academy Trust holds regular consultation meetings with the main Trade Unions that represent employees within the academies. The purpose of these meetings is to gain union agreement to policies and procedures that the Academy Trust implements.

Disclosure of information to auditor

Each of the persons who are 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 auditor is 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 relevant audit information and to establish that the charitable company's auditor is aware of that information.

Auditor

The auditor, Kreston Reeves LLP, has indicated its willingness to continue in office. The Designated Trustees will propose a motion re-appointing the auditor at a meeting of the Trustees.

This revised report, incorporating the Strategic report, was approved by order of the Academy Trust Board, as the company directors, on 11/8/16 and signed on the board's behalf by:



Nicholas Tyler
Chair of the Trust Board

The Lilac Sky Schools Trust
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Governance Statement

Scope of Responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that The Lilac Sky 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 Academy Trust Board has delegated the day-to-day responsibility to the Chief Executive, 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 Lilac Sky Schools Trust and the Secretary of State for Education. They are also responsible for reporting to the Academy Trust Board 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 Academy Trust Board has formally met 5 times during the year. Attendance during the year at meetings of the Academy Trust Board was as follows:

Trustee	Meetings attended	Out of a possible
Jane Fielding	5	5
Victoria Rezaie	4	5
Charlotte Antoniou	5	5
Christopher Bowler	5	5
Kate Cooper	4	5
Angela Gartland	4	5
Philip Bunn (appointed 24 July 2015)	0	0

Trevor Avere-Beeson tendered his resignation as a Director and the Chair of the Academy Trust Board at the meeting on 11th February 2015. Angela Gartland was elected as Chair of the Academy Trust Board at the same meeting. Philip Bunn was elected to join the Academy Trust Board to fill the vacancy.

Governance reviews:

The Academy Trust Board will carry out a further self-evaluation and review early in 2016.

The Finance and Audit Committee is a sub-committee of the main governing body. Its purpose is to monitor the financial position of the Academy Trust and to advise the Academy Trust Board as to financials decisions and strategy. Attendance at meetings in the year was as follows:

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Trevor Avere-Beeson	2	3
Christopher Bowler	2	4
Angela Mary Gartland	1	2
Kate Cooper	1	2
Jane Fielding	1	2

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Governance Statement (continued)

Review of Value for Money

As Accounting Officer, the Chief Executive has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the Academy Trust has delivered improved value for money during the year by:

- Rationalising procurement for energy supply across the Academy Trust. Academies have benefitted from reduced costs due to the advantages of group purchasing
- Reviewing and restructuring the Academy Trust's business and finance functions in individual academies and reducing staffing costs in these areas whilst improving overall effectiveness of the service provided across the Academy Trust
- Establishing a "Learning Network" to reduce costs of CPD by providing trust-wide training opportunities, utilising specialist knowledge of colleagues where possible.

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 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 Lilac Sky Schools Trust for the year 1 September 2014 to 31 August 2015 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Academy Trust Board 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 Academy Trust Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks, that has been in place for the year 1 September 2014 to 31 August 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Academy Trust Board.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Academy Trust Board;
- 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.

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Governance Statement (continued)

The Risk and Control Framework (continued)

The Academy Trust Board has considered the need for a specific internal audit function and has decided to appoint Trevor-Averre Beeson as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a termly basis, the internal auditor's reports to the Trust Board on the operation of the systems of control and on the discharge of the governing body's financial responsibilities.

The internal auditor delivered his schedule of works as planned and no material control issues were identified.

Review of Effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

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

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

Approved by order of the members of the Academy Trust Board on 17/12/15 and signed on its behalf, by:



Angela Gartland
Chair of Academy Trust Board



Christopher Bowler
Accounting Officer


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Statement on Regularity, Propriety and Compliance

As Accounting Officer of The Lilac Sky Schools Trust I have considered my responsibility to notify the Academy Trust Academy Trust Board 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 (2014).

I confirm that I and the Academy Trust Academy Trust Board 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 (2014).

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



Christopher Bowler
Accounting Officer

Date: 17.12.15

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Trustees' responsibilities statement
For the year ended 31 August 2015

The Trustees (who act as governors of The Lilac Sky Schools Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report (including the Strategic 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;
- 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 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 Academy Trust Board on 17/12/15 and signed on its behalf by:



Angela Gartland
Chair of Academy Trust Board

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Independent auditor's report to the members of The Lilac Sky Schools Trust

We were engaged to audit the revised financial statements of The Lilac Sky Schools Trust for the year ended 31 August 2015 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 the preparation of these financial statements is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency, and they replace the original financial statements approved by the Trustees on 17 December 2015.

The revised financial statements have been prepared under The Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

This report is made solely to the Academy Trust'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 Trust'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 Academy Trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed or have been unable to form for the reasons set out below.

Respective responsibilities of Trustees and auditor

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the Academy Trust for the purposes of company law) are responsible for the preparation of the revised 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 revised 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.

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the Trustees.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion.

Scope of the audit of the revised financial statements

An audit involves obtaining evidence about the amounts and disclosures in the revised financial statements sufficient to give reasonable assurance that the revised 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 Trust'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 revised financial statements. The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the trustees are appropriate and have been properly made. In addition, we read all the financial and non-financial information in the revised Trustees' report to identify material inconsistencies with the revised audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Independent auditor's report to the members of The Lilac Sky Schools Trust

Basis for disclaimer of opinion on the revised financial statements

In seeking to form an opinion on the revised financial statements we considered the implications of the disclosures in the revised financial statements concerning the following matters:

- Since the approval of the original financial statements on 17 December 2015, the new and non-executive trustees, appointed after this date, have become aware of failings in the trust's policies on procurement of services with connected persons, which has resulted in the disclosure of additional related party transactions. At the date of this report and subsequent to our further audit procedures undertaken in accordance with these revised financial statements, there is uncertainty as to whether these revised financial statements fully disclosure details of all material transactions with related parties that took place during the year under review;
- The Education Funding Agency (EFA) are in discussion with the Academy Trust regarding the trust's financial and governance processes.
- Our additional audit procedures have identified potential irregularities in expenditure. Therefore there is uncertainty concerning the correct classification of these expenditures and whether any of these amounts will be recoverable.
- Had the trustees been aware of the full extent of the non-compliance with the trust's policies on procurement at the date of the approval of the original financial statements, and the remedial action that would be imposed by the EFA as a consequence, it would have cast significant doubt on the trustees' assessment of the trust's ability to continue as a going concern.

There is potential for the uncertainties to interact with one another such that we have been unable to obtain sufficient appropriate evidence regarding the possible effect of the uncertainties taken together.

