Company Registration No. 10473528 (England and Wales)

MOSAIC ACADEMY TRUST

(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 AUGUST 2018

MHA Moore & Smalley
Trusted Thinking

MOSAIC ACADEMY TRUST

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MOSAIC ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Members	Mr A P Hardy Mr P Leadbetter Mr M Houghton Mr S M Jones Mr C M Davis
Trustees	Mr A P Hardy (Chairman) Mr S M Jones (Vice Chairman) Mr A Pollard (Accounting Officer) Ms B Sharples Mr M T Humphreys Mr J Smith Ms R Fairhurst (Appointed 1 July 2018) Ms G Baker (Resigned 30 June 2018) Ms A Patel Ms P Jones Dr M Lawty-Jones Ms E Kelly (Appointed 12 December 2018) Ms N Ogden (Resigned 1 October 2018)
Senior management team	
- Executive Headteacher	Mr A Pollard
- Chief Finance Officer	Mrs K Johnson
- Headteacher (Standish)	Mrs L Barker
- Senior Deputy Headteacher (Standish)	Mr J Miller
- Deputy Headteacher (Standish)	Mr S Peters
- Director of Quality Assurance (Standish)	Mr M Heron
- Assistant Headteacher (Standish)	Mr P Blakemore
- Assistant Headteacher (Standish)	Mrs M Collier
- Assistant Headteacher (Standish)	Mrs S Murray
- Assistant Headteacher (Standish)	Mrs J Roberts
- Assistant Headteacher (Standish)	Mr N Walker
- Headteacher (Southlands)	Miss K Millar
- Deputy Headteacher (Southlands)	Mrs C Rimmer
- Deputy Headteacher (Southlands)	Mr N Riley (appointed 1 September 2018)
- Assistant Headteacher (Southlands)	Mr A Lowery
- Assistant Headteacher (Southlands)	Ms K Briggs (retired 31 August 2018)
- Assistant Headteacher (Southlands)	Mr R Hughes (1 January - 30 April 2018)
Company secretary	Mrs K Johnson
Company name	Mosaic Academy Trust
Company registration number	10473528 (England and Wales)

MOSAIC ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Principal and registered office	Standish Community High School Kenyon Road Standish Wigan WN6 0NX

Academies operated	**Location**	**Executive Headteacher**
Standish Community High School	Wigan	Mrs L Barker
Southlands High School	Chorley	Miss K Millar

Independent auditor	MHA Moore and Smalley Richard House 9 Winckley Square Preston PR1 3HP
Solicitors	Eversheds LLP 70 Great Bridgewater Street Manchester M1 5ES

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

The Trust was incorporated on 10 November 2016 and operates 2 academy schools, Standish Community High School and Southlands High School for pupils aged 11 - 16. Both schools converted on 1 December 2017 and therefore the accounts for the year to 31 August 2018 only represent 9 months of activity.

Standish Community High School serves a catchment area in Wigan. It has a pupil capacity of 1300 (by the academic year 2020/21) and had a roll of 1267 in the school census on October 2018. Southlands High School serves students in Chorley. It has a pupil capacity of 1100 and had a roll of 829 in the school census on October 2018.

The Trust was inactive in the previous period and presented dormant accounts for the period to 31 August 2017.

Structure, governance and management

Constitution

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

The charitable company is known as Mosaic Academy Trust.

The Trustees of Mosaic Academy Trust are also the directors of the charitable company for the purposes of company law. Details of the Trustees who served during the year, and to the date these accounts are approved, are included in the Reference and Administrative Details on page 1.

Members' liability

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

Trustees' indemnities

In accordance with normal commercial practice the Trust has taken out insurance. However this is under the Risk Protection Arrangement (RPA) from the ESFA. The Trust has been advised that this insurance provides unlimited cover for directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance cost relating to the Trustees is not separately identifiable and is included within the total cost for the RPA.

Method of recruitment and appointment or election of Trustees

Under Article 46 of the Memorandum and Articles the Members appoint 7 Trustees to the Board, and when any of these become vacant the Members seek suitable new Trustees who have the skills required to serve on the Board. In addition to these 7, the Executive Headteacher is a Trustee, and there are up to 5 other Trustees who are co-opted by the Board. There are elected parent Governors on each of the local governing bodies for schools within the Trust, so there is no requirement to have elected parent Trustees on the Board.

Where co-opted Trustee positions become vacant the Board seeks to fill these by recourse to the skills required and then inviting potential trustees with those skills to join the Board. These potential Trustees are generally identified by existing Trustees researching among those people in the local area with whom they have contacts.

The new Trustees named by the Members are not subject to approval by the Board; where co-opted Trustees are being replaced those appointments are subject to approval by the full Board.

Policies and procedures adopted for the induction and training of Trustees

Where new Trustees are appointed they are invited to meet with the Chairman and Executive Headteacher to clarify their roles and responsibilities and identify what areas of additional training may be needed. Many of the Trustees that have been appointed are already Trustees of charities (which are not financially associated with the MAT in any way) and so have familiarity with the roles and responsibilities that come with the role.

Copies of the Memorandum and Articles, Funding Agreement, Business Plan (which includes the Scheme of Delegation) are also provided to the new Trustees.

Organisational structure

The Executive Headteacher is the Accounting Officer for the Trust and is responsible for the day to day management of the Trust. The Scheme of Delegation makes clear those areas for which additional consultation with the Trust Board is required and those which are reserved to the Trust Board, principally the appointment and remuneration of the Executive Headteacher, Heads of School, their deputies and the Chief Finance Officer.

The Board has established a series of sub-boards generally with 5 Trustees on each to conduct detailed discussions on relation to Educational Improvement, Asset Management (staff, buildings and finance), Leadership Performance Review and Safeguarding. An Audit Committee is not separately required given the current size of the MAT budget. External Auditors are employed to give advice to the Board in respect of compliance with Accounting obligations.

The Board has recruited external, qualified advisors to assist it in discharging its Educational Improvement and Safeguarding functions.

Arrangements for setting pay and remuneration of key management personnel

None of the Trustees, with the exception of the Executive Headteacher, is employed in any context by the MAT. Whilst legitimately incurred expenses may be reimbursed, no Trustee has to date made any such claim.

The pay and remuneration of the Executive Headteacher is set by the Leadership Performance Review Board on an annual basis, after they have received external, independent advice on the extent to which the agreed objectives for the previous year have been achieved by the Executive Headteacher. The Executive Headteacher does not participate in the discussion or determination of their pay or any pay progression.

