

Financial Statements
Bright Futures Educational Trust
(A company limited by guarantee)

For the year ended 31 August 2014

Company No: 07695771

Charitable Company limited by guarantee exempt from registration

Charitable company information

| | |
|--|---|
| Company registration number: | 07695771 |
| Registered office: | The Lodge Cavendish Road Altrincham Cheshire WA14 2NL |
| Trust Directors (charity trustees and directors of the company) | Miss Amanda Bailey Mr Baron Bernstein (Chairman) Mr Alan Foster Mrs Wendy Jenkins Mr Justin Kelly Mr Anthony Leon Mr Stephen Lindemann Mr Jonathan Poole Dame Dana Ross-Wawrzynski Mrs Caroline Shaw |
| Company Secretary: | Eversecretary Limited |
| Bankers: | Lloyds Bank 223 Finney Lane Heald Green Cheadle Cheshire SK8 3PY |
| Solicitors: | Hill Dickinson LLP No 1 St Paul's Square Liverpool L3 9SJ Eversheds LLP 70 Great Bridgewater Street Manchester M1 5ES |
| Independent Auditor: | Grant Thornton UK LLP Chartered Accountants Statutory Auditors 4 Hardman Square Spinningfields Manchester M3 3EB |

Index

| | PAGE |
|--|----------------|
| Trustees' report | 3 |
| Governance statement | 13 |
| Statement on regularity, propriety and compliance | 17 |
| Statement of trustees' responsibilities | 18 |
| Independent auditor's report on financial statements | 20 |
| Independent reporting accountant's report on regularity | 22 |
| Statement of financial activities | 24 |
| Balance sheet | 25 |
| Cash flow statement | 26 |
| Notes to the financial statements | 27 – 49 |

Trustees' Report

The trustees, who are also directors for the purposes of company law, present their report and the audited financial statements of Bright Futures Educational Trust ('the Company', 'Charitable Company' or 'the Trust') for the year ended 31 August 2014.

The trustees

The trustees who served the trust during the year, and at the date of this report, were as follows:

Miss Amanda Bailey (appointed 01 December 2013)
Mr Baron Bernstein
Dr Fassah Bibi (resigned 25 March 2014)
Mr Gary Copitch (resigned 25 March 2014)
Mr Alan Foster
Mrs Linda Groom (resigned 25 March 2014)
Mrs Wendy Jenkins
Mr Justin Kelly
Mr Anthony Leon
Mr Stephen Lindemann
Miss Susan Morrison (resigned 25 February 2014)
Mr Jonathan Poole
Mr Michael Prior (resigned 25 March 2014)
Mrs Josephine Purcell (resigned 25 March 2014)
Mr James Rankin (resigned 25 March 2014)
Dame Dana Ross-Wawrzynski
Mrs Caroline Shaw
Mr Edward Smith (resigned 25 March 2014)
Mrs Anne Yeomans (resigned 25 March 2014)

Structure, governance and management

Constitution

Bright Futures Educational Trust is a company limited by guarantee (No. 07695771) and an exempt charity in accordance with the Academies Act 2010. The charitable company was incorporated on 6 July 2011.

On 19 April 2012, the trust changed its name from AGGS Academy Trust to Bright Futures Educational Trust.

The Company was incorporated on 6 July 2011 and the fully transitioned operations of Altrincham Girls Grammar School commenced on 17 August 2011 following a decision by the governing body and acceptance by the Secretary of State for Education that the School become an academy as of this date.

On 1 August 2012, the operations of Melland High School and Cedar Mount High Academy were fully transitioned into the Trust following a decision by their respective governing bodies and acceptance by the Secretary of State for Education that they become academies as of this date.

Trustees' Report (continued)

Constitution (continued)

On 1 September 2012, the operations of Stanley Grove Primary Academy and Gorton Mount Primary Academy were fully transitioned into the Trust following a decision by their respective governing bodies and acceptance by the Secretary of State for Education that they become academies as of this date.

On 1 September 2013, Connell Sixth Form College opened in Beswick as part of the regeneration of East Manchester. The College was created via the Free Schools' Programme in partnership with Manchester City Council and Manchester City Football Club. The College was located within the East Manchester Academy during the academic year and has now moved into new, purpose built premises ahead of the year commencing September 2014.