Disclaimer of opinion on revised financial statements

Because of the significance of the possible impact of the uncertainties, described in the Basis for Disclaimer of Opinion on revised Financial Statements paragraph, to the revised financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the revised financial statements.

Emphasis of matter

In seeking to forming our opinion on the revised financial statements, we have considered the adequacy of the disclosures made in notes 1.1 and 33 to these revised financial statements concerning the need to derecognise a capital grant of £700,000, defer grant income of £47,289 to 2015/16, adjust for insurance prepayments and accruals net of £5,047, provide for bad debts of £9,310 and to revise the disclosure of transactions with related parties. The original financial statements were approved on 17 December 2015 and our previous report was signed on 18 December 2015. We have not performed a subsequent events review for the period from the date of our previous report to the date of this report.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the revised financial statements, in our opinion the information given in the revised Trustees' annual report, incorporating the Strategic report, for the financial year for which the revised financial statements are prepared is not consistent with the revised financial statements in the following regards:

- The trustees' report on page 8 refer to the trustees' expectation that the trust will be able to continue in operation for the foreseeable future. This conclusion is inconsistent with that which would have been reached had the trustees been fully aware of the issues now disclosed in the revised financial statements at the date they originally approved their report.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Independent auditor's report to the members of The Lilac Sky Schools Trust

- The Governance Statement and Statement on Regularity, Propriety and Compliance dated 17 December 2015 have not been revised to reflect the instances of mismanagement of the trust's funds disclosed in the revised financial statements.

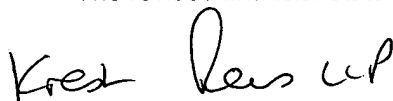
Matters on which we are required to report by exception

Arising from the limitation of our work referred to above:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit;
- We were unable to determine whether adequate accounting records have been kept;
- We were unable to determine whether certain disclosures of trustee's remuneration specified by law have been made; and
- Returns adequate for our audit have not been received from branches not visited by us.

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 revised financial statements are not in agreement with the accounting records and returns.



Susan Robinson BA FCA FCIE DChA MCMI (Senior statutory auditor)
for and on behalf of
Kreston Reeves LLP
Statutory Auditor
Chartered Accountants
Chatham Maritime
Date: 18 AUGUST 2016

The Lilac Sky Schools Trust
(A company limited by guarantee)

Independent reporting accountant's revised assurance report on regularity to The Lilac Sky Schools Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 14 May 2015 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Lilac Sky Schools Trust during the year 1 September 2014 to 31 August 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This revised report replaces the original report issued on 18 December 2015.

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

Respective responsibilities of The Lilac Sky Schools Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Lilac Sky Schools Trust's funding agreement with the Secretary of State for Education dated 31 December 2012, and the Academies Financial Handbook extant from 1 September 2014, 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 2014 to 2015. 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 September 2014 to 31 August 2015 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 2014 to 2015 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The Lilac Sky Schools Trust
(A company limited by guarantee)

Independent reporting accountant's revised assurance report on regularity to The Lilac Sky Schools Trust and the Education Funding Agency (continued)

Work undertaken

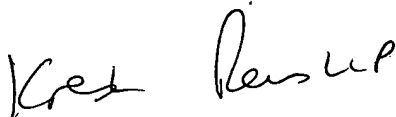
The work undertaken to draw to our conclusion includes:

- Reviewed the evidence used to support the Accounting Officer's sign off of the regularity statement
- Reviewed expenditure against specific terms of grant funding within the funding agreement
- Reviewed grants have been applied for the purposes intended
- Confirmed that internal control procedures exist relating to expenditure incurred of cash and credit cards
- Reviewed items claimed on cash and credit cards to identify any items for personal benefit
- Reviewed expenditure and considered whether any supplies are from related parties
- Reviewed Governing Body minutes for declaration of interests
- Considered whether other income activities are permitted within the Academy Trust's charitable objects
- Considered if borrowing agreements, including leases, have been made in accordance with the Academies Financial Handbook
- Confirmed that procurement and tendering procedures exist relating to expenditure and have been complied with

Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2014 to 31 August 2015 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- During the year, Mr T Averre-Beeson, undertook the role of the Trust's internal auditor in addition to being the Trust's CEO. This represents non-compliance with the Academies Financial Handbook issued by the EFA.
- Expenditure totalling £90,000 paid to Corporate Bespoke Services Ltd, a company owned by Mr T Averre-Beeson, a former Trustee, was not made in accordance with the Trust's procurement procedures and the requirements of the Academies Financial Handbook issued by the EFA.
- Note 14 of the revised financial statements discloses compensation payments made during the year totalling £249,107 to 11 employees. The evidence provided is not conclusive enough to demonstrate that these payments were made in accordance with the requirements of the Academies Financial Handbook.
- During the year an event was held by the Academy Trust at a cost of £14,095 (inclusive of VAT) which included room and equipment hire, beverages and food. Of this amount £6,110 has been subsequently refunded to the Trust on the instructions of the EFA.
- During the year there were a further 3 instances identified of alcoholic beverages being acquired by the Trust at a total cost of £108 which did not conform with the purposes intended by Parliament.
- During the year computer equipment at a cost of £390 (inclusive of VAT) was acquired by the Trust and delivered to the home address of Samantha Busch, a former member.



Kreston Reeves LLP
Reporting Accountant

Chatham Maritime

Date: 18 AUGUST 2016

The Lilac Sky Schools Trust
(A company limited by guarantee)

Statement of financial activities (including Statement of Total Recognised Gains and Losses)
For the year ended 31 August 2015

	Note	Unrestricted funds 2015 £	Restricted funds 2015 £	Restricted fixed asset funds 2015 £	Total funds 2015 £	Total funds 2014 £
Incoming resources						
Incoming resources from generated funds:						
Transfer from Local Authority on conversion	2	139,483	(190,000)	4,924,000	4,873,483	16,366,894
Other voluntary income	2	22,355	-	-	22,355	37,079
Activities for generating funds	3	248,892	-	-	248,892	558,867
Investment income	4	62	-	-	62	244
Incoming resources from charitable activities	5	2,664	10,825,790	1,191,594	12,020,048	7,779,585
Total incoming resources		413,456	10,635,790	6,115,594	17,164,840	24,742,669
Resources expended						
Costs of generating voluntary income	7	65,694	-	-	65,694	69,482
Charitable activities		443,315	10,801,863	648,612	11,893,790	8,975,607
Governance costs	11	-	141,541	-	141,541	32,000
Other resources expended	12	28,832	(1,960,000)	12,026,892	10,095,724	9,403
Total resources expended	6	537,841	8,983,404	12,675,504	22,196,749	9,086,492
Net incoming / (outgoing) resources before transfers		(124,385)	1,652,386	(6,559,910)	(5,031,909)	15,656,177
Transfers between Funds	23	(120,135)	(73,648)	193,783	-	-
Net incoming resources / (resources expended) before revaluations		(244,520)	1,578,738	(6,366,127)	(5,031,909)	15,656,177
Losses on revaluations of fixed assets	18	-	-	(8,784,175)	(8,784,175)	-
Losses on defined benefit pension schemes		-	(2,000)	-	(2,000)	(290,000)
Net movement in funds for the year		(244,520)	1,576,738	(15,150,302)	(13,818,084)	15,366,177
Total funds at 1 September 2014		274,043	(2,887,481)	29,109,380	26,495,942	11,129,765
Total funds at 31 August 2015		29,523	(1,310,743)	13,959,078	12,677,858	26,495,942

All of the Academy Trust's activities derive from continuing operations during the above two financial periods.

