
KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE PERIOD ENDED 31 AUGUST 2016**

Members

Rev N Brown
Mr H Burgin
Mr A Harrison
Mrs M Haynes
Mrs M Johnson

Trustees

Mrs M Johnson, Chairperson
Mr A Harrison
Mr S Chesman
Mr J A Claypole
Mrs M Haynes
Mr D Crombleholme
Mrs J Salt
Rev N Brown
Mr D Hardcastle (resigned 10 November 2016)
Lord Norton of Louth (appointed 16 November 2015)
Mr J Lascelles, Principal and Accounting Officer
Mrs V Taylor (resigned 14 July 2016)

Company registered number

09635329

Company name

King Edward VI Education Trust

Principal and registered office

King Edward VI Grammar School, Edward Street, Louth, Lincs, LN11 9LL

Principal and Accounting Officer

Mr J Lascelles

Senior leadership team

Mr J Lascelles, Headmaster
Mrs L McConnell, Deputy Head (to 31 August 2016)
Mr T Taylor, Vice Principal (from 1 September 2016)
Mr M Hunkin, Vice Principal (from 1 September 2016)
Mrs R Mowbray, Trust Finance Director & Business Development Director

Independent auditors

Streets Audit LLP, Windsor House, A1 Business Park, Long Bennington, Notts, NG23 5JR

Bankers

Lloyds Bank Plc, 24 Mercer Row, Louth, Lincs, LN11 9JH

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
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Advisers (continued)

Solicitors

Wilkin Chapman, New Oxford House, Town Hall Square, Grimsby, N E Lincs, DN31 1EY

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TRUSTEES' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2016

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 11th June 2015 to 31 August 2016. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust is set up as a multi-academy trust (MAT), but currently only one academy, King Edward VI Grammar School, is a member of the MAT.

The trust currently operates an academy for pupils aged 11 to 18 serving a catchment area in Lincolnshire. It has a pupil capacity of 854 and had a roll of 867 in the school census in October 2016.

Structure, Governance and Management

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of King Edward VI Education Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as King Edward VI Education Trust (KEVIET).

Details of the trustees who served during the year 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

Trustees' benefit from indemnity through the Risk Protection Arrangement for academy trusts (RPA) purchased at the Academy Trust's expense to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust. This is proved that any such indemnity shall not extend to any claim arising from any act or omission which the Trustees know to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard to whether it was a breach of trust or breach of duty or not, and provided also that any such indemnity shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as Directors of the Academy Trust. The limit of this liability is £10,000,000.

Method of Recruitment and Appointment or Election of Trustees

The Trust is governed by a board of Directors representing different sectors of the wider community in order to ensure that the Trust is effective and diverse in its make up.

KEVIET is governed by Directors constituted under a Memorandum of Association and Articles of Association. This Board of Directors (Board) is responsible for ensuring that high standards of corporate governance are maintained. It will exercise its powers and functions with a view to fulfilling a largely strategic leadership role in the running of the Academies. This will allow greater opportunities for collaboration not only with regards to teaching but also in terms of the management of each Academy, including the procurement of goods and services.

The Board is also governed by the terms of any Funding Agreements that are in place, the Academies Financial

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Handbook and the Treasury publications "Guidance on Codes of Practice for Board Members of Public Bodies" and "The Orange Book: Management of Risk – Principles and Concepts".

The 6 Founding Directors were initially nominated by the Members of which one is linked to the incumbent Rector of the Parish of St James' Church. These Founding Directors then appoint the Education Directors to represent the primary, and secondary sectors of the Trust; one to represent higher education and a fourth to represent the local authority/LLP. There are then four Business Directors appointed by the Founding Directors to cover, Accountancy, Legal, Business, and HR skills.

Appointment to the board is linked to the board's skills audit and the requirement to ensure that the board maintains the fixed roles identified above and incorporated in its articles of association.

Policies and Procedures Adopted for the Induction and Training of Trustees

All Directors are able to remotely access, at any time, an electronic folder maintained by the Clerk, which contains all policies, procedures, governance documents, budget plans and finance reports, minutes and papers of meetings. In addition there is an electronic folder of legal documents concerning the Trusts legal status, other such publications issued by the DFE, EFA and Charity Commission concerning the Academies and the role of a Trustee. New Directors meet individually with the CEO and members of the Senior Leadership Team to gain an understanding of the organisational structure and the senior roles and responsibilities and are given a tour of the School. They are encouraged to attend relevant training as the opportunities arise which the Clerk circulates and to make use of specialist online training available for Directors.

Organisational Structure

The Academy opened on 1 September 2015. The structure of the organisation consists of a number of levels. The Directors of the Trust are responsible for setting the overall strategic direction of the Trust and its Academies and are also solely accountable for financial and educational standards. This responsibility is discharged to the CEO of the Trust who is responsible for the overall strategic and operational day to day life of the Trust and is charged with the line management of the various Headteachers/Heads of School. All Academies under the Trust then have a Local Governing Body responsible for standards across their individual academy. Within each academy the Headteacher or Head of School and SLT are then charged with the overall operational life of the academy.

The Finance Director and CEO work together to lead the financial life of the school. The Finance Director runs a team that is responsible for HR, Payroll and Finance and Budget control across a number of different schools.

Arrangements for setting pay and remuneration of key management personnel

In setting the pay and remuneration of key management personnel the Trust is mindful of attracting and retaining talent in the isolated rural setting of Lincolnshire where talent management and recruitment at all levels of the organisation are exceptionally challenging.

Trustees ensure that recruitment to the board is a rigorous process and use a variety of methods including advertisements and detailed person and job specifications to ensure that an appropriate field is gathered rather than awaiting for a candidate to appear.

Trustees are not paid and may only claim expenses.

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For the position of CEO, FD and Headteachers the Trust recognises the importance of these positions and adopts a robust approach to recruit, pay and remuneration in order to attract and most importantly retain talent. The Trust uses a rigorous benchmarking process to ensure that pay and remuneration at this level is consistent with similar roles in the local market place; consideration is also given to similar positions in the regional and national market place and jobs that are similar to the role of the CEO in the private sector, and or Headteachers in the independent sector.

In order to meet the requirements of the Nolan Principles of public life the Trust operates a graded turnover cap on senior salaries.