The Executive Headteacher is involved, as a Trustee member of the Leadership Performance Review Board in the determination of pay for all other members of the SLT and direct employees of the MAT.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period	3
Full-time equivalent employee number	3.00

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1%-50%	3
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	364
Total pay bill	6,183,348
Percentage of the total pay bill spent on facilty time	-

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

Related parties and other connected charities and organisations

Western Skills Centre Limited is considered to be a related party as Mr A P Hardy, the Chair of Trustees, is a director of the company. Western Skills Centre Limited provides vocational qualifications to pupils of the Trust.

My Life Legacy is considered to be a related party as Mr S Jones, a Trustee, is a director of the company. My Life Legacy provides alternative curriculum provision for pupils of the Trust.

Objectives and activities

Objects and aims

The Objects and Aims of the Trust as set out in the Memorandum and Articles are:

a. to advance for the public benefit education in the United Kingdom, in particular, by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum

b. to promote for the benefit of the public in the United Kingdom the provision of facilities for recreation or other leisure time occupation of individuals who have the need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the economic conditions of the said inhabitants.

The Trustees have had due regard to the guidance on public benefit as published by the Charity Commission as they have exercised their powers and duties.

Objectives, strategies and activities

The objectives for the Trust during 2017/18 was to ensure maintained levels of success and make improvements where necessary. The following points demonstrate the extent of success achieved:

- Attainment at Standish has improved
- Progress at Standish remains 'above average' for the key performance indicator
- Attainment at Southlands has improved
- Progress at Southlands has improved in part but remains a focus
- The key PDBW indicators have all improved for both schools
- The environment for Southlands has improved significantly whilst at Standish it has been maintained with the addition of an internal alarm system
- In our inaugural year, financial systems have been established
- Our intention to grow has been demonstrated in a bid for a local primary to join the Trust and there is a forthcoming application to become a sponsor academy

Public benefit

The Trustees have complied with their duty to have due regard to the guidance on public benefit issued by the Charity Commission in exercising their powers and duties.

Strategic report

Achievements and performance

Standish Community High School is an agent for school improvement via school-to-school support in Wigan and the North West. It received an Ofsted judgement of 'good' in December, 2014. The results for 2018 place Standish as performing 'above average'.

Southlands High School received an Ofsted judgement of 'good' in June, 2013. Uptake figures for Southlands rose between 2017 and 2018. The results for 2018 place Southlands as performing 'below average'. In 2016 it was 'well below average'.

Key performance indicators

Standish Community High School

	2017	2018
Basics English and Maths 4+	84%	85%
Basics English and Maths 5+	61%	67%
Attainment 8	54.3	55.6
Progress 8	0.37	0.24
Attendance	95.2	95.0

Southlands High School

	2017	2018
Basics English and Maths 4+	49	67
Basics English and Maths 5+	32	38
Attainment 8	42.2	44.2
Progress 8	-0.41	-0.32
Attendance	94.5	95.8

Going concern

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

Financial review

The Trust's total incoming resources during the year were £30,156,743 with £21,079,530 being the assets inherited on conversion. The majority of the Trust's income derives from central government funding via the Education and Skills Funding Agency, in the form of government grants. Total funding received for the Trust's educational operations in the period was £8,009,425 and further details are provided in note 4 to the accounts.

Total outgoing resources for the year were £9,742,056. All of the Trust's expenditure related to the direct provision of educational operations. The excess of expenditure over income excluding the amounts inherited on conversion was £664,843, however this included accrued restructuring costs (and associated pension payments) totalling £149,621, depreciation charges on inherited assets of £341,313 and the FRS102 pension deficit movements recognised as expenses of £225,000.

At the period end the Trust's total reserves were in surplus by £20,829,687. This included the deficit on the Local Government Pension Scheme of £1,890,000. Excluding this balance leaves a surplus of £22,719,687 including unrestricted funds of £519,634 and restricted fixed assets of £22,333,638. The remaining deficit on restricted funds of £133,585 relates primarily to the GAG overspend in Southlands which has arisen primarily as a result of the accrued restructuring costs. Further detail is provided in note 19.

At 31 August 2018 all assets shown in the accounts were used exclusively for providing education and associated support services to students of the Trust.

On conversion the Trust inherited a deficit of £2,080,000 in respect of the Local Government Pension Scheme, which many of the non-teaching staff belong to. This deficit has decreased to £1,890,000 by 31 August 2018, mainly due to changes in actuarial assumptions regarding future returns on investments and the present value of future liabilities. The Trust does not have an obligation to settle this liability immediately and there are no indications that it will crystallise in the foreseeable future. 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 Trust had entered into an agreement to make deficit contributions towards the Lancashire County Pension Fund deficit until 31 March 2020.

Reserves policy

Restricted GAG reserves

At 31 August 2018 the Trust had a deficit on GAG reserves of £146,032 (2017: £nil). This has arisen as a result of the accrued restructuring costs and subsequent net deficit at Southlands of £160,577. The Trust intends to support Southlands financially until such time as the deficit is recovered and following the restructure, staffing costs are budgeted to fall significantly so that the school can start to recover its surplus position.

Other restricted reserves

At 31 August 2018 the Trust held other restricted reserves totalling £12,447 (2017: £nil).

Restricted Capital reserves

At 31 August 2018 the Trust held Capital reserves of £69,499 (2017: £nil) being CIF grant and DFC grant unspent at the year end.

Unrestricted Reserves

The Trust aspires to hold reserves at a level of 3% of the GAG excluding Pupil Premium and External income in order to provide the Trust with a backup fund in the event of an exceptional circumstance arising such as essential building works or significant changes to funding. Where additional work is required within the schools this amount may increase in order for the works to be facilitated.

At 31 August 2018 the level of unrestricted reserves held was £519,634 (2017: £nil). This represents approximately 7% of the GAG income for the year. Whilst this is higher than the 3% aspired to the balance will be used to support the changes in pupil numbers, pay and future funding uncertainties in sustain future years.

Investment policy

Management of cash flow should ensure that there are always sufficient funds in the main bank account to cover operational costs. Trustees are committed to ensuring that all funds are managed in such a way as to maximise return whilst minimising risk, seeking to ensure that any cash not required for operating expenses is placed on deposit at the most favourable rate. The approval of the Accounting Officer is required before any investment is made and a report is presented to the Asset Board.