The notes on pages 24 to 52 form part of these financial statements.

The Lilac Sky Schools Trust
(A company limited by guarantee)
Registered number: 08289583

Balance sheet
As at 31 August 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Tangible assets	18		13,401,923		29,086,007
Current assets					
Stocks	19	-		1,660	
Debtors	20	675,188		523,843	
Cash at bank and in hand		853,836		730,649	
		<u>1,529,024</u>		<u>1,256,152</u>	
Creditors: amounts falling due within one year	21	<u>(898,549)</u>		<u>(805,371)</u>	
Net current assets			<u>630,475</u>		<u>450,781</u>
Total assets less current liabilities			<u>14,032,398</u>		<u>29,536,788</u>
Creditors: amounts falling due after more than one year	22		<u>(34,540)</u>		<u>(69,700)</u>
Net assets excluding pension scheme liability			<u>13,997,858</u>		<u>29,467,088</u>
Defined benefit pension scheme liability	31		<u>(1,320,000)</u>		<u>(2,971,146)</u>
Net assets including pension scheme liability			<u><u>12,677,858</u></u>		<u><u>26,495,942</u></u>
Funds of the academy					
Restricted funds:					
Restricted funds	23	9,257		84,519	
Restricted fixed asset funds	23	13,959,078		29,109,380	
Restricted funds excluding pension liability		<u>13,968,335</u>		<u>29,193,899</u>	
Pension reserve		<u>(1,320,000)</u>		<u>(2,972,000)</u>	
Total restricted funds			<u>12,648,335</u>		<u>26,221,899</u>
Unrestricted funds	23		<u>29,523</u>		<u>274,043</u>
Total funds			<u><u>12,677,858</u></u>		<u><u>26,495,942</u></u>

The financial statements were approved by the Trustees, and authorised for issue, on **11 AUGUST 2016** and are signed on their behalf, by:

Nicholas Tyler
Chair of Trustees



Angela Barry
Accounting Officer



The notes on pages 24 to 52 form part of these financial statements.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Cash flow statement
For the year ended 31 August 2015

	Note	2015 £	2014 £
Net cash flow from operating activities	26	(672,907)	(20,450)
Returns on investments and servicing of finance	27	62	244
Capital expenditure and financial investment	27	682,068	(53,705)
Cash transferred on conversion to an academy trust	29	139,483	196,446
Cash inflow before financing		148,706	122,535
Financing	27	(27,176)	100,000
Increase in cash in the year		121,530	222,535

Reconciliation of net cash flow to movement in net funds
For the year ended 31 August 2015

	2015 £	2014 £
Increase in cash in the year	121,530	222,535
Cash outflow from decrease in debt and lease financing	27,176	(100,000)
Movement in net funds in the year	148,706	122,535
Net funds at 1 September 2014	630,649	508,114
Net funds at 31 August 2015	779,355	630,649

The notes on pages 24 to 52 form part of these financial statements.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2015

1. Accounting policies

1.1 Revised financial statements

These revised financial statements replace the original financial statements for the year ended 31 August 2015 that were approved by the existing Trustees on 17 December 2015, and are now the statutory financial statements of the company for that financial year. These revised financial statements have been prepared as at the date of the original financial statements and not as at the date of revision and accordingly do not deal with events between those dates.

The original financial statements did not comply with the requirements of the Companies Act 2006 to present a true and fair view for the following reasons:

1. Income recognised in the restricted fixed asset fund in the Statement of Financial Activities amounting to £700,000 in respect of a capital grant did not meet the recognition criteria outlined in the Statement of Recommended Practice 'Accounting and Reporting by Charities' published in March 2005 (the SORP), and consequently is no longer being recognised along with a corresponding debtor for the same amount.

2. The need to disclose transactions with related parties in accordance with the requirements of Financial Reporting Standard 8, the SORP, and the Academies Accounts Direction 2014 to 2015 issued by the EFA. Note 33 to the financial statements has been revised in order to correct this defect.

3. Income recognised in restricted funds in the Statement of Financial Activities amounting to £47,289 in respect of Free School Meal grants and expenditure recognised in restricted funds in the Statement of Financial Activities amounting to £5,047 in respect of insurance, did not meet the recognition criteria outlined in the SORP and are consequently are now recognised within debtors and creditors.

4. Debtors amounting to £9,310 should not have been deemed recoverable at the balance sheet date and consequently are now being provided for in the Statement of Financial Activities.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2014 to 2015 issued by EFA, applicable accounting standards and the Companies Act 2006.

1.3 Fund accounting

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

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

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

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2015

1. Accounting policies (continued)

1.4 Incoming resources

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

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.

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

Upon each school within the Academy Trust converting to an Academy, that Academy will receive a transfer of property, and other assets, at no consideration. These assets are reflected as a donation in the accounting period of conversion, at a figure the Trustees have deemed to be the fair value of the property and assets to the Trust.

Details of the assets donated are provided in note 29 to the financial statements.

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.

1.5 Resources expended

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.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

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

Governance costs include the costs attributable to the Academy Trust'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.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2015

1. Accounting policies (continued)

1.6 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 Trust 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.

1.7 Operating leases

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

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 Taxation

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

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2015

1. Accounting policies (continued)

1.10 Tangible fixed assets and depreciation

All assets costing more than £1,000 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 Trust's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

A review for impairment reviews 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.

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

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	over 50 years
Plant and machinery	-	20% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	20% straight line

1.11 Conversion to an Academy

The conversion from a state maintained school to an academy 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 Marshlands Primary School and White House Primary School to an academy 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 The Lilac Sky 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.

The most significant assets and liabilities transferred on conversion are those of the Land and Buildings and the LGPS pension deficit. Land and Buildings are transferred at a valuation as detailed in note 19.

Further details of the transaction are set out in note 29.

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2015

1. Accounting policies (continued)

1.12 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 31, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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.