Related Parties and other Connected Charities and Organisations

The Trust is connected to two charities. The Friends of King Edward VI Grammar School and The King Edward VI Almshouse Charity (known as The Foundation). The Foundation has been in existence for over 450 years and owns all of the school's land and buildings with some minor exceptions and has leased the land to the Trust in perpetuity.

Further connected organisations are those schools currently working with the school via an MOU and these include Lacey Gardens Junior School; Eastfield Infant School; Donington on Bain Primary School; The Fenland Federation; and Monks' Dyke Tennyson College.

Equal Opportunities Policy

The Directors recognise that equal opportunities is an integral part of good practice within the workplace. The King Edward VI Education Trust is committed to equal opportunity in all areas of its activities, including creating a working environment in which the contribution and needs of all people are valued.

Disabled Persons

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all main areas of the Trust premises. Adjustments have been made for the visually impaired, including painted step edges and tactile paving.

Objectives and Activities

Objects and Aims

The Trust's objectives are to work together with the local schools in and around Louth to support exceptional education. The Trust remains true to its founding school's principles to "Encourage Excellence and Nurture Talent" in all areas of education to support all children in Louth from 0-19.

We have referred to the Charity Commission's guidance on public benefit when reviewing our aims and objectives and in planning our future activities.

The Aims and Objectives of the Trust are set out in the Terms of Reference but also in the Trusts Development Plan.

Objectives, Strategies and Activities

The Core Aims and Objectives of the Trust for 2015/16 were to:

1. Establish the Trust and raise awareness of the Trust's offer to local schools
2. Provide School to School Improvement support to local schools
3. Provide Financial Service support to local schools – particularly Primary Schools

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At the end of 2016 the Trust has achieved these goals and now has around six schools that are actively looking to join the Trust. The Trust is now fully established, has the necessary policy and procedures in place and Directors are now working towards embedding all of these through the course of 2016/17.

Public Benefit

The Directors have due regard to the Charity Commission's general guidance on public benefit and confirm that it has complied with the requirements for public benefit and when reviewing the objectives of the Trust and agreeing its future strategic direction, its activities are evidently for the public benefit of education.

This can be demonstrated by the successful educational activities of the Trust, its examination results, links to the local Community and the wider strategic contribution of school improvement work, strategic leadership and finance provided to local schools.

Strategic Report

Achievements and Performance

The Trust

In line with its objectives above The Trust has engaged in school improvement work with Monks Dyke Tennyson College, Donington on Bain Primary School, and the Fenland Federation – a collection of three primary schools.

This work has focused on supporting schools with various aspects of school improvement from financial restructuring and reorganisation through to teaching and learning reviews; work scrutinies; running CPD workshops; supporting schools with Self Evaluation and Development Planning; Governance Review and other aspects of school improvement work.

In addition this work is complemented by the Trust's financial and HR/Payroll work with other schools. The Trust has now become a key player in the local market place and is establishing a solid reputation for the level and detail of its work in this area. As a consequence demand for these services continues to grow.

The Trust will be putting together a comprehensive three year strategic plan to help drive forward the growth of the Trust and ensure that it develops significant capacity over the coming 18 months.

King Edward VI Grammar School

King Edward's mission is to "Encourage Excellence and Nurture Talent"

The school continues to meet its mission objective well.

The school's results in 2016 maintained the school's reputation for a high standard of education. The outgoing Year 11 pupils were the weakest cohort through the school in the last decade and their attainment on entry placed this group as one of the weakest Grammar School Year 11s in the country. Despite this staff and pupils worked hard to drive standards upwards and the school finished having made significant value added for this year group that meets the OFSTED criteria for Outstanding outcomes.

At A level results were up on last year following an intensive review of Sixth Form support, mentoring and coaching. These results are exceptionally pleasing and demonstrate once again the high levels of value added that the school is able to add children from entry at Year 7 through to the end of their time with us in Year 13. Students once again went to a wide range of prestigious universities include Oxford, Cambridge and the Russell Group universities. These outcomes once again placed King Edwards as one of the highest performing schools in the country.

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The school is rightly not focused solely on examination results, and significant achievement also occurred in the extra-curricular life of the school. Success in the District Athletics was a significant high, as was the Combined Cadet Forces presence in Cleethorpes at the Armed Forces Day. Other significant achievements saw the final production by Carole Ashcroft the school's longstanding Artistic Director; the school's arts continue to flourish and the wide range of trips and activities offered from the local through to the international continue to provide a wide range of students with a glimpse of life beyond Lincolnshire.

The school continues to be over subscribed for entry at Year 7 and interest in the school remains high.

Governors, however, are not complacent and a new and ambitious Local Governing Body has been recruited to King Edward's at a crucial stage in its development. This group alongside the SLT will be charged with helping developing the school's next three development plan.

Key Performance Indicators

The Directors consider some of the following measures to monitor and assess the performance of the Trust:

| | |
|---|--------|
| - Teachers Pay as a % of GAG | 70% |
| - Total Pay as a % of GAG | 94% |
| - Teachers Pay as a % of Total Revenue Income | 58% |
| - Total Pay as a % of Total Revenue Income | 78% |
| - Average GAG income per Student (aged 11 – 18) | £4,219 |

Going Concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the academy trust has adequate cash reserves and resources to provide future financial sustainability to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

The Trust encourages and supports the recruitment and retention of employees and pupils with disabilities. It ensures this by the adaptation of the physical environment and by providing any specific resources, training or development required.

Financial Review

Most of the Academy's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the period ended 31 August 2016 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The trust held fund balances at 31 August 2016 of £9,332,138, comprising £23,448 of restricted funds, a fixed asset reserve of £11,653,442, a pension reserve deficit of £1,805,000 and a deficit of £539,752 on unrestricted general funds. The funds in deficit are discussed below in the Reserves Policy.

Most of the trust's income is obtained from the EFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the period ended 31 August 2016 and the associated expenditure are shown as restricted funds (non-fixed assets) in the statement of financial activities.

During the year ended 31 August 2016, total expenditure of £3,910,952 was more than recurrent restricted grant funding from the EFA together with other restricted incoming resources. The excess of expenditure over income for the period was £29,613.