Principal risks and uncertainties

The Trust has developed risk management procedures as outlined above. The Trustees have assessed the major risks to which the schools are exposed and a formal review of the Trust's risk management process is undertaken on an annual basis.

Principal risks include:

- reputational risks arising from health and safety issues or failure to safeguard students. Trustees continue to ensure child protection policies are updated and circulated to all members of staff in its academies. Trustees continue to monitor staff recruitment and development process in academies and training programmes; and
- risks associated with financial mismanagement and/or compliance failure. Trustees review procedures regularly to ensure that appropriate measures are in place to mitigate these risks.
- uncertainties around teachers' pay increases in future years and how these will be funded, ie the teachers' pay grant is only available for the first two years.
- uncertainties around increases to the Teachers' Pension Scheme employer's contribution rates of approximately 40%, how this will be funded, and for how long.

Key controls are in place

- an organisational structure with defined roles, responsibilities and authorisation levels;
- terms of reference for the committees of the local governing bodies;
- financial planning, budgeting and monthly management reporting highlighting areas of financial risk
- formal written and published policies for employees
- vetting procedures as required by law for the protection of the vulnerable; and
- robust security systems including CCTV

Fundraising

Bids for funding from specific government departments for improvements to premises have been made.

The Trust has undertaken fundraising during 2017/18. Firstly funds have been raised to support local and national charities. Traditional approaches to fundraising have been used, including non-uniform days and cakes sales. All funds are collected by the Finance Department and paid to the relevant charity via BACS or Cheque.

All fundraising activities are monitored by the Senior Leadership Team and are undertaken in accordance with regulations. The Trust does not work with professional fundraisers or commercial participators and has received no complaints in relation to its fundraising activities.

Plans for future periods

Mosaic Academy Trust has submitted a proposal for Golborne Primary School to join the Trust. Furthermore, it intends to submit a proposal to become, through Standish Community High School, a sponsor Academy. This is because the Trust is committed to its growth strategy based on success and capacity to deliver quality educational outcomes for all of its students.

We will, in due course, be submitting CIF funding bids.

Auditor

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

MHA Moore and Smalley was appointed auditor to the charitable company. A resolution proposing re-appointment will be put to the members.

The Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 12 December 2018 and signed on its behalf by:

Mr A P Hardy
Chairman

Scope of responsibility

As Trustees we acknowledge we have overall responsibility for ensuring that Mosaic Academy Trust has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the Executive Headteacher, 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 Mosaic Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 5 times since the inception of the Trust on 1 December 2017.

Attendance during the year at meetings of the Board of Trustees was as follows:

Trustees	Meetings attended	Out of possible
Mr A P Hardy (Chairman)	5	5
Mr S M Jones (Vice Chairman)	3	5
Mr A Pollard (Accounting Officer)	5	5
Ms B Sharples	5	5
Mr M T Humphreys	4	5
Mr J Smith	5	5
Ms R Fairhurst (Appointed 1 July 2018)	1	1
Ms G Baker (Resigned 30 June 2018)	2	4
Ms A Patel	5	5
Ms P Jones	1	5
Dr M Lawty-Jones	3	5
Ms E Kelly (Appointed 12 December 2018)	0	0
Ms N Ogden (Resigned 1 October 2018)	3	5

The change in board membership during the year was the result of the resignation of Gill Baker, because of pressure of outside work in July 2018. Ruth Fairhurst was appointed to replace her, bringing substantial expertise in respect of governance and legal obligations as a result of her work in the local authority sector in a range of senior management roles. Since the year end Ms N Ogden has resigned and has been replaced by Ms E Kelly.

As this has been the first year of the Board's formal operation, although it had met in its shadow form in 2017, the Trustees were becoming established in their roles, particularly in respect of the management of the wider Trust budget and staffing issues that impacted on them shortly after the formal operation of the Trust.

The financial data that is used by the Board is generated by the Chief Finance Office in conjunction with the Executive Headteacher and with support from finance officers in both schools. There have been some initial issues regarding the consolidation of management information systems across the schools, exacerbated by the fact that two Local Authorities are also involved. However, at both the Full Board and Asset Board meetings Trustees have been given confidence in the financial matters placed before them.

In respect of educational attainment and progress the data is generated by both schools against a common format agreed with the Executive Headteacher. This ensures that the Educational Improvement Board can easily understand the data provided and compare progress as appropriate between the schools. The reliability of this data was confirmed when the exam results for Yr. 11 came out in August 2018, with attainment and progress being in line with projections.

The review of governance required by the DfES will commence in the Autumn term of 2018 prior to the completion of the first year of operation of the Trust.

The Asset Board is a sub-committee of the main Board of Trustees whose purpose is to monitor the use of finance, staff and premises across the Trust.

The most pressing issue that has been faced since December 2017 has been the restructuring at Southlands High School needed to address the lower than expected intake of students in September 2018 and the consequential impact on the 5-year rolling budget. In the event the number of new starters in September was considerably above that anticipated in March 2018.

The Asset Board has also undertaken the first formal approval of budgets across the Trust, with the need to make some difficult decisions in respect of carry forwards, deficits and the use of balances within the Trust itself.

Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of possible
Mr A P Hardy (Chairman)	3	4
Mr S M Jones (Vice Chairman)	2	4
Mr A Pollard (Accounting Officer)	4	4
Mr J Smith	4	4
Ms R Fairhurst (Appointed 1 July 2018)	1	1
Ms G Baker (Resigned 30 June 2018)	2	3
Ms N Ogden (Resigned 1 October 2018)	3	4

The Education Improvement Board is a sub-committee of the main Board of Trustees. The group meet each term with the Headteacher of each Academy, to review progress being made by students across the curriculum and in all year groups and cohorts of students. They challenge the head in respect of this data, how robust it is and seek to establish performance criteria against which it will be possible to determine progress at their next meeting. The first meeting in September each year will be a thorough review of the outcome of the exam results in August.

Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of possible
Mr M T Humphreys (Chairman)	2	2
Mr A P Hardy	2	2
Mr A Pollard	2	2
Dr M Lawty-Jones	2	2
Ms A Patel	2	2

Review of value for money

As Accounting Officer, the Executive Headteacher has responsibility for ensuring that the 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 Trust has delivered improved value for money during the year by:

- Cleaning services: retendering across the trust
- Staffing restructure at Southlands

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of 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 Mosaic Academy Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board of Trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Trustees.

The risk and control framework

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint an external consultant as internal auditor.