2. Voluntary income

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Transfer from Local Authority on conversion	139,483	4,734,000	4,873,483	16,366,894
Donations	22,355	-	22,355	34,100
Funds inherited on conversion	-	-	-	2,979
Subtotal	22,355	-	22,355	37,079
Voluntary income	161,838	4,734,000	4,895,838	16,403,973

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2015

3. Activities for generating funds

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Other	85,482	-	85,482	318,267
Hire of facilities	44,322	-	44,322	53,381
Catering income	119,088	-	119,088	187,219
	<u>248,892</u>	<u>-</u>	<u>248,892</u>	<u>558,867</u>

4. Investment income

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Bank interest	62	-	62	244
	<u>62</u>	<u>-</u>	<u>62</u>	<u>244</u>

The Lilac Sky Schools Trust
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2015

5. Incoming resources from charitable activities

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Grants	-	12,017,384	12,017,384	7,779,436
Music tuition	2,664	-	2,664	149
	<u>2,664</u>	<u>12,017,384</u>	<u>12,020,048</u>	<u>7,779,585</u>

Funding for Academy's educational operations

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
DfE/EFA revenue grants				
General Annual Grant (GAG)	-	8,526,394	8,526,394	6,551,032
Other DfE/EFA Grants	-	1,092,837	1,092,837	521,168
Start-Up Grants	-	583,000	583,000	261,500
	<u>-</u>	<u>10,202,231</u>	<u>10,202,231</u>	<u>7,333,700</u>
Other government grants				
Other Government Grants	-	623,559	623,559	255,845
Capital Grants	-	252,334	252,334	50,000
	<u>-</u>	<u>875,893</u>	<u>875,893</u>	<u>305,845</u>
DfE/EFA capital grant				
Capital Grants	-	939,260	939,260	139,891
	<u>-</u>	<u>939,260</u>	<u>939,260</u>	<u>139,891</u>
Total	<u>-</u>	<u>12,017,384</u>	<u>12,017,384</u>	<u>7,779,436</u>

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For the year ended 31 August 2015

6. Resources expended

	Staff costs	Non Pay	Expenditure	Total	Total
	2015	Premises	Other costs	2015	2014
	£	2015	2015	£	£
		£	£		
Costs of generating voluntary income	-	-	65,694	65,694	69,482
Costs of generating funds	-	-	65,694	65,694	69,482
Direct costs	7,102,322	-	519,261	7,621,583	5,736,995
Support costs	1,677,355	735,521	1,859,331	4,272,207	3,238,612
Charitable activities	8,779,677	735,521	2,378,592	11,893,790	8,975,607
Governance	-	-	141,541	141,541	32,000
Other resources expended	-	-	10,095,724	10,095,724	9,403
	8,779,677	735,521	12,681,551	22,196,749	9,086,492

7. Costs of generating voluntary income

	Unrestricted funds	Restricted funds	Total funds	Total funds
	2015	2015	2015	2014
	£	£	£	£
Music fees	3,808	-	3,808	4,620
Trips and event costs	52,576	-	52,576	64,862
Bad debts	9,310	-	9,310	-
	65,694	-	65,694	69,482

8. Analysis of resources expended by activities

	Activities undertaken directly	Support costs	Total	Total
	2015	2015	2015	2014
	£	£	£	£
Charitable activities	7,621,583	4,272,207	11,893,790	8,975,607

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9. Direct costs - educational operations

	Total 2015 £	Total 2014 £
Technology costs	59,168	65,627
Rewards & CAP	4,660	2,346
Examination fees	58,407	94,625
Staff development	113,369	43,342
Educational costs	270,333	85,686
Goods and services	13,324	172,483
Wages and salaries	6,064,968	4,501,003
National insurance	367,722	325,738
Pension cost	669,632	446,145
	7,621,583	5,736,995

10. Support costs - educational operations

	Total 2015 £	Total 2014 £
FRS17 pension finance cost (note 16)	17,000	86,000
Technology costs	279,285	417,471
Recruitment and support	126,656	33,520
Maintenance of premises and equipment	419,639	26,500
Cleaning	37,776	18,344
Rent and rates	148,141	56,947
Energy costs	161,410	229,810
Insurance	88,110	61,876
Security and transport	65,642	12,447
Catering	262,476	145,437
Other support costs	45,378	10,992
Professional services - Non educational	481,765	371,968
General office costs	85,512	89,813
Telephone	20,366	10,201
Bank charges	4,408	563
Wages and salaries	1,352,299	747,086
National insurance	61,208	35,425
Pension cost	263,848	265,000
Depreciation	351,288	619,212
	4,272,207	3,238,612

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11. Governance costs

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Auditors' remuneration	-	22,500	22,500	20,000
Auditors' remuneration - non-audit	-	922	922	12,000
Auditors' remuneration - other audit	-	5,740	5,740	-
Legal and professional fees	-	112,379	112,379	-
	<u>-</u>	<u>141,541</u>	<u>141,541</u>	<u>32,000</u>

12. Other resources expended

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Other resources expended	28,832	10,066,892	10,095,724	9,403
	<u>28,832</u>	<u>10,066,892</u>	<u>10,095,724</u>	<u>9,403</u>

On 1 April 2015, Tabor Academy transferred out of the Academy Trust to the Loxford School Trust.

13. Net incoming / (outgoing) resources

This is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets:		
- owned by the charity	351,288	619,212
Auditor's remuneration	22,500	20,000
Auditor's remuneration - non-audit	922	12,000
Auditors remuneration - other audit	5,740	-
	<u>380,450</u>	<u>651,212</u>

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14. Staff

a. Staff costs

Staff costs were as follows:

	2015 £	2014 £
Wages and salaries	6,486,904	4,966,205
Social security costs	428,930	361,163
Other pension costs (Note 31)	933,480	711,145
	<u>7,849,314</u>	<u>6,038,513</u>
Supply teacher costs	681,256	215,898
Compensation payments	249,107	65,984
	<u>8,779,677</u>	<u>6,320,395</u>

b. Staff numbers

The average number of persons employed by the Academy Trust during the year expressed as full time equivalents was as follows:

	2015 No.	2014 No.
Teachers	81	96
Administration and Support	140	132
Management	27	16
	<u>248</u>	<u>244</u>

c. Higher paid staff

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

	2015 No.	2014 No.
In the band £60,001 - £70,000	5	5
In the band £70,001 - £80,000	1	1
In the band £80,001 - £90,000	1	0
In the band £90,001 - £100,000	0	3
In the band £100,001 - £110,000	3	0
In the band £130,001 - £140,000	1	0
	<u>1</u>	<u>0</u>

The employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2015, pension contributions for these employees amounted to £87,853 (2014: £97,150).