On 1 December 2013, South Shore Academy (formerly Palatine Sports College) joined the Trust. This Academy is an 11 - 16 High School located in Blackpool, and it is envisaged that this Academy will be the first of a cluster within the Blackpool and Fylde Coast area.

The trustees listed above act as the trustees for the charitable activities of Bright Futures Educational Trust and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Bright Futures Educational Trust.

The schools all have Local Governing Bodies which comprise appointed governors, parent governors, staff governors, and co-opted governors.

Members' liability

Every member of the Charitable Company undertakes to contribute to the assets of the Charitable 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 and to pay such amounts as may be required not exceeding £10 for the debt and liabilities contracted before he/she ceased to be a member. The Secretary of State for Education can direct the trustees of the Trust in certain circumstances where the quality of education is deemed unsatisfactory.

Trustees' indemnities

The Trust has purchased insurance to cover trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. Details of the costs can be found in note 11 of the accounts.

Principal activities

The Trust's principal activities are to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum.

Method of recruitment and appointment of directors

The Members of the Trust are responsible for the appointment of Trust Directors.

The number of appointed Directors shall be a minimum of seven up to a maximum of ten with the number of Executive Directors not exceeding one third.

Policies and procedures adopted for the induction and training of directors

No formal policy has been adopted. Training requirements are discussed at directors' board meetings.

Trustees' Report (continued)

Organisational structure

The governance of the Trust is defined in the Memorandum and Articles of Association together with the funding agreements with the Department of Education. In addition to the trustees (see above), Local Governing Bodies have been appointed for each school within the Trust. These bodies report to the Board of Directors. The Board of Directors has appointed the following committees:

- Education Committee;
- HR & Legal Committee;
- Finance Committee;
- Facilities & Estates Committee; and
- Audit & Risk Committee.

The Committees report to the full Board of Directors.

The Board of Directors meets on at least three occasions per year.

The day to day running of the Trust is delegated by the trustees to management under the leadership of the Chief Executive Officer, who is the Accounting Officer.

Connected organisations and related parties

Although there are a number of professional links to other schools and third party organisations, the Trust is an independent company with no affiliation to outside bodies.

The Trust works closely with a wide variety of organisations in the field of education, including but not restricted to:

- The Prince's Teaching Institute
- National College for School Leadership
- The British Council
- Challenge Partners
- Future Leaders
- Teaching Leaders

The CEO of the Trust sits on the Education Committee for the Centre of Social Justice and is a member of the Ofqual Board. Earlier in 2014, the CEO was asked to Chair the Headteachers' Standards Review.

Altrincham Grammar School for Girls has established a Teaching School Alliance, which sits within the Trust. As well as the seven BFET schools, there are an additional thirty local schools that make up the Alliance.

Trustees' Report (continued)

Objectives and activities

Objects and aims

The Trust's object is to advance for public benefit education in the United Kingdom.

Our vision is to create a world class education within our academies to enable every young person to realise their full potential, and in particular, their full academic potential. The vision is based on the core Trust values of Passion, Integrity and Hard Work.

The specific aims of the Trust are: -

- We will create a teaching and learning environment to enable students to fulfil their full academic potential.
- We will create a working atmosphere to enable students to develop their full potential in every sense; personally, morally, spiritually, culturally, physically as well as academically.
- We will support the creation of an outstanding cadre of staff who will continuously engage in, and contribute to, their own and colleagues' professional development to the highest level towards the offer of a world class education.
- We will generate and maintain through sound financial systems a quality and appropriate physical environment with excellent facilities to support and provide world class education.
- We will engage with other schools and the wider community locally, nationally and internationally to achieve higher standards in education both locally and nationally.
- We will engage with all our stakeholders to create a common purpose in the development of a world class education within our schools.

Students are offered a supportive, positive and dynamic learning environment that enables them to focus on their studies and extra-curricular activities. As a result, students achieve academic and technological excellence and extend their sporting, artistic and musical accomplishments.

The Trust fosters personal development that helps students to find meaning in their lives and respond with creativity and determination to the challenges that arise through the rapid pace of social change.

Objectives, strategies and activities

The Trust's strategic objectives for the year ended 31 August 2014 were:

- To offer a predominately academic curriculum appropriate to the age and ability of pupils that leads to successful progression into HE, training or employment at the age of 18+.
- To provide a safe environment with opportunities where pupils can acquire knowledge and skills to develop their full potential, in every sense; that is, personal, moral, spiritual, cultural