This role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems. In particular the checks carried out in the current period included:

- Staffing
- Banking and Cash handling
- Purchases and expenses
- Payroll processes
- General ledger and budget monitoring

On a termly basis, the internal auditor reports to the Board of Trustees, through the Asset Board on the operation of the systems of control and on the discharge of the financial responsibilities of the Board of Trustees. Since the Trust was set up, the first term was about establishing finance systems and procedures. The first visit from the internal auditor was therefore carried out in the second term.

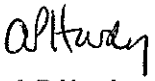
No material control issues have been identified in the course of the internal auditor's work.

Review of effectiveness
As Accounting Officer the Executive Headteacher 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 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 Asset Board and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Board of Trustees on 12 December 2018 and signed on its behalf by:



Mr A P Hardy
Chairman

Mr A Pollard
Accounting Officer

MOSAIC ACADEMY TRUST

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

FOR THE YEAR ENDED 31 AUGUST 2018

As Accounting Officer of Mosaic Academy Trust I have considered my responsibility to notify the Trust Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the Trust's Board of Trustees are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook 2017.

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

Mr A Pollard
Accounting Officer

12 December 2018

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees (who are also the directors of Mosaic Academy Trust for the purposes of company law) are responsible for preparing the Trustees' report and the accounts in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Trustees on 12 December 2018 and signed on its behalf by:

Mr A P Hardy
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOSAIC ACADEMY TRUST

FOR THE YEAR ENDED 31 AUGUST 2018

Opinion

We have audited the accounts of Mosaic Academy Trust for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the Trustees' report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report, including the incorporated strategic report.

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

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

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities, the Trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the accounts

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

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

T N Johnson

Tracey Johnson (Senior Statutory Auditor)
for and on behalf of MHA Moore and Smalley
Chartered Accountants
Statutory Auditor

Richard House
9 Winckley Square
Preston
PR1 3HP

19 December 2018

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO MOSAIC ACADEMY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY

FOR THE YEAR ENDED 31 AUGUST 2018

In accordance with the terms of our engagement letter dated 15 November 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Mosaic Academy Trust during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The accounting officer is responsible, under the requirements of Mosaic Academy Trust's funding agreement with the Secretary of State for Education dated 30 November 2017 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance, and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

We have undertaken testing as appropriate in line with the guidance included in technical release 08/12AAF from the Institute of Chartered Accountants in England and Wales. This includes an evaluation of the control environment of the school together with enquiry, analytical review and substantive testing.

Conclusion

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

MHA Moore & Smalley

Reporting Accountant
MHA Moore and Smalley

Richard House
9 Winckley Square
Preston
PR1 3HP

19 December 2018

MOSAIC ACADEMY TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total 2018 £	Total 2017 10 months £
Income and endowments from:						
Donations and capital grants	3	-	11,743	975,284	987,027	-
Donations - transfer from local authority on conversion	27	524,565	(2,020,318)	22,575,283	21,079,530	-
Charitable activities:						
- Funding for educational operations	4	145,998	7,863,427	-	8,009,425	-
Other trading activities	5	80,318	-	-	80,318	-
Investments	6	443	-	-	443	-
Total income and endowments		751,324	5,854,852	23,550,567	30,156,743	-
Expenditure on:						
Charitable activities:						
- Educational operations	9	98,907	9,293,793	349,356	9,742,056	-
Total expenditure	7	98,907	9,293,793	349,356	9,742,056	-
Net income/(expenditure)		652,417	(3,438,941)	23,201,211	20,414,687	-
Transfers between funds		(132,783)	1,000,356	(867,573)	-	-
Other recognised gains and losses						
Actuarial gains on defined benefit pension schemes	21	-	415,000	-	415,000	-
Net movement in funds		519,634	(2,023,585)	22,333,638	20,829,687	-
Reconciliation of funds						
Total funds brought forward		-	-	-	-	-
Total funds carried forward	19	519,634	(2,023,585)	22,333,638	20,829,687	-

MOSAIC ACADEMY TRUST

BALANCE SHEET

AS AT 31 AUGUST 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	13		15,506		-
Tangible assets	14		22,248,633		-
			22,264,139		-
Current assets					
Debtors	15	676,373		-	
Cash at bank and in hand		1,353,809		-	
		2,030,182		-	
Current liabilities					
Creditors: amounts falling due within one year	16	(1,392,726)		-	
Net current assets			637,456		-
Total assets less current liabilities			22,901,595		-
Creditors: amounts falling due after more than one year	17		(181,908)		-
Net assets excluding pension liability			22,719,687		-
Defined benefit pension scheme liability	21		(1,890,000)		-
Net assets			20,829,687		-
Funds of the Trust:					
Restricted funds	19				
- Fixed asset funds			22,333,638		-
- Restricted income funds			(133,585)		-
- Pension reserve			(1,890,000)		-
Total restricted funds			20,310,053		-
Unrestricted income funds	19		519,634		-
Total funds			20,829,687		-

The accounts on pages 21 to 51 were approved by the Trustees and authorised for issue on 12 December 2018 and are signed on their behalf by:

A P Hardy

Mr A P Hardy
Chairman

Company Number 10473528

MOSAIC ACADEMY TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £	2018 £	2017 £	2017 10 months £
Cash flows from operating activities					
Net cash provided by operating activities	22		365,075		-
Cash funds transferred on conversion			830,527		-
			1,195,602		-
Cash flows from investing activities					
Dividends, interest and rents from investments		443		-	
Purchase of intangible fixed assets		(19,938)		-	
Purchase of tangible fixed assets		(70,361)		-	
Net cash used in investing activities			(89,856)		-
Cash flows from financing activities					
New other government loan		106,925		-	
New other loans		180,336		-	
Repayment of other government loan		(26,731)		-	
Repayment of other loans		(12,467)		-	
Net cash provided by/(used in) financing activities			248,063		-
Net increase in cash and cash equivalents in the reporting period			1,353,809		-
Cash and cash equivalents at beginning of the year			-		-
Cash and cash equivalents at end of the year			1,353,809		-

1 Accounting policies

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

1.1 Basis of preparation

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

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

1.2 Going concern

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

1.3 Conversion to an academy trust

The conversion from state maintained schools to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the schools for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Standish Community High School and Southlands High School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

The school land and buildings are leased to the Trust under 125 year leases from Wigan Council and Lancashire County Council. These have been valued using the most recent valuation provided by each local authority and depreciated in line with the accounting policies to the date of conversion.