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15. Trustees' remuneration and expenses

One or more Trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2015	2014
		£	£
Jane Fielding			
	Remuneration	105,000-110,000	105,000-110,000
	Employer's pension contributions	15,000-20,000	15,000-20,000
Christopher Bowler			
	Remuneration	130,000-135,000	Nil
	Employer's pension contributions	Nil	Nil
Steven Clark (resigned 27 August 2014)			
	Remuneration	Nil	95,000-100,000
	Employer's pension contributions	Nil	10,000-15,000
Robert Cochrane (resigned 27 August 2014)			
	Remuneration	Nil	75,000-80,000
	Employer's pension contributions	Nil	10,000-15,000

During the year, no Trustees received any benefits in kind (2014 - £NIL).

During the year, no Trustees received any reimbursement of expenses (2014 - £NIL).

Other related party transactions involving the Trustees are set out in note 33.

16. Other finance income

	2015	2014
	£	£
Expected return on pension scheme assets	93,000	36,000
Interest on pension scheme liabilities	(110,000)	(122,000)
	(17,000)	(86,000)

17. Trustees' and officers' insurance

The Academy Trust has opted into the Department of Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £5,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

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Notes to the financial statements
For the year ended 31 August 2015

18. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Assets under construction £	Total £
Cost or valuation						
At 1 September 2014	28,548,431	279,883	1,137,179	72,320	-	30,037,813
Additions	253,983	18,007	-	12,831	224,705	509,526
Disposals	(11,366,940)	(277,562)	(1,137,179)	(52,644)	-	(12,834,325)
Transfer on conversion	4,924,000	-	-	-	-	4,924,000
Revaluation surplus/(deficit)	(9,082,449)	-	-	-	-	(9,082,449)
At 31 August 2015	13,277,025	20,328	-	32,507	224,705	13,554,565
Depreciation						
At 1 September 2014	477,392	81,422	377,935	15,057	-	951,806
Charge for the year	343,720	2,994	-	4,574	-	351,288
On disposals	(378,388)	(81,394)	(377,935)	(14,461)	-	(852,178)
On revalued assets	(298,274)	-	-	-	-	(298,274)
At 31 August 2015	144,450	3,022	-	5,170	-	152,642
Net book value						
At 31 August 2015	13,132,575	17,306	-	27,337	224,705	13,401,923
At 31 August 2014	28,071,039	198,461	759,244	57,263	-	29,086,007

Included in long-term leasehold property is land at valuation of £2,131,000 which is not depreciated.

The long-term leasehold properties of: Tabor Academy; Knockhall Academy; Morehall Academy; and Richmond Academy, were initially valued on a replacement cost basis during the 2013/14 financial year to be £28,071,039.

Tabor Academy has since been transferred out of the Multi-Academy Trust as at 31/03/15, reducing the value of the long-term leasehold property by £11,366,940.

The long-term leasehold properties of: Knockhall Academy; Morehall Academy; and Richmond Academy were then re-valued on a depreciated replacement cost basis on 31 March 2015 by a qualified RICS surveyor at Mouchel to be £7,998,000.

Marshlands Academy and White House Academy both joined the Multi-Academy Trust during the financial year and in turn brought their own long-term leasehold properties into the financial statements. The long-term leasehold properties of: Marshlands Academy; and White House Academy were valued as at 31 March 2015 by a qualified RICS surveyor at Mouchel to be £4,924,000.

These five long-term leasehold properties have also seen capital works performed further enhancing the valuations by an additional £253,983 to bring the total valuation as at 31 August 2015 to £13,277,025.

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Notes to the financial statements
For the year ended 31 August 2015

18. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2015 £	2014 £
Original value brought into the Academy Trust plus Additions	22,359,475	28,548,432
Accumulated depreciation	(531,669)	(477,391)
Net book value	<u>21,827,806</u>	<u>28,071,041</u>

19. Stocks

	2015 £	2014 £
Finished goods and goods for resale	<u>-</u>	<u>1,660</u>

20. Debtors

	2015 £	2014 £
Trade debtors	95,300	128,828
VAT	267,691	219,724
Other debtors	142,920	68,201
Prepayments and accrued income	169,277	107,090
	<u>675,188</u>	<u>523,843</u>

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Notes to the financial statements
For the year ended 31 August 2015

21. Creditors:
Amounts falling due within one year

	2015 £	2014 £
Bank loans and overdrafts	1,657	-
Other loans	38,284	30,300
Trade creditors	497,206	165,698
Other taxation and social security	127,245	144,354
Other creditors	59,978	148,432
Accruals and deferred income	174,179	316,587
	<u>898,549</u>	<u>805,371</u>

Deferred income

Deferred income at 1 September 2014	219,485
Resources deferred during the year	47,289
Amounts released from previous years	<u>(219,485)</u>
Deferred income at 31 August 2015	<u>47,289</u>

At the balance sheet date the Academy Trust was holding funds received in advance for Free School Meals grants for 2015-16.

22. Creditors:
Amounts falling due after more than one year

	2015 £	2014 £
Other loans	<u>34,540</u>	<u>69,700</u>

Other loans include a long term loan of £72,824 from Kent County Council repayable by monthly instalments attracting interest at a rate of 0.5% above the Bank of England Base Rate.

The loan was inherited from the predecessor school (Knockhall Community Primary School) upon conversion into the Academy Trust.

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Notes to the financial statements
For the year ended 31 August 2015

23. Statement of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General funds	<u>274,043</u>	<u>413,456</u>	<u>(537,841)</u>	<u>(120,135)</u>	<u>-</u>	<u>29,523</u>
Restricted funds						
General Annual Grant (GAG)	84,519	8,526,394	(8,276,008)	(325,648)	-	9,257
Other DfE / EFA grants	-	1,092,837	(1,092,837)	-	-	-
Start-up grants	-	583,000	(583,000)	-	-	-
Other Government grants	-	623,559	(623,559)	-	-	-
Pension reserve	(2,972,000)	(190,000)	1,592,000	252,000	(2,000)	(1,320,000)
	<u>(2,887,481)</u>	<u>10,635,790</u>	<u>(8,983,404)</u>	<u>(73,648)</u>	<u>(2,000)</u>	<u>(1,310,743)</u>
Restricted fixed asset funds						
Capital funds	-	1,191,594	(297,324)	(337,115)	-	557,155
Restricted Fixed Assets Fund	<u>29,109,380</u>	<u>4,924,000</u>	<u>(12,378,180)</u>	<u>530,898</u>	<u>(8,784,175)</u>	<u>13,401,923</u>
	<u>29,109,380</u>	<u>6,115,594</u>	<u>(12,675,504)</u>	<u>193,783</u>	<u>(8,784,175)</u>	<u>13,959,078</u>
Total restricted funds	<u>26,221,899</u>	<u>16,751,384</u>	<u>(21,658,908)</u>	<u>120,135</u>	<u>(8,786,175)</u>	<u>12,648,335</u>
Total of funds	<u><u>26,495,942</u></u>	<u><u>17,164,840</u></u>	<u><u>(22,196,749)</u></u>	<u><u>-</u></u>	<u><u>(8,786,175)</u></u>	<u><u>12,677,858</u></u>

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

GAG represents funds to be used to cover the normal running costs of the Academy Trust.