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The main financial performance indicator is the level of reserves held at the Balance Sheet date. In particular, the management of spending against General Annual Grant (GAG) requires special attention as the amount of carry forward is restricted. In the period under review there was £nil carried forward. Another key financial performance indicator is staffing costs as a percentage of recurrent income. For 2016 this was 92.5% - the Trustees have identified that this is too high, and this is being addressed.

The trust's non-teaching staff are entitled to membership of the Local Government Pension Scheme. The Trust's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the academy balance sheet shows a net liability of £1,805,000.

Detail is still awaited on future funding from 2016/17 onwards. Pupil members are expected to remain stable.

Reserves Policy

Subject to EFA's constraints on permitted balances, the Academies Trust's policy is to carry forward a prudent level of resources. Due to anticipated future cuts in funding, the situation will be kept under regular review.

At 31 August 2016 there was a deficit of £539,752 on free reserves, and restricted general funds amount to £23,448. The deficit on free reserves is largely due to liabilities inherited on conversion. This includes a £550,000 loan from Lincolnshire County Council which will be repaid mostly from the proceeds of the sale of unused Trust property (which is expected to happen in early 2017).

The amount of funds which can only be realised by disposing of tangible fixed assets amounted to £11,653,442.

The pension fund is in deficit by £1,805,000.

Total funds at 31 August 2016 amount to £9,332,138, and the balance on restricted general funds plus unrestricted general funds at 31 August 2016 results in a net revenue deficit of £516,304.

Investment Policy

The Trust operates an investment policy whereby the Board of Directors delegates the responsibility for the monitoring and review of investments to the Finance and Estates committee. Their responsibility is to manage, control and track financial exposure, to ensure maximum investment from funds and to review the Trust's investments on a regular basis throughout the year.

The investment objectives are:

- To achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.
- Only invest funds surplus to operational need based on all financial commitments being met without the Academy bank account becoming overdrawn.
- To ensure that investment decisions are exercised with care and skill and consequently be in the best interests of the Trust.

The Trust has an assigned Relationship Manager at Lloyds bank with whom the Finance Director meets regularly and liaises with as required to ensure the best rate of return on investments is achieved. The Finance Director monitors the Trust's cash position and cash flow forecast and reports to the Directors on the cash flow forecast and monies invested in the deposit account and the rate of return being received.

Principal Risks and Uncertainties

The majority of the Trusts' income is received from the EFA as GAG income. Therefore the Directors believe

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that the principal risks are due to potential reductions in GAG income from the Education Funding Agency and no annual increase to fund staff pay awards and increased pension contributions.

The principal risks have been identified as -

- Impact of continued reduction in sixth form funding
- Reduction and abolition of the Education Services Grant
- Lagged funding (by 11 months) due to additional entry of 30 pupils p.a. since Sept 13
- Impact of national living wage on support staff pay scales.
- Impact of pension fund valuation exercise resulting in a secondary rate lump sum payment payable each year to address the repayment of the deficit fund valuation.
- Uncertainty in the economic market and possible inflation increase would affect the majority of non staff-costs.
- Pupil on roll numbers are regularly monitored although oversubscribed admission applications negate this risk.

The Board of Directors continually plan and assess the strategic impact of the above risks on the five year budget forecasts of the Trust and take the necessary remedial actions to minimise the risks.

Risk management

The Trust has a Risk Management Strategy which aims to identify and evaluate risks which could prevent the Trust from achieving one or more of its strategic aims and objectives and delivery targets or make their achievement substantially more difficult. It ensures that the likelihood of such risks occurring (high, medium, low) and the potential impact of such occurrences with particular reference to the areas of finance, reputation and planning/ operations are assessed. This enables informed decisions to be taken on how much risk to accept, the actions/controls to be applied to avoid or mitigate the likelihood of such circumstances arising, to transfer risk or insure against the consequences and assign responsibility for implementation.

The Trust has an effective system of internal financial management controls and Human Resources operational procedures (including the recruitment of staff) to minimise risk. The Trust ensures that adequate insurance cover is in place.

Procedures are in place to ensure the risks are regularly assessed and documented in the risk register in relation to curriculum delivery, finance, premises, health and safety, safety of pupils, IT network and school trips.

Plans for Future Periods

The Academy has a one year Action Plan, a strategic three year Development Plan, a Premises and ICT development plan to ensure the curriculum, facilities, staff and premises provide the necessary learning environment for pupils to achieve their full potential and receive a breadth of enrichment opportunities.

The Trust has developed a three year development plan with a vision to work at the heart of education in Louth at both a primary and secondary level building on the extensive collaborative work that has already been undertaken and spreading best practice in teaching, learning and professional development. This includes the formation of a Wolds Alliance of Small Primary Schools (WASPS) under the umbrella of the Trust to provide strategic leadership, management and support whilst offering pupils and staff a variety of enrichment opportunities.

The Trust is also committed to the existing supportive local core services offer which is providing Finance (including financial leadership and management support, strategic budget planning), HR and payroll services to local primary schools and also to the development of the IT Services and Strategic & Operational Site Services.

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Funds Held as Custodian Trustee on Behalf of Others

The Trust does not currently hold any funds as Custodian Trustee on behalf of others.

Auditor

Insofar as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware
- 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.

Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 15 December 2016 and signed on the board's behalf by:

Mrs M Johnson
Chair of Trustees

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As trustees, we acknowledge we have overall responsibility for ensuring that King Edward VI Education 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 Principal, 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 King Edward VI Education 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 6 times during the period. Attendance during the period at meetings of the board of trustees was as follows:

| Trustee | Meetings attended | Out of a possible |
|--|-------------------|-------------------|
| Mrs M Johnson, Chairperson | 6 | 6 |
| Mr A Harrison | 6 | 6 |
| Mr S Chesman | 5 | 6 |
| Mr J A Claypole | 5 | 6 |
| Mrs M Haynes | 4 | 6 |
| Mr D Crombleholme | 5 | 6 |
| Mrs J Salt | 4 | 6 |
| Rev N Brown | 5 | 6 |
| Mr D Hardcastle | 3 | 6 |
| Lord Norton of Louth | 2 | 4 |
| Mr J Lascelles, Principal and Accounting Officer | 5 | 6 |
| Mrs V Taylor | 4 | 5 |

Mrs V Taylor resigned on 14 July 2016 and is yet to be replaced. The Board have agreed to review the composition of the Board after its first year and the process for recruitment of new Directors to ensure that the Board has the appropriate breadth of skills, experience and strategic vision for the Trust.