An assessment was undertaken by staff of fixtures and fittings acquired on conversion which had been purchased within the last two years. For these assets, a depreciated cost has been incorporated into the accounts.

Other funds inherited on conversion include unrestricted cash balances received, a Salix loan liability, a loan liability with Lancashire County Council, restricted school fund cash balances and restricted devolved formula capital cash balances.

Further details of the transaction are set out in note 27.

1.4 Income

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

1 **Accounting policies** **(Continued)**

Grants

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

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

Sponsorship income

Sponsorship income provided to the Trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Trust has provided the goods or services.

Donated goods, facilities and services

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

Donated fixed assets

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

1 Accounting policies (Continued)

1.5 Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

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

Charitable activities

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

1.6 Intangible fixed assets and amortisation

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

- Purchased computer software - 33.3%

1.7 Tangible fixed assets and depreciation

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

Land and buildings	2 - 10% straight-line, land is depreciated over 125 years
Computer equipment	33.33%
Fixtures, fittings & equipment	20%

1 Accounting policies **(Continued)**

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

1.8 Liabilities

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

1.9 Leased assets

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

1.10 Financial instruments

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

Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

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

Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.11 Taxation

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

1.12 Pensions benefits

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

1 **Accounting policies** **(Continued)**

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate..

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

1.13 Fund accounting

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

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

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

2 Critical accounting estimates and areas of judgement

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

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

Useful economic life of intangible fixed assets
The useful economic life of intangible fixed assets is judged at the point of purchase.

As standard, a useful economic life of 3 years is applied to computer software.

Useful economic life of tangible fixed assets
The useful economic life of tangible fixed assets is judged at the point of purchase.

As standard, a useful economic life of 125 years is applied to leasehold land, 50 years for buildings, 3 years for computer equipment and 5 years for fixtures, fittings and equipment.

Impairment of fixed assets
At each balance sheet date, management undertake an assessment of the carrying value of tangible fixed assets to determine whether there is any indication that the value has been impaired. Where necessary, an impairment is recorded as an impairment loss.

Impairment of trade debtors
At each balance sheet date, management undertake a review of outstanding debtor balances and consider whether there is any indication of impairment or any balances requiring provision.

This calculation is based on the financial position of the customers, the payment history and any ongoing discussions.

Valuation of the Local Government Pension Scheme defined benefit liability
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Critical accounting estimates and areas of judgement (Continued)

Critical areas of judgement

Classification and valuation of long leasehold land and buildings

The Trust's long leasehold land and buildings are held under a 125 year lease and are wholly used in the course of the Trust's business and are held within the Trust accounts.

At the date of conversion, the long leasehold land and buildings were measured at their fair value at 1 December 2016, which has been interpreted as deemed cost. This was based upon the most recent valuations performed by each local authority depreciated in line with the accounting policies to the date of conversion. Subsequent purchases of land and buildings are initially measured at cost.

Classification of finance and operating leases

At the inception of each lease, management undertake an assessment of the terms of the lease including the payments to be made over the life of the lease, the fair value of the asset subject to the lease, the length of the lease and whether the terms of the lease transfer substantially all of the risks and rewards of ownership.

Based on this assessment, management will determine whether the lease should be classified as a finance or operating lease.

3 Donations and capital grants

	Unrestricted funds	Restricted funds	Total 2018	Total 2017
	£	£	£	£
Capital grants	-	975,284	975,284	-
Other donations	-	11,743	11,743	-
	-	987,027	987,027	-

The income from donations and capital grants was £987,027 (2017: £-) of which £11,743 was restricted (2017: £-) and £975,284 was restricted fixed assets (2017: £-).

4 Funding for the Trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
DfE / ESFA grants				
General annual grant (GAG)	-	7,326,706	7,326,706	-
Other DfE / ESFA grants	-	348,435	348,435	-
	-	7,675,141	7,675,141	-
Other government grants				
Local authority grants	-	87,190	87,190	-
Other funds				
Other incoming resources	145,998	101,096	247,094	-
Total funding	145,998	7,863,427	8,009,425	-

The income from funding for educational operations was £8,009,425 (2017: £-) of which £145,998 was unrestricted (2017: £-) and £7,863,427 was restricted (2017: £-).

5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Hire of facilities	45,961	-	45,961	-
Other income	34,357	-	34,357	-
	80,318	-	80,318	-

The income from other trading activities was £80,318 (2017: £-) of which £80,318 was unrestricted (2017: £-).

6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Short term deposits	443	-	443	-

The income from funding for investment income was £443 (2017: £-) of which £443 was unrestricted (2017: £-).

7 Expenditure

	Staff costs	Non Pay Expenditure Premises	Other	Total 2018	Total 2017
	£	£	£	£	£
Academy's educational operations					
- Direct costs	5,600,002	44,636	747,514	6,392,152	-
- Allocated support costs	1,120,206	1,963,982	265,716	3,349,904	-
	6,720,208	2,008,618	1,013,230	9,742,056	-

Net income/(expenditure) for the year includes:	2018	2017
	£	£
Fees payable to auditor for:		
- Audit	11,250	-
- Other services	3,625	-
Operating lease rentals	32,427	-
Depreciation of tangible fixed assets	344,924	-
Amortisation of intangible fixed assets	4,432	-
Net interest on defined benefit pension liability	43,000	-

8 Central services

The Trust has provided the following central services to its schools during the year:
Include list of services, such as:

- human resources;
- financial services;
- legal services;
- educational support services;
- others as arising.

The Trust charges for these services based on 3% of each school's General Annual Grant funding.

The amounts charged during the year were as follows:	2018	2017
	£	£
Standish Community High School	132,144	-
Southlands High School	88,399	-
	220,543	-

9 Charitable activities

	Unrestricted funds	Restricted funds	Total 2018	Total 2017
	£	£	£	£
Direct costs				
Educational operations	963	6,391,189	6,392,152	-
Support costs				
Educational operations	97,944	3,251,960	3,349,904	-
	98,907	9,643,149	9,742,056	-

The expenditure on educational operations was £9,742,056 (2017: £-) of which £98,907 was unrestricted (2017: £-), £9,293,793 was restricted (2017: £-) and £349,356 was restricted fixed assets (2017: £-).