Other DfE/EFA grants represents grants provided for specific purposes, such as pupil premium which is used to support disadvantaged pupils and assist them in decreasing the attainment gap between them and their peers.

Other Government Grants consists of all other non DfE/EFA grants. This funding is to be used for the specific purpose as set out in the grant's funding agreement.

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Notes to the financial statements
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23. Statement of funds (continued)

The Restricted fixed asset fund represents the leasehold land and buildings which were donated upon conversion to academy status including depreciation to the balance sheet date. DfE/EFA capital grants are also represented and provide the Academy Trust with its own capital money to address improvements to buildings and other facilities.

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2015.

Analysis of academies by fund balance

Fund balances at 31 August 2015 were allocated as follows:

	Total £
Marshlands Academy	22,258
Knockhall Academy	50,301
White House Academy	73,122
Morehall Academy	94,188
Richmond Academy	464,883
The Lilac Sky Schools Trust	(665,972)
	<hr/>
Total before fixed asset fund and pension reserve	38,780
Restricted fixed asset fund	13,959,078
Pension reserve	(1,320,000)
	<hr/>
Total	12,677,858
	<hr/> <hr/>

The following academy is carrying a net deficit on its portion of the funds as follows:

Name of academy	Amount of deficit £
The Lilac Sky Schools Trust	(665,972)

Significant investment was required in the setting up of four new primary academies that were due to open in September 2015. This included a considerable amount of spending on legal fees as well as additional staff involvement.

There were significant costs involved in the process of bidding for and carrying out preparatory work for a proposed new primary academy in Chelmsford. The Trust was awarded the right to run the new academy and carried out detailed design work and incurred legal fees. Following the transfer of Tabor Academy to The Loxford Trust, the local RSC took the new Chelmsford academy away from Lilac Sky Schools Trust and the project was handed to another group.

There was also spending involved in bidding for two new primary academies in Kent. These were awarded in outline to Lilac Sky Schools Trust but this award was also withdrawn following the transfer of Tabor Academy.

The decision was taken to build up the infrastructure of the Trust when the bids for new academies had been won. Central office staffing was significantly increased in order to cope with the demands of the four new primary academies and the three additional ones that were subsequently withdrawn.

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Notes to the financial statements
For the year ended 31 August 2015

23. Statement of funds (continued)

The Academy Trust is taking the following action to return central services to surplus:

The Trust has taken a number of steps to ensure that the deficit is recovered during 2015-16. These include increasing the top slice from the 9 academies to 7%; charging academies for central services such as HR and payroll; cost cutting through reducing the number of staff employed in the central office and reducing significantly the spending on senior Trust staff; and achieving economies of scale for central services. When central services achieves a surplus the funds will be reinvested to benefit the pupils within the Trust.

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 £
Marshlands Academy	608,827	103,105	92,170	181,639	985,741
Knockhall Academy	1,249,186	252,978	36,547	254,489	1,793,200
White House Academy	537,002	100,510	66,090	187,194	890,796
Morehall Academy	596,894	180,674	40,928	165,050	983,546
Richmond Academy	1,275,699	276,825	98,106	228,484	1,879,114
Tabor Academy	2,220,635	571,773	214,422	10,771,774	13,778,604
The Lilac Sky Schools Trust	614,079	191,491	27,386	701,504	1,534,460
	<u>7,102,322</u>	<u>1,677,356</u>	<u>575,649</u>	<u>12,490,134</u>	<u>21,845,461</u>

Summary of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
General funds	274,043	413,456	(537,841)	(120,135)	-	29,523
Restricted funds	(2,887,481)	10,635,790	(8,983,404)	(73,648)	(2,000)	(1,310,743)
Restricted fixed asset funds	29,109,380	6,115,594	(12,675,504)	193,783	(8,784,175)	13,959,078
	<u>26,495,942</u>	<u>17,164,840</u>	<u>(22,196,749)</u>	<u>-</u>	<u>(8,786,175)</u>	<u>12,677,858</u>

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Notes to the financial statements
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24. Central services

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

- financial services
- marketing services
- legal services
- educational support services

The Academy Trust charges for these services on the following basis:

- 5% of the General Annual Grant funding for the academic year from each academy within the Academy Trust.
- 100% of Start Up Grant for the academic year from each academy within the Academy Trust.

The actual amounts charged during the year were as follows:

	2015 £
Marshlands Academy	148,861
Knockhall Academy	78,827
White House Academy	109,416
Morehall Academy	39,914
Richmond Academy	83,207
Tabor Academy	147,571
Hailsham Academy (open from 1 September 2015)	124,500
Newhaven Academy (open from 1 September 2015)	124,500
Martello Grove Academy (open from 1 September 2015)	75,000
Thistle Hill Academy (open from 1 September 2015)	75,000
	<hr/>
Total	1,006,796 <hr/>

25. Analysis of net assets between funds

	Unrestricted funds 2015 £	Restricted funds 2015 £	Restricted fixed asset funds 2015 £	Total funds 2015 £	Total funds 2014 £
Tangible fixed assets	-	-	13,401,925	13,401,925	29,086,008
Current assets	29,025	942,846	557,153	1,529,024	1,256,152
Creditors due within one year	35,038	(933,589)	-	(898,551)	(805,372)
Creditors due in more than one year	(34,540)	-	-	(34,540)	(69,700)
Provisions for liabilities and charges	-	(1,320,000)	-	(1,320,000)	(2,971,146)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	29,523	(1,310,743)	13,959,078	12,677,858	26,495,942
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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Notes to the financial statements
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26. Net cash flow from operations

	2015 £	2014 £
Net incoming resources before revaluations	(5,031,909)	15,656,177
Returns on investments and servicing of finance	(62)	(244)
Transfer from Local Authority on conversion	(4,873,483)	(16,366,894)
Depreciation of tangible fixed assets	351,288	619,212
Transfer of academy to new sponsors	10,023,001	-
Capital grants from DfE and other capital income	(1,191,594)	(139,891)
Decrease in stocks	1,660	1,340
Increase in debtors	(151,345)	(317,854)
Increase in creditors	83,537	431,276
FRS 17 pension cost less contributions payable	99,000	10,428
FRS 17 pension finance income	17,000	86,000
Net cash outflow from operations	(672,907)	(20,450)