During the year the Board has discussed the strategy for the use of Crowtree House and commenced an options appraisal exercise to explore costs and differing uses within the future direction of Trust expansion. Consideration regarding the investment in a consultant to assist with any CIF bids were debated and agreed. The board have been kept up to date with the external consultancy work that has been undertaken by the CEO and FD and the challenges that this brings in balancing investment in staffing to deliver the service to schools. Therefore the Trust strategic plan, business plan and financial plan has been regularly updated and reviewed.

The Finance and Estates Committee is a sub-committee of the main board of trustees. This committee is responsible for monitoring and making recommendations to the Trust Board on all matters relating to finance.

This year it has also performed the function of the audit committee, which has separate terms of reference. Its purpose is to support, monitor and challenge the Trust to ensure that it undertakes its financial operational procedures and activities with due regard to the requirements as detailed in the articles of association, funding agreement and financial handbook. The committee reviews management accounts on a regular basis, reviews capital projects and is responsible for the scrutiny of the draft budget before recommendation to the Trust Board. The committee monitors processes and procedures to ensure effective financial controls are in place. It reviews the Trust's risks to internal financial control and reviews the reports of the Internal Auditor and ensures any recommendations are implemented.

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GOVERNANCE STATEMENT (continued)

The Finance and Estates committee reports to the Trust Board at each of their meetings.

Attendance at meetings in the period was as follows:

| Trustee | Meetings attended | Out of a possible |
|-------------------|-------------------|-------------------|
| Mr A Harrison | 4 | 4 |
| Mrs M Johnson | 3 | 3 |
| Mr J A Claypole | 3 | 4 |
| Mr D Hardcastle | 3 | 3 |
| Mr D Crombleholme | 3 | 3 |
| Mrs V Taylor | 4 | 4 |
| Mr J Lascelles | 3 | 4 |

Currently the Trust does not have a separate audit committee and this year the functions of the audit committee have been carried out within the remit of the Finance and Estates committee although consideration needs to be given for the sub-committee to be established.

REVIEW OF VALUE FOR MONEY

As Accounting Officer, the Principal has responsibility for ensuring that the academy 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 academy'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 appropriate. The Accounting Officer for the academy has delivered improved value for money during the year by:

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in King Edward VI Education Trust for the period 11 June 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The board of trustees has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks, that has been in place for the period 11 June 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports

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GOVERNANCE STATEMENT (continued)

- which are reviewed and agreed by the board of trustees;
- regular reviews by the Finance and Estates Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
 - setting targets to measure financial and other performance;
 - clearly defined purchasing (asset purchase or capital investment) guidelines.
 - delegation of authority and segregation of duties;
 - identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided to appoint Mrs J Raftery of Julia Raftery Consulting Ltd as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On an annual basis, the internal auditor reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The internal auditor delivered their schedule of work as planned and advised the Directors and Accounting Officer areas where it considered financial management processes and associated controls and governance arrangements could be strengthened. The key areas were around:

- Reviewing governance documentation to reflect Academy status
- Further developing financial reporting arrangements in line with the Academies Finance handbook.
- Review and amendment of policies and finance documents in line with revised statutory guidance.
- Reviewing service level agreements for Trust business

A detailed internal audit report was provided which detailed the findings, judgement of risk, recommendations, agreed actions and timescales. The Finance Director and CEO have then produced an Action Plan which has been presented to the Trust Board for their review and will be presented to the future Finance and Estates committee with an update on the progress of actions.

REVIEW OF EFFECTIVENESS

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

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

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

Approved by order of the members of the board of trustees on 15 December 2016 and signed on their behalf, by:

Mrs M Johnson
Chair of Trustees

Mr J Lascelles
Accounting Officer

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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of King Edward VI Education Trust I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2015.

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 EFA.

Mr J Lascelles
Accounting Officer

Date: 15 December 2016

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE PERIOD ENDED 31 AUGUST 2016

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of trustees on 15 December 2016 and signed on its behalf by:

Mrs M Johnson
Chair of Trustees

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF KING EDWARD VI EDUCATION TRUST

We have audited the financial statements of King Edward VI Education Trust for the period ended 31 August 2016 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report, incorporating the Strategic report, for the financial

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF KING
EDWARD VI EDUCATION TRUST**

period for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Mark Bradshaw (Senior statutory auditor)

for and on behalf of

Streets Audit LLP

Windsor House
A1 Business Park
Long Bennington
Notts
NG23 5JR
20 December 2016

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO KING EDWARD VI EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 19 August 2015 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by King Edward VI Education Trust during the period 11 June 2015 to 31 August 2016 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 King Edward VI Education Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to King Edward VI Education Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than King Edward VI Education Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF KING EDWARD VI EDUCATION TRUST'S ACCOUNTING OFFICER AND THE REPORTING AUDITORS

The accounting officer is responsible, under the requirements of King Edward VI Education Trust's funding agreement with the Secretary of State for Education dated 27 August 2015, and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. 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 11 June 2015 to 31 August 2016 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 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

Our audit work involved:

- a review of the Academy systems and controls and confirmation of their operation and effectiveness during the year;
- a detailed review of purchase transactions confirming the purpose, value for money and that appropriate tendering or quotation procedures had been followed in line with the Academy finance policy; and

- a review of the Internal Audit reports.