	2018	2017
	£	£
Analysis of support costs		
Support staff costs	1,120,206	-
Depreciation and amortisation	304,720	-
Premises costs	1,631,403	-
Other support costs	275,509	-
Governance costs	18,066	-
	3,349,904	-

10 Staff

Staff costs

Staff costs during the year were:

	2018 £	2017 £
Wages and salaries	4,908,287	-
Social security costs	481,751	-
Pension costs	1,067,941	-
Staff costs	6,457,979	-
Agency staff costs	123,030	-
Staff restructuring costs	139,199	-
Total staff expenditure	6,720,208	-

Staff restructuring costs comprise:

Redundancy payments	73,199	-
Severance payments	66,000	-
	139,199	-

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £66,000 (2017: £nil). Individually, the payments were: £10,000 paid on 20 May 2018 (£4,988) and 20 June 2018 (£5,012), £37,000 paid on 20 September 2018 (due at 31 August 2018) and £19,000 paid on 20 September 2018 (due at 31 August 2018).

Staff numbers

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

	2018 Number	2017 Number
Teachers	122	-
Administration and support	114	-
Management	13	-
	249	-

10 Staff (Continued)

The number of persons employed, expressed as a full time equivalent, was as follows:

	2018 Number	2017 Number
Teachers	109	-
Administration and support	73	-
Management	13	-
	195	-

Higher paid staff

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

	2018 Number	2017 Number
£60,001 - £70,000	1	-
£70,001 - £80,000	3	-
£100,001 - £110,000	1	-

Key management personnel

The key management personnel of the Trust comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Trust was £917,049 (2017: £nil).

11 Trustees' remuneration and expenses

One or more of the Trustees has been paid remuneration or has received other benefits from an employment with the Trust. The Executive Headteacher and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Executive Headteacher and staff members under their contracts of employment, and not in respect of their services as Trustees.

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

A Pollard (Executive Headteacher and Trustee):
Remuneration £75,000 - £80,000 (2017: £nil)
Employer's pension contributions paid £5,000 - £10,000 (2017: £nil)

During the period ended 31 August 2018, no travel and subsistence expenses were reimbursed or paid directly to trustees (2017: none).

12 Trustees' and officers' insurance

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

13 Intangible fixed assets

	Computer software £
Cost	
At 1 September 2017	-
Additions	19,938
At 31 August 2018	19,938
Amortisation	
At 1 September 2017	-
Charge for year	4,432
At 31 August 2018	4,432
Carrying amount	
At 31 August 2018	15,506
At 31 August 2017	-

14 Tangible fixed assets

	Land and buildings £	Computer equipment £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 September 2017	-	-	-	-
Transfer on conversion	22,466,906	51,860	4,430	22,523,196
Additions	-	49,936	20,425	70,361
At 31 August 2018	22,466,906	101,796	24,855	22,593,557
Depreciation				
At 1 September 2017	-	-	-	-
Charge for the year	301,785	40,204	2,935	344,924
At 31 August 2018	301,785	40,204	2,935	344,924
Net book value				
At 31 August 2018	22,165,121	61,592	21,920	22,248,633
At 31 August 2017	-	-	-	-

14 Tangible fixed assets (Continued)

The net book value of land and buildings comprises:

	2018 £	2017 £
Long leaseholds (over 50 years)	22,165,121	-

15 Debtors

	2018 £	2017 £
Trade debtors	26,659	-
VAT recoverable	343,635	-
Other debtors	42,616	-
Prepayments and accrued income	263,463	-
	676,373	-

16 Creditors: amounts falling due within one year

	2018 £	2017 £
Government loans	35,642	-
Other loans	30,513	-
Trade creditors	549,964	-
Other taxation and social security	161,311	-
Other creditors	141,066	-
Accruals and deferred income	474,230	-
	1,392,726	-

17 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Government loans	44,552	-
Other loans	137,356	-
	181,908	-

17 Creditors: amounts falling due after more than one year	2018	(Continued) 2017
Analysis of loans		
Wholly repayable within five years	248,063	-
Less: included in current liabilities	(66,155)	-
Amounts included above	181,908	-
Loan maturity		
Debt due in one year or less	66,155	-
Due in more than one year but not more than two years	71,734	-
Due in more than two years but not more than five years	67,319	-
Due in more than five years	42,855	-
	248,063	-

Included within other loans are Salix loans totalling £167,869 which are interest free loans to be deducted biannually from the General Annual Grant.

Included within government loans is a loan from Lancashire County Council of £80,194. The balance was inherited prior to conversion and is interest free to be repaid monthly.

18 Deferred income	2018 £	2017 £
Deferred income is included within:		
Creditors due within one year	62,770	-
Deferred income at 1 September 2017	-	-
Resources deferred in the year	62,770	-
Deferred income at 31 August 2018	62,770	-

At the balance sheet date the Trust was holding funds received in advance of the related expenditure of £62,770 for school trips.

19 Funds

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	-	7,326,706	(8,473,094)	1,000,356	(146,032)
Other DfE / ESFA grants	-	348,435	(348,435)	-	-
Other government grants	-	87,190	(87,190)	-	-
Other restricted funds	-	172,521	(160,074)	-	12,447
Pension reserve	-	(2,080,000)	(225,000)	415,000	(1,890,000)
	-	5,854,852	(9,293,793)	1,415,356	(2,023,585)
Restricted fixed asset funds					
Transfer on conversion	-	22,575,283	(341,313)	(52,087)	22,181,883
DfE group capital grants	-	975,284	-	(905,785)	69,499
Capital expenditure from GAG	-	-	(8,043)	90,299	82,256
	-	23,550,567	(349,356)	(867,573)	22,333,638
Total restricted funds	-	29,405,419	(9,643,149)	547,783	20,310,053
Unrestricted funds					
General funds	-	751,324	(98,907)	(132,783)	519,634
Total funds	-	30,156,743	(9,742,056)	415,000	20,829,687

19 Funds **(Continued)**

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

General Annual Grant must be used for the normal running expenses of the Schools and any amounts carried forward at the end of a financial period must be used in accordance with the terms of the Funding Agreement.

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

Other DfE/ESFA grants comprise additional funding received for the furtherance of education, which must be used in accordance with the specific terms of each grant.

Other government grants includes Local Authority and Central Government funding for educational purposes which includes Special Educational Needs and other smaller grants for specific projects.

Other restricted funds include contributions received for school trips and non-public donations and the related expenditure.

The pension reserve represents the value of the Trust's share of the deficit in the Local Government Pension Scheme. The value of the deficits for each school inherited on conversion totalled £2,080,000 and had fallen to £1,890,000 at 31 August 2018.

Restricted fixed asset funds include funds invested in fixed assets and unspent capital grants. Depreciation is charged against the fund.

The Trust was dormant in the preceding period.