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

	2015 £	2014 £
Returns on investments and servicing of finance		
Interest received	62	244
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(509,526)	(17,274,045)
Capital grants from DfE and other capital income	1,191,594	139,891
Transfer from Local Authority conversion	-	17,080,449
Net cash inflow/(outflow) capital expenditure	682,068	(53,705)
Financing		
Other new loans	-	100,000
Repayment of other loans	(27,176)	-
Net cash (outflow)/inflow from financing	(27,176)	100,000

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28. Analysis of changes in net funds

	1 September 2014 £	Cash flow £	Other non-cash changes £	31 August 2015 £
Cash at bank and in hand:	730,649	123,187	-	853,836
Bank overdraft	-	(1,657)	-	(1,657)
	<u>730,649</u>	<u>121,530</u>	<u>-</u>	<u>852,179</u>
Debt:				
Debts due within one year	(30,300)	27,176	(35,160)	(38,284)
Debts falling due after more than one year	(69,700)	-	35,160	(34,540)
	<u>(100,000)</u>	<u>27,176</u>	<u>(35,160)</u>	<u>(73,824)</u>
Net funds	<u><u>630,649</u></u>	<u><u>148,706</u></u>	<u><u>-</u></u>	<u><u>779,355</u></u>

29. Conversion to an Academy Trust

On 1 September 2014 Marshlands Primary School converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Lilac Sky Schools Trust from East Sussex Local Authority 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 incoming resources 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 £
Fixed assets on conversion	-	-	2,319,000	2,319,000
Budget surplus/(deficit) on LA funds	93,087	-	-	93,087
LGPS pension surplus/(deficit)	-	(260,000)	-	(260,000)
	<u>93,087</u>	<u>(260,000)</u>	<u>2,319,000</u>	<u>2,152,087</u>
Net assets/(liabilities)	<u><u>93,087</u></u>	<u><u>(260,000)</u></u>	<u><u>2,319,000</u></u>	<u><u>2,152,087</u></u>

The above net assets/(liabilities) include £93,087 as cash transferred.

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29. Conversion to an Academy Trust (continued)

On 1 September 2014 White House Primary School converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Lilac Sky Schools Trust from East Sussex Local Authority 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 incoming resources 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 £
Fixed assets on conversion	-	-	2,605,000	2,605,000
Budget surplus/(deficit) on LA funds	46,396	-	-	46,396
LGPS pension surplus/(deficit)	-	(258,000)	-	(258,000)
Net assets/(liabilities)	<u>46,396</u>	<u>(258,000)</u>	<u>2,605,000</u>	<u>2,393,396</u>

The above net assets/(liabilities) include £46,396 as cash transferred.

30. Capital commitments

At 31 August 2015 the Academy Trust had capital commitments as follows:

	2015 £	2014 £
Contracted for but not provided in these financial statements	<u>568,107</u>	<u>78,693</u>

31. Pension commitments

The Academy Trust'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 Essex County Council for Tabor staff (to 1 April 2015); East Sussex County Council for Marshlands staff and White House staff; and Kent County Council for staff at the other academies. Both are multi-employer defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

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

Notes to the financial statements
For the year ended 31 August 2015

31. Pension commitments (continued)

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

The pension costs paid to TPS in the period amounted to £669,632 (2014: 446,145).

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy Trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy Trust has set out above the information available on the scheme.

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Notes to the financial statements
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31. 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 2015 was £326,000, of which employer's contributions totalled £252,000 and employees' contributions totalled £74,000. The agreed contribution rates for future years are 20.1% for employers in Kent; 16.0% to 18.9% for employers in East Sussex and 5.5% to 12.5% for employees across both regions.

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

The Academy Trust's share of the assets and liabilities in the scheme and the expected rates of return were:

	Fair value at 31 August 2015 £	Fair value at 31 August 2014 £
Equities	1,227,000	1,003,789
Property	231,000	157,124
Gilts	15,000	39,031
Other Bonds	216,000	172,136
Cash and Alternative assets	44,000	72,057
Target return portfolio	61,000	47,037
Total market value of assets	<u>1,794,000</u>	<u>1,491,174</u>
Present value of scheme liabilities	<u>(3,114,000)</u>	<u>(4,462,320)</u>
(Deficit)/surplus in the scheme	<u><u>(1,320,000)</u></u>	<u><u>(2,971,146)</u></u>

The expected returns as at 31 August 2015 for the Kent Pension Fund are as follows: Equities 6.7%; Property 5.1%; Gilts 3.0%; Other bonds 3.6%; Cash 2.9%; and Target return portfolio 5.9%.

The expected returns as at 31 August 2015 for the East Sussex Pension Fund are as follows: Equities 3.8%; Property 3.8%; Other bonds 3.8%; and Cash 3.8%.

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period.

The returns on gilts and other bonds are assumed to be gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The amounts recognised in the Balance sheet are as follows:

	2015 £	2014 £
Present value of funded obligations	(3,114,000)	(4,462,320)
Fair value of scheme assets	<u>1,794,000</u>	<u>1,491,174</u>
Net liability	<u><u>(1,320,000)</u></u>	<u><u>(2,971,146)</u></u>

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Notes to the financial statements
For the year ended 31 August 2015

31. Pension commitments (continued)

The amounts recognised in the Statement of Financial Activities are as follows:

	2015 £	2014 £
Current service cost	(351,000)	(255,000)
Interest on obligation	(110,000)	(122,000)
Expected return on scheme assets	93,000	36,000
Gains on curtailments and settlements	-	(10,000)
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Total	(368,000)	(351,000)
	<hr/>	<hr/>
Actual return on scheme assets	42,000	74,000
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Movements in the present value of the defined benefit obligation were as follows:

	2015 £	2014 £
Opening defined benefit obligation	4,462,320	3,737,320
Current service cost	351,000	255,000
Interest cost	110,000	122,000
Contributions by scheme participants	74,000	76,000
Actuarial (Gains)/losses	(49,000)	308,000
Losses on curtailments	-	10,000
Inherited on conversion	518,000	-
Benefits paid	(2,000)	(46,000)
Prior year contributions difference	(320)	-
Transfer out of Tabor Academy	(2,350,000)	-
	<hr/>	<hr/>
Closing defined benefit obligation	3,114,000	4,462,320
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Movements in the fair value of the Academy Trust's share of scheme assets:

	2015 £	2014 £
Opening fair value of scheme assets	1,491,174	1,151,000
Expected return on assets	93,000	36,000
Actuarial gains and (losses)	(51,000)	18,000
Contributions by employer	250,826	254,572
Contributions by employees	74,000	76,000
Inherited on conversion	328,000	-
Prior year contributions difference	-	1,602
Benefits paid	(2,000)	(46,000)
Transfer out of Tabor Academy	(390,000)	-
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	1,794,000	1,491,174
	<hr/>	<hr/>

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 a £185,000 loss (2014 - £538,000 loss).