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 11 June 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mark Bradshaw (Senior statutory auditor)

for and on behalf of

Streets Audit LLP

Windsor House
A1 Business Park
Long Bennington
Notts
NG23 5JR

20 December 2016

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD ENDED 31 AUGUST 2016**

| | Note | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Restricted fixed asset funds 2016 £ | Total funds 2016 £ |
|--|------|------------------------------------|----------------------------------|---|-----------------------------|
| INCOME FROM: | | | | | |
| Donations and capital grants | 2 | (360,930) | (1,156,332) | 11,555,185 | 10,037,923 |
| Charitable activities | 3 | 372,598 | 3,865,671 | - | 4,238,269 |
| Other trading activities | 4 | 217,226 | - | - | 217,226 |
| Investments | 5 | 3,546 | - | - | 3,546 |
| TOTAL INCOME | | <u>232,440</u> | <u>2,709,339</u> | <u>11,555,185</u> | <u>14,496,964</u> |
| EXPENDITURE ON: | | | | | |
| Charitable activities | | 582,747 | 3,993,952 | 38,127 | 4,614,826 |
| TOTAL EXPENDITURE | 7 | <u>582,747</u> | <u>3,993,952</u> | <u>38,127</u> | <u>4,614,826</u> |
| NET INCOME / (EXPENDITURE) BEFORE TRANSFERS | | | | | |
| Transfers between Funds | 16 | (350,307) (189,445) | (1,284,613) 53,061 | 11,517,058 136,384 | 9,882,138 - |
| NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES | | | | | |
| | | (539,752) | (1,231,552) | 11,653,442 | 9,882,138 |
| Actuarial losses on defined benefit pension schemes | 22 | - | (550,000) | - | (550,000) |
| NET MOVEMENT IN FUNDS | | <u>(539,752)</u> | <u>(1,781,552)</u> | <u>11,653,442</u> | <u>9,332,138</u> |
| RECONCILIATION OF FUNDS: | | | | | |
| Total funds brought forward | | - | - | - | - |
| TOTAL FUNDS CARRIED FORWARD | | <u>(539,752)</u> | <u>(1,781,552)</u> | <u>11,653,442</u> | <u>9,332,138</u> |

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

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 09635329

BALANCE SHEET
AS AT 31 AUGUST 2016

| | Note | £ | 2016 £ |
|--|------|-------------|-------------|
| FIXED ASSETS | | | |
| Tangible assets | 12 | | 11,653,442 |
| CURRENT ASSETS | | | |
| Debtors | 13 | 309,089 | |
| Cash at bank and in hand | | 444,400 | |
| | | 753,489 | |
| CREDITORS: amounts falling due within one year | 14 | (558,604) | |
| NET CURRENT ASSETS | | | 194,885 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 11,848,327 |
| CREDITORS: amounts falling due after more than one year | 15 | | (711,189) |
| NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES | | | 11,137,138 |
| Defined benefit pension scheme liability | 22 | | (1,805,000) |
| NET ASSETS INCLUDING PENSION SCHEME LIABILITIES | | | 9,332,138 |
| FUNDS OF THE ACADEMY | | | |
| Restricted funds: | | | |
| Restricted funds | 16 | 23,448 | |
| Restricted fixed asset funds | 16 | 11,653,442 | |
| | | 11,676,890 | |
| Restricted funds excluding pension liability | | 11,676,890 | |
| Pension reserve | | (1,805,000) | |
| | | 9,871,890 | |
| Total restricted funds | | | 9,871,890 |
| Unrestricted funds | 16 | | (539,752) |
| TOTAL FUNDS | | | 9,332,138 |

The financial statements were approved by the Trustees, and authorised for issue, on 15 December 2016 and are signed on their behalf, by:

Mrs M Johnson
Chair of Trustees

The notes on pages 23 to 43 form part of these financial statements.

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 AUGUST 2016

| | Note | 2016 £ |
|--|------|-----------------------|
| Cash flows from operating activities | | |
| Net cash provided by operating activities | 18 | <u>598,979</u> |
| Cash flows from investing activities: | | |
| Dividends, interest and rents from investments | | (7,797) |
| Purchase of tangible fixed assets | | <u>(136,384)</u> |
| Net cash used in investing activities | | <u>(144,181)</u> |
| Cash flows from financing activities: | | |
| Repayments of borrowings | | <u>(10,398)</u> |
| Net cash used in financing activities | | <u>(10,398)</u> |
| Change in cash and cash equivalents in the period | | 444,400 |
| Cash and cash equivalents brought forward | | - |
| Cash and cash equivalents carried forward | 19 | <u><u>444,400</u></u> |

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

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

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 of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

King Edward VI Education Trust constitutes a public benefit entity as defined by FRS 102.

1.2 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 and include grants from the Department for Education.

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.3 Income

All income is recognised once the academy has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of financial activities incorporating income and expenditure account in the period in which it is receivable, where there is certainty of receipt and it is measurable.

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

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

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

1.4 Expenditure

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

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

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

All resources expended are inclusive of irrecoverable VAT.

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.5 Going concern

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

1.6 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of financial activities incorporating income and expenditure account 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 incorporating income and expenditure account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

The Academy incurs significant repair and replacement costs such that the Trustees believe the property's residual value is not materially different to the cost. Accordingly no depreciation is charged.

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 incorporating income and expenditure account.

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

| | | |
|-----------------------|---|-------------------|
| Property improvements | - | 2% straight line |
| Furniture & equipment | - | 10% straight line |
| Computer equipment | - | 33% straight line |

1.7 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy; this is normally upon notification of the interest paid or payable by the Bank.

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.8 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.9 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.10 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.11 Taxation

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

1.12 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

KING EDWARD VI EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

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

Actuarial gains and losses are recognised immediately in other recognised gains and losses

1.13 Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £NIL consideration. 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 King Edward VI Grammar School to an 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 incorporating income and expenditure account and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 20.

1.14 Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from EFA. Payments received from EFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 28.

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.15 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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.

The value of long-term leasehold property transferred on conversion is based upon the valuation performed by the EFA on 31 March 2016.

Critical areas of judgement:

The Trust's long-term leasehold property is subject to a two-year termination clause, however, the Trustees believe that the likelihood of this clause being triggered are extremely remote, and that the risks and rewards of ownership lie with the Trust. Accordingly, the property has been included on the balance sheet.