19 Funds (Continued)

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

	Balance at 10 November 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	-	7,326,706	(8,473,094)	1,000,356	(146,032)
Other DfE / ESFA grants	-	348,435	(348,435)	-	-
Other government grants	-	87,190	(87,190)	-	-
Other restricted funds	-	172,521	(160,074)	-	12,447
Pension reserve	-	(2,080,000)	(225,000)	415,000	(1,890,000)
	-	5,854,852	(9,293,793)	1,415,356	(2,023,585)
Restricted fixed asset funds					
Transfer on conversion	-	22,575,283	(341,313)	(52,087)	22,181,883
DfE group capital grants	-	975,284	-	(905,785)	69,499
Capital expenditure from GAG	-	-	(8,043)	90,299	82,256
	-	23,550,567	(349,356)	(867,573)	22,333,638
Total restricted funds	-	29,405,419	(9,643,149)	547,783	20,310,053
Unrestricted funds					
General funds	-	751,324	(98,907)	(132,783)	519,634
Total funds	-	30,156,743	(9,742,056)	415,000	20,829,687

Total funds analysis by school

Fund balances at 31 August 2018 were allocated as follows:	2018 £	2017 £
Standish Community High School	397,668	-
Southlands High School	(160,577)	-
Central services	148,958	-
Total before fixed assets fund and pension reserve	386,049	-
Restricted fixed asset fund	22,333,638	-
Pension reserve	(1,890,000)	-
Total funds	20,829,687	-

19 Funds (Continued)

Southlands High School is carrying a net deficit of £160,577 on these funds due in large part to restructuring costs and associated pension costs incurred for the period. The Trust will provide financial support to the school until such time as the deficit is recovered and following the restructure, staffing costs are budgeted to fall significantly so that the school can start to recover its surplus position.

Total cost analysis by school

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

	Teaching and educational support staff	Other support staff costs	Educational supplies	Other costs excluding depreciation	Total
	£	£	£	£	£
Standish Community High School	3,167,467	447,939	459,815	826,466	4,901,687
Southlands High School	2,222,672	544,571	264,777	1,024,705	4,056,725
Central services	86,834	25,725	22,921	73,808	209,288
	5,476,973	1,018,235	747,513	1,924,979	9,167,700

20 Analysis of net assets between funds

	Unrestricted Funds	Restricted funds: General	Restricted funds: Fixed asset	Total Funds
	£	£	£	£
Fund balances at 31 August 2018 are represented by:				
Intangible fixed assets	-	-	15,506	15,506
Tangible fixed assets	-	-	22,248,633	22,248,633
Current assets	519,634	1,441,049	69,499	2,030,182
Creditors falling due within one year	-	(1,392,726)	-	(1,392,726)
Creditors falling due after one year	-	(181,908)	-	(181,908)
Defined benefit pension liability	-	(1,890,000)	-	(1,890,000)
Total net assets	519,634	(2,023,585)	22,333,638	20,829,687

21 Pension and similar obligations

The Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Schemes (LGPS) for non-teaching staff, which is managed by Greater Manchester Pension Fund (Standish) and Lancashire County Pension Fund (Southlands). 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 that of the LGPS related to the period ended 31 March 2016.

Contributions amounting to £138,771 (2017: £nil) were payable to the schemes at 31 August 2018 and are included within creditors.

21 Pension and similar obligations (Continued)

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' 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

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

The key elements of the valuation and subsequent consultation are:

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

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

The employer's pension costs paid to the TPS in the period amounted to £605,408 (2017: £nil).

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

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

21 Pension and similar obligations (Continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 15.1 to 19.6% for employers and 5.5 to 12.5% for employees.

The Trust had entered into an agreement to make deficit contributions towards the Lancashire County Pension Fund deficit of £22,805 in the period to 31 August 2018. Deficit contributions are committed until 31 March 2020 and the value of deficit contributions for the year to 31 August 2019 is set at £31,375.

The LGPS obligation relates to the employees of the Trust who were employees transferred as part of the conversion from the maintained school (as described in note 27) together with new employees who joined the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Trust at the balance sheet date.

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

Total contributions made	**2018**	**2017**
	£	**£**
Employer's contributions	238,000	-
Employees' contributions	99,000	-
Total contributions	337,000	-

Principal actuarial assumptions	**2018**	**2017**
	%	**%**
Rate of increase in salaries	3.4	
Rate of increase for pensions in payment/inflation	2.3	
Discount rate for scheme liabilities	2.8	
Inflation assumption (CPI)	2.1	

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

	2018	**2017**
	Years	**Years**
Retiring today		
- Males	22.1	
- Females	24.8	
Retiring in 20 years		
- Males	24.4	
- Females	27.1	

21 Pension and similar obligations (Continued)

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre April 2008 and 80% of the maximum tax-free cash for post April 2008 service.

The following schedule provides an analysis of the sensitivity of results of the calculations to changes in the actuarial assumptions used:

Standish Community High School:	**Approximate increase to employer liability %**	**Approximate monetary amount £000**
0.5% decrease in real discount rate	16	346
0.5% increase in the salary increase rate	4	88
0.5% increase in the pension increase rate	11	252

Southlands High School:	**Central £000**	**Sensitivity 1 + 0.1% p.a. discount rate £000**	**Sensitivity 2 + 0.1% p.a. inflation £000**	**Sensitivity 3 + 0.1% p.a. pay growth £000**	**Sensitivity 4 1 yr increase in life expectancy £000**
Liabilities	2,871	2,808	2,936	2,887	2,922
Assets	(1,524)	(1,524)	(1,524)	(1,524)	(1,524)
Deficit	1,347	1,284	1,412	1,363	1,398
Projected service cost for next year	246	239	253	246	251
Projected net interest cost for next year	35	35	37	36	37

The Trust's share of the assets in the scheme	**2018 Fair value £**	**2017 Fair value £**
Equities	1,812,000	-
Government bonds	321,000	-
Other bonds	9,000	-
Cash/liquidity	165,000	-
Property	258,000	-
Other assets	640,000	-
Total market value of assets	3,205,000	-

The actual return on scheme assets was £154,000 (2017: £-).