The Academy Trust expects to contribute £251,000 to its Defined Benefit Pension Scheme in 2016.

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Notes to the financial statements
For the year ended 31 August 2015

31. Pension commitments (continued)

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

	2015	2014
Equities - Kent Pension Fund	68.00 %	69.00 %
Equities - East Sussex Pension Fund	71.00 %	73.00 %
Property - Kent Pension Fund	13.00 %	10.00 %
Property - East Sussex Pension Fund	11.00 %	10.00 %
Gilts - Kent Pension Fund	1.00 %	1.00 %
Other bonds - Kent Pension Fund	11.00 %	12.00 %
Other bonds - East Sussex Pension Fund	16.00 %	15.00 %
Cash and alternative assets - Kent Pension Fund	3.00 %	4.00 %
Cash and alternative assets - East Sussex Pension Fund	2.00 %	2.00 %
Target return portfolio - Kent Pension Fund	4.00 %	4.00 %

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

	2015	2014
Discount rate for scheme liabilities - Kent Pension Fund	4.00 %	3.90 %
Discount rate for scheme liabilities - East Sussex Pension Fund	3.80 %	3.70 %
Rate of increase in salaries - Kent Pension Fund	4.50 %	4.50 %
Rate of increase in salaries - East Sussex Pension Fund	4.60 %	4.50 %
Rate of increase for pensions in payment/inflation - Kent Pension Fund	2.70 %	2.70 %
Rate of increase for pensions in payment/inflation - East Sussex Pension Fund	2.70 %	2.70 %
Inflation assumption (CPI) - Kent Pension Fund	2.70 %	2.70 %
Inflation assumption (CPI) - East Sussex Pension Fund	2.70 %	2.70 %
Inflation assumption (RPI) - Kent Pension Fund	3.60 %	3.50 %
Inflation assumption (RPI) - East Sussex Pension Fund	3.80 %	5.60 %

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

	2015	2014
Retiring today - average of the two schemes		
Males	22.5	22.7
Females	24.8	25.1
Retiring in 20 years - average of the two schemes		
Males	24.7	24.9
Females	27.2	27.4

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Notes to the financial statements
For the year ended 31 August 2015

31. Pension commitments (continued)

Amounts for the current and previous two periods are as follows:

Defined benefit pension schemes

	2015 £	2014 £	2013 £
Defined benefit obligation	(3,114,000)	(4,462,320)	(1,946,906)
Scheme assets	1,794,000	1,491,174	170,586
Deficit	(1,320,000)	(2,971,146)	(1,776,320)
Experience adjustments on scheme assets	(51,000)	18,000	5,000

32. Operating lease commitments

At 31 August 2015 the Academy Trust had annual commitments under non-cancellable operating leases as follows:

	2015 £	2014 £
Expiry date:		
Within 1 year	-	450
Between 2 and 5 years	795	754

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33. Related party transactions

Owing to the nature of the Academy Trust'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. Except where stated below, all transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

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

Lilac Sky Schools Limited - a company in which Mr T Averre-Beeson (a Trustee of the Academy Trust to 6 May 2015) has a majority interest. During the year Lilac Sky Schools Limited provided central services, support and leadership and supplied senior staff to The Lilac Sky Schools Trust for £34,635 (2014: £809,813). In addition, Lilac Sky Schools Trust recharged £179,521 to Lilac Sky Schools Limited for the provision of staff. At the year end there was an amount owing to the Academy Trust from Lilac Sky Schools Ltd of £87,804 (2014: amount owed by the Academy Trust to Lilac Sky Schools Ltd was £107,699). These transactions have been charged at cost.

Lilac Sky Outstanding Education Services Limited - a company in which Mr T Averre-Beeson (a Trustee of the Academy Trust to 6 May 2015) has a majority interest. In addition, the following Trustees are consultants to Lilac Sky Outstanding Education Services Limited - Kate Cooper, Angela Gartland and Philip Bunn. During the year Lilac Sky Outstanding Education Services Limited provided services to The Lilac Sky Schools Trust for £271,742 (2014: £Nil). In addition, Lilac Sky Schools Trust recharged £184,828 to Lilac Sky Outstanding Education Services Limited for the provision of staff. At the year end there was an amount owing to the Academy Trust from Lilac Sky Outstanding Education Services Ltd of £44,261 (2014: Nil). These transactions have been charged at cost.

Following discussions with the EFA and Regional Schools Commissioner, and to ensure future compliance with the EFA's Academies Financial Handbook, the above transactions were ordered to cease on 1 April 2015 and T Averre-Beeson stepped down as a Trustee on 6 May 2015.

During the year, Jane Fielding, a Trustee and the wife of Mr T Averre-Beeson (a Trustee of the Academy Trust to 6 May 2015), was employed as Managing Director of the Academy Trust. Details of her remuneration can be found within note 15.

During the year, Kate Cooper, a Trustee, provided PA services to Mr T Averre-Beeson and admin support to The Lilac Sky Schools Trust for £16,403 (2014: £Nil).

During the year, Victoria Rézaie (also known as Victoria Averre), the daughter of Mr T Averre-Beeson (a Trustee of the Academy Trust to 6 May 2015), was employed as a Principal in the Academy Trust. The cost to the Academy Trust for her employment was £63,298 (2014: £Nil).

During the year, Samantha Busch (also known as Samantha Averre-Beeson), the daughter of Mr T Averre-Beeson (a Trustee of the Academy Trust to 6 May 2015), was employed in the Academy Trust. The cost to the Academy Trust for her employment was £16,593 (2014: £Nil). In addition, during the year computer equipment at a cost of £390 (inclusive of VAT) was acquired by the Trust and delivered to the home address of Samantha Busch.

Corporate Bespoke Services Ltd (formerly known as Trevor Averre-Beeson Limited) - a company in which Mr T Averre-Beeson (a Trustee of the Academy Trust to 6 May 2015) has a majority interest. During the year Corporate Bespoke Services Ltd provided services to The Lilac Sky Schools Trust for £90,000 (2014: £Nil). At the year end there were no amounts outstanding. The Trust did not undertake a competitive tendering exercise in accordance with its financial regulations for these transactions.

In entering into the above transactions the Academy Trust has not complied with the requirements of the EFA's Academies Financial Handbook.

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34. Controlling party

The Academy Trust is run by the management team on a day to day basis. Strategic decisions are made by the Board of Trustees. There is no ultimate controlling party.