As explained in note 1.6 above, the Academy incurs significant repair and replacement costs such that the Trustees believe the property's residual value is not materially different to the cost. Accordingly no depreciation is charged.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Restricted fixed asset funds 2016 £ | Total funds 2016 £ |
|---|------------------------------------|----------------------------------|---|-----------------------------|
| Transfer from local authority on conversion | (360,930) | (1,172,000) | 11,555,185 | 10,022,255 |
| Other donations | - | 15,668 | - | 15,668 |
| | <u>(360,930)</u> | <u>(1,156,332)</u> | <u>11,555,185</u> | <u>10,037,923</u> |
| Total donations and capital grants | <u>(360,930)</u> | <u>(1,156,332)</u> | <u>11,555,185</u> | <u>10,037,923</u> |

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Total funds 2016 £ |
|--------------------------------|------------------------------------|----------------------------------|-----------------------------|
| DfE/EFA grants | | | |
| General Annual Grant (GAG) | - | 3,725,039 | 3,725,039 |
| Start Up Grants | - | 25,000 | 25,000 |
| Other DfE/EFA grants | - | 93,393 | 93,393 |
| | - | 3,843,432 | 3,843,432 |
| Other government grants | | | |
| Local authority grants | - | 22,239 | 22,239 |
| | - | 22,239 | 22,239 |
| Other funding | | | |
| Trips | 138,826 | - | 138,826 |
| Music | 34,640 | - | 34,640 |
| Catering | 169,666 | - | 169,666 |
| Other income | 29,466 | - | 29,466 |
| | 372,598 | - | 372,598 |
| | 372,598 | 3,865,671 | 4,238,269 |

4. OTHER TRADING ACTIVITIES

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Total funds 2016 £ |
|-------------------------------|------------------------------------|----------------------------------|-----------------------------|
| Hire of facilities | 3,662 | - | 3,662 |
| Catering | 61,108 | - | 61,108 |
| Strategic and finance support | 102,605 | - | 102,605 |
| Other | 49,851 | - | 49,851 |
| | 217,226 | - | 217,226 |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

5. INVESTMENT INCOME

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Total funds 2016 £ |
|--------------------------|------------------------------------|----------------------------------|-----------------------------|
| Bank interest receivable | 3,546 | - | 3,546 |
| | <u>3,546</u> | <u>-</u> | <u>3,546</u> |

6. CHARITABLE ACTIVITIES

| | Total funds 2016 £ |
|----------------------|-----------------------------|
| DIRECT COSTS | |
| Wages and salaries | 2,293,190 |
| National insurance | 184,698 |
| Pension cost | 386,771 |
| Depreciation | 27,860 |
| Pension finance cost | 45,000 |
| Other direct costs | 346,293 |
| | <u>3,283,812</u> |
| SUPPORT COSTS | |
| Wages and salaries | 564,992 |
| National insurance | 33,389 |
| Pension cost | 84,515 |
| Depreciation | 10,267 |
| Technology costs | 57,586 |
| Premises costs | 265,375 |
| Other support costs | 276,009 |
| Governance costs | 38,881 |
| | <u>1,331,014</u> |
| | <u>4,614,826</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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7. EXPENDITURE

| | Staff costs 2016 £ | Premises 2016 £ | Other costs 2016 £ | Total 2016 £ |
|-----------------------------------|--------------------------|-----------------------|--------------------------|--------------------|
| Academy's educational operations: | | | | |
| Direct costs | 2,864,659 | 27,860 | 391,293 | 3,283,812 |
| Support costs | 682,896 | 275,641 | 372,477 | 1,331,014 |
| | <u>3,547,555</u> | <u>303,501</u> | <u>763,770</u> | <u>4,614,826</u> |

In 2016, of the total expenditure, £582,748 was to unrestricted funds and £4,032,078 was to restricted funds.

8. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

| | |
|---|-------------------|
| | 2016 £ |
| Depreciation of tangible fixed assets: | |
| - owned by the charity | 38,126 |
| Operating lease rentals | 18,148 |
| Auditors' remuneration - audit | 9,200 |
| Auditors' remuneration - other services | 2,425 |
| | <u> </u> |

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9. STAFF COSTS

Staff costs were as follows:

| | 2016 £ |
|--|------------------|
| Wages and salaries | 2,744,550 |
| Social security costs | 218,087 |
| Operating costs of defined benefit pension schemes | 471,286 |
| | <hr/> |
| | 3,433,923 |
| Supply staff costs | 113,632 |
| | <hr/> |
| | 3,547,555 |

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

| | 2016 No. |
|----------------------------|-------------|
| Teachers | 60 |
| Administration and support | 47 |
| Management | 1 |
| | <hr/> |
| | 108 |

Average headcount expressed as a full time equivalent:

| | 2016 No. |
|----------------------------|-------------|
| Teachers | 54 |
| Administration and support | 30 |
| Management | 1 |
| | <hr/> |
| | 85 |

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

| | 2016 No. |
|---------------------------------|-------------|
| In the band £60,001 - £70,000 | 2 |
| In the band £100,001 - £110,000 | 1 |

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £363,386.

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NOTES TO THE FINANCIAL STATEMENTS
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10. TRUSTEES' REMUNERATION AND EXPENSES

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

| | | 2016 £ |
|--|----------------------------|-----------------|
| Mr J Lascelles, Principal and Accounting Officer | Remuneration | 100,000-105,000 |
| | Pension contributions paid | 15,000-20,000 |

During the period ended 31 August 2016, expenses totalling £433 were reimbursed to 2 Trustees.

11. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £10,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

12. TANGIBLE FIXED ASSETS

| | Freehold property £ | Long-term leasehold property £ | Property improvement t £ | Furniture and equipment £ | Computer equipment £ |
|------------------------|---------------------------|---|-----------------------------------|------------------------------------|----------------------------|
| Cost | | | | | |
| Additions | - | - | 48,968 | 35,820 | 51,595 |
| Transfer on conversion | 630,000 | 10,845,000 | - | 44,415 | 35,770 |
| At 31 August 2016 | 630,000 | 10,845,000 | 48,968 | 80,235 | 87,365 |
| Depreciation | | | | | |
| Charge for the period | - | - | 980 | 8,024 | 29,122 |
| At 31 August 2016 | - | - | 980 | 8,024 | 29,122 |
| Net book value | | | | | |
| At 31 August 2016 | 630,000 | 10,845,000 | 47,988 | 72,211 | 58,243 |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

12. TANGIBLE FIXED ASSETS (continued)

| | Total £ |
|------------------------|--------------------|
| Cost | |
| Additions | 136,383 |
| Transfer on conversion | 11,555,185 |
| | 11,691,568 |
| At 31 August 2016 | 11,691,568 |
| Depreciation | |
| Charge for the period | 38,126 |
| | 38,126 |
| At 31 August 2016 | 38,126 |
| Net book value | |
| At 31 August 2016 | 11,653,442 |

The trust's transactions relating to land and buildings included:

- £10,845,000 of long-term leasehold property transferred on conversion, on an indefinite lease
- £630,000 of freehold property transferred on conversion

13. DEBTORS

| | 2016 £ |
|--------------------------------|-------------------|
| Trade debtors | 151,365 |
| VAT recoverable | 3,106 |
| Prepayments and accrued income | 154,618 |
| | 309,089 |
| | 309,089 |

14. CREDITORS: Amounts falling due within one year

| | 2016 £ |
|------------------------------------|-------------------|
| Other loans | 29,163 |
| Trade creditors | 132,318 |
| Other taxation and social security | 67,401 |
| Other creditors | 76,202 |
| Accruals and deferred income | 253,520 |
| | 558,604 |
| | 558,604 |

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NOTES TO THE FINANCIAL STATEMENTS
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14. CREDITORS: Amounts falling due within one year (continued)

| | |
|------------------------------------|--------------------------|
| | £ |
| Deferred income | |
| Deferred income at 11 June 2015 | - |
| Resources deferred during the year | 159,633 |
| | <u><u> </u></u> |

At the balance sheet date the Academy Trust was holding funds received in advance in respect of the Sponsor Capacity Fund, strategic and finance support, and trips due to take place in the academic year 2016/17.

Included within other loans is a loan of £29,163 from Lincolnshire County Council. Interest is charged at 0.75%, and is due to be repaid by 13 August 2025.

15. CREDITORS: Amounts falling due after more than one year

| | |
|-------------|--------------------------|
| | 2016 |
| | £ |
| Other loans | 711,189 |
| | <u><u> </u></u> |

Creditors include amounts not wholly repayable within 5 years as follows:

| | |
|--------------------------|--------------------------|
| | 2016 |
| | £ |
| Repayable by instalments | 81,801 |
| | <u><u> </u></u> |

Included within other loans is a loan of £161,189 from Lincolnshire County Council. Interest is charged at 0.75%, and the loan is due to be repaid by 13 August 2025.

Included within other loans is a loan of £550,000 from Lincolnshire County Council. Interest is charged at 0.5% above base rate, and the loan is due to be repaid 30 days following the completion of the sale of The Limes, Westgate, Louth, Lincolnshire, LN11 9YE.

16. STATEMENT OF FUNDS

| | Brought Forward £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Carried Forward £ |
|---------------------------|-------------------------|-------------------|-------------------|--------------------------|-------------------------|-------------------------|
| Unrestricted funds | | | | | | |
| Unrestricted funds | - | 232,440 | (582,747) | (189,445) | - | (539,752) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

16. STATEMENT OF FUNDS (continued)

Restricted funds

| | | | | | | |
|----------------------------|---|------------------|--------------------|---------------|------------------|--------------------|
| General Annual Grant (GAG) | - | 3,725,039 | (3,778,100) | 53,061 | - | - |
| Start Up Grants | - | 25,000 | (25,000) | - | - | - |
| Pupil Premium | - | 45,532 | (43,842) | - | - | 1,690 |
| Other EFA grants | - | 47,861 | (26,103) | - | - | 21,758 |
| Local authority grants | - | 22,239 | (22,239) | - | - | - |
| Other restricted funds | - | 15,668 | (15,668) | - | - | - |
| Pension reserve | - | (1,172,000) | (83,000) | - | (550,000) | (1,805,000) |
| | - | <u>2,709,339</u> | <u>(3,993,952)</u> | <u>53,061</u> | <u>(550,000)</u> | <u>(1,781,552)</u> |

Restricted fixed asset funds

| | | | | | | |
|---|---|-------------------|--------------------|----------------|------------------|-------------------|
| Transfer on conversion | - | 11,555,185 | (16,365) | - | - | 11,538,820 |
| Capital expenditure from unrestricted funds | - | - | (21,762) | 136,384 | - | 114,622 |
| | - | <u>11,555,185</u> | <u>(38,127)</u> | <u>136,384</u> | <u>-</u> | <u>11,653,442</u> |
| Total restricted funds | - | <u>14,264,524</u> | <u>(4,032,079)</u> | <u>189,445</u> | <u>(550,000)</u> | <u>9,871,890</u> |
| Total of funds | - | <u>14,496,964</u> | <u>(4,614,826)</u> | <u>-</u> | <u>(550,000)</u> | <u>9,332,138</u> |

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

Unrestricted funds

Unrestricted funds represent both those resources, as well as funds transferred to the academy from the Local Authority upon conversion, which may be used towards meeting any of the objectives of the academy at the discretion of the trustees. These are not currently designated for particular purposes.

Restricted funds

General Annual Grant (GAG) is made up of a number of different funding streams, all of which are used to cover the running costs of the academy.

Other DfE/EFA Grants represent other restricted funding which does not form part of the GAG funding.

Local Authority Grants represents restricted funding received from the local authority towards the running costs of the academy.

Other Restricted Funds represents other income restricted received from various sources towards the running costs of the academy.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

16. STATEMENT OF FUNDS (continued)

Pension Reserve represents the current deficit balance of the Local Government Pension Scheme (LGPS).

Restricted fixed asset funds

Transfer on conversion represents the buildings and assets transferred to the academy from the Local Authority upon conversion.

Capital expenditure from unrestricted funds represents fixed asset expenditure transferred from other restricted income.

Transfers between funds represent the use of recurrent income being used to fund capital expenditure, and a transfer from unrestricted funds to clear the GAG deficit.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

The academy is carrying a net deficit of £516,304 on restricted general funds (excluding pension reserve) plus unrestricted funds for the following reason.

As explained in the Trustees Report, the Trust inherited significant liabilities inherited on conversion. This included a £550,000 loan from Lincolnshire County Council.

The academy is taking the following action to return these funds to surplus:

The £550,000 loan will be repaid mostly from the proceeds of the sale of unused Trust property (which is expected to happen in early 2017).

The 2016/17 budget shows a surplus, and the Trustees are amending their 5 year action plan to increase income generation, cut costs and ensure that the Trust's target level of reserves are achieved.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Restricted fixed asset funds 2016 £ | Total funds 2016 £ |
|--|------------------------------------|----------------------------------|---|-----------------------------|
| Tangible fixed assets | - | - | 11,653,442 | 11,653,442 |
| Current assets | 264,614 | 488,875 | - | 753,489 |
| Creditors due within one year | (254,366) | (304,238) | - | (558,604) |
| Creditors due in more than one year | (550,000) | (161,189) | - | (711,189) |
| Provisions for liabilities and charges | - | (1,805,000) | - | (1,805,000) |
| | <u>(539,752)</u> | <u>(1,781,552)</u> | <u>11,653,442</u> | <u>9,332,138</u> |

18. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2016 £ |
|--|----------------|
| Net income for the year (as per Statement of financial activities) | 9,882,138 |
| Adjustment for: | |
| Depreciation charges | 38,126 |
| Dividends, interest and rents from investments | 8,547 |
| Increase in debtors | (309,089) |
| Increase in creditors | 464,968 |
| Defined benefit pension scheme cost less contributions payable | 38,000 |
| Defined benefit pension scheme finance cost | 45,000 |
| Assets and liabilities from local authority on conversion | (9,568,711) |
| Net cash provided by operating activities | <u>598,979</u> |

19. ANALYSIS OF CASH AND CASH EQUIVALENTS

| | 2016 £ |
|--------------|----------------|
| Cash in hand | 444,400 |
| Total | <u>444,400</u> |

20. CONVERSION TO AN ACADEMY TRUST

On 27 August 2015 King Edward VI Grammar School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to King Edward VI Education Trust from Lincolnshire County Council for £NIL consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of financial activities

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20. CONVERSION TO AN ACADEMY TRUST (continued)

incorporating income and expenditure account 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 incorporating income and expenditure account.

| | Unrestricted funds £ | Restricted funds £ | Restricted fixed asset funds £ | Total funds £ |
|---|----------------------------|--------------------------|---|---------------------|
| Tangible fixed assets | | | | |
| - Freehold/leasehold land and buildings | - | - | 11,475,000 | 11,475,000 |
| - Other tangible fixed assets | - | - | 80,815 | 80,815 |
| Other assets | 453,544 | - | - | 453,544 |
| Budget surplus/(deficit) on LA funds | (64,474) | - | - | (64,474) |
| LGPS pension surplus/(deficit) | - | (1,172,000) | - | (1,172,000) |
| Borrowing obligations | (750,000) | - | - | (750,000) |
| Net assets/(liabilities) | <u>(360,930)</u> | <u>(1,172,000)</u> | <u>11,555,815</u> | <u>10,022,885</u> |

The above net assets include £453,544 that were transferred as cash.

21. CONTINGENT LIABILITIES

The Academy had no contingent liabilities at 31 August 2016.

In the event of King Edward VI Education Trust ceasing to operate as an academy provisions are included in the funding agreement relating to the clawback of assets and monies paid to the academy.

22. PENSION COMMITMENTS

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

As described in note 20 the LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the period ended 31 August 2016. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £10,425 were payable to the schemes at 31 August 2016 and are included within creditors.

Teachers' Pension Scheme

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22. PENSION COMMITMENTS (continued)

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pension costs paid to TPS in the period amounted to £189,380.

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

Under the definitions set out in FRS 102, the TPS is a 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.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2016 was £124,000., of which employer's

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NOTES TO THE FINANCIAL STATEMENTS
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22. PENSION COMMITMENTS (continued)

contributions totalled £96,000. and employees' contributions totalled £28,000.. The agreed contribution rates for future years are 19% for employers and variable rates for employees.

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

Principal actuarial assumptions:

| | 2016 |
|--|----------------|
| Discount rate for scheme liabilities | 2.10 % |
| Rate of increase in salaries | 3.60 % |
| Rate of increase for pensions in payment / inflation | 2.10 % |
| Commutation of pensions to lump sums | 63.00 % |

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

| | 2016 |
|----------------------|-------------|
| Retiring today | |
| Males | 22.2 |
| Females | 24.4 |
| Retiring in 20 years | |
| Males | 24.5 |
| Females | 26.8 |

The academy's share of the assets in the scheme was:

| | Fair value at 31 August 2016 £ |
|------------------------------|---|
| Equities | 320,320 |
| Bonds | 54,080 |
| Property | 41,600 |
| Total market value of assets | 416,000 |

The actual return on scheme assets was £11,000.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

22. PENSION COMMITMENTS (continued)

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

| | 2016 £ |
|--|------------------|
| Current service cost (net of employee contributions) | (134,000) |
| Net interest cost | (45,000) |
| Total | <u>(179,000)</u> |

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

| | 2016 £ |
|------------------------------------|------------------|
| Upon conversion | 1,406,000 |
| Current service cost | 134,000 |
| Interest cost | 56,000 |
| Contributions by employees | 28,000 |
| Actuarial losses | 597,000 |
| Closing defined benefit obligation | <u>2,221,000</u> |

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

| | 2016 £ |
|---|----------------|
| Upon conversion | 234,000 |
| Return on plan assets (excluding net interest on the net defined pension liability) | 11,000 |
| Actuarial gains and (losses) | 47,000 |
| Contributions by employer | 96,000 |
| Contributions by employees | 28,000 |
| Closing fair value of scheme assets | <u>416,000</u> |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2016

23. OPERATING LEASE COMMITMENTS

At 31 August 2016 the total of the Academy trust's future minimum lease payments under non-cancellable operating leases was:

| | 2016 £ |
|-------------------------|---------------|
| Amounts payable: | |
| Within 1 year | 33,806 |
| Between 1 and 5 years | 32,768 |
| Total | <u>66,574</u> |

24. 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/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £ 10 for the debts and liabilities contracted before he/she ceases to be a member.

25. RELATED PARTY TRANSACTIONS

No related party transactions took place in the period of account, other than certain trustees' remuneration and expenses already disclosed in note 10.

26. AGENCY ARRANGEMENTS

The academy trust distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the trust received £14,895 and disbursed £13,159 from the fund. £685 was used towards administration costs incurred by the Academy Trust, and an amount of £1,051 is included in creditors relating to undistributed funds that is repayable to EFA.