21 **Pension and similar obligations** (Continued)

Amount recognised in the Statement of Financial Activities	**2018**	**2017**
	£	**£**
Current service cost	417,000	-
Interest income	(58,000)	-
Interest cost	101,000	-
Administration expenses	3,000	-
Total operating charge	463,000	-

Changes in the present value of defined benefit obligations	**2018**	**2017**
	£	**£**
Obligations acquired on conversion	4,853,000	-
Current service cost	417,000	-
Interest cost	101,000	-
Employee contributions	70,000	-
Actuarial gain	(290,000)	-
Benefits paid	(56,000)	-
At 31 August 2018	5,095,000	-

Changes in the fair value of the Trust's share of scheme assets	**2018**	**2017**
	£	**£**
Assets acquired on conversion	2,773,000	-
Interest income	29,000	-
Actuarial gain	125,000	-
Employer contributions	238,000	-
Employee contributions	99,000	-
Benefits paid	(56,000)	-
Administrative expenses	(3,000)	-
At 31 August 2018	3,205,000	-

22 Reconciliation of net income to net cash flow from operating activities

	2018	2017
	£	£
Net income for the reporting period (as per the Statement of Financial Activities)	20,414,687	-
Adjusted for:		
Net surplus on conversion to academy	(21,079,530)	-
Investment income receivable	(443)	-
Defined benefit pension costs less contributions payable	182,000	-
Defined benefit pension net finance cost	43,000	-
Depreciation of tangible fixed assets	344,924	-
Amortisation of intangible fixed assets	4,432	-
(Increase) in debtors	(676,373)	-
Increase in creditors	1,326,571	-
Stocks, debtors and creditors transferred on conversion	(194,193)	-
Net cash provided by operating activities	365,075	-

23 Commitments under operating leases

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

	2018	2017
	£	£
Amounts due within one year	32,251	-
Amounts due in two and five years	37,052	-
	69,303	-

24 Capital commitments

	2018	2017
	£	£
Expenditure contracted for but not provided in the accounts	99,782	-

25 Related party transactions

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

A payment of £640 was made to Western Skills Centre Limited for the provision of vocational qualifications to pupils. Western Skills Centre Limited is considered to be a related party as Mr A P Hardy, the Chair of trustees, is a director of the company. No amounts were due to be paid to Western Skills Centre Limited at the year end.

Invoices totalling £3,025 were paid to My Life Legacy for alternative curriculum provision. Of this amount, invoices totalling £2,915 related to expenses incurred prior to conversion and therefore contracts entered into whilst under the control of Wigan Council. My Life Legacy is considered to be a related party as Mr S Jones, a trustee, is a director of the company. One invoice with a value of £110 was outstanding for payment at 31 August 2018.

In entering into these transactions, the Trust has complied with the requirements of the Academies Financial Handbook 2017.

26 Members' liability

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

27 Conversion to an academy

On 1 December 2017 Standish Community High School and Southlands High School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Mosaic Academy Trust from the Wigan and Lancashire Local Authorities for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the statement of financial activities as donations – transfer from local authority on conversion.

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

Academy	Location	Date of conversion
Standish Community High School	Wigan	1 December 2017
Southlands High School	Chorley	1 December 2017

27 **Conversion to an academy** **(Continued)**

Net assets transferred:	**2018 £**
Leasehold land and buildings	22,466,906
Other tangible fixed assets	56,290
Cash	830,527
Borrowing obligations	(194,193)
LGPS pension surplus/(deficit)	(2,080,000)
	21,079,530

Funds surplus/(deficit) transferred:	**Unrestricted Funds £**	**Restricted funds: General £**	**Fixed asset £**	**Total 2018 £**
Fixed assets funds	-	-	22,523,196	22,523,196
LGPS pension funds	-	(2,080,000)	-	(2,080,000)
Other funds	524,565	59,682	52,087	636,334
	524,565	(2,020,318)	22,575,283	21,079,530

Mosaic Academy Trust

Net assets transferred:	**2018 £**
Cash	152,786
	152,786

Funds surplus/(deficit) transferred:	**Unrestricted Funds £**	**Restricted funds: General £**	**Fixed asset £**	**Total 2018 £**
Other funds	152,786	-	-	152,786
	152,786	-	-	152,786

On the date of conversion private cash balances held by the schools totalling £152,786 were transferred to Mosaic Academy Trust.

27 **Conversion to an academy** **(Continued)**

Standish Community High School

Net assets transferred:	**2018 £**
Leasehold land and buildings	12,486,880
Other tangible fixed assets	32,444
Cash	492,839
Borrowing obligations	(87,268)
LGPS pension surplus/(deficit)	(693,000)
	12,231,895

Funds surplus/(deficit) transferred:	**Unrestricted Funds £**	**Restricted funds: General £**	**Fixed asset £**	**Total 2018 £**
Fixed assets funds	-	-	12,519,324	12,519,324
LGPS pension funds	-	(693,000)	-	(693,000)
Other funds	293,802	59,682	52,087	405,571
	293,802	(633,318)	12,571,411	12,231,895

The school land and buildings are leased to the Trust under a 125 year lease from the Local Authority. These have been valued using the most recent valuation provided by Wigan Council and depreciated in line with the accounting policies to the date of conversion.

An assessment was undertaken by staff of fixtures and fittings acquired on conversion which had been purchased within the last two years. For these assets, a depreciated cost was incorporated into the accounts.

Other funds inherited on conversion include unrestricted cash balances of £381,070, a Salix loan liability of £87,268, restricted school fund cash balances of £59,682 and restricted devolved formula capital cash balances of £52,087.

Southlands High School

Net assets transferred:	**2018 £**
Leasehold land and buildings	9,980,026
Other tangible fixed assets	23,846
Cash	184,902
Borrowing obligations	(106,925)
LGPS pension surplus/(deficit)	(1,387,000)
	8,694,849

27 Conversion to an academy (Continued)

Funds surplus/(deficit) transferred:	Unrestricted Funds £	Restricted funds: General £	Restricted funds: Fixed asset £	Total 2018 £
Fixed assets funds	-	-	10,003,872	10,003,872
LGPS pension funds	-	(1,387,000)	-	(1,387,000)
Other funds	77,977	-	-	77,977
	77,977	(1,387,000)	10,003,872	16,002,698

The school land and buildings are leased to the Trust under a 125 year lease from the Local Authority. These have been valued using the most recent valuation provided by Lancashire County Council and depreciated in line with the accounting policies to the date of conversion.

An assessment was undertaken by staff of fixtures and fittings acquired on conversion which had been purchased within the last two years. For these assets, a depreciated cost was incorporated into the accounts.

Other funds inherited on conversion include unrestricted cash balances totalling £184,902 and a loan liability with Lancashire County Council of £106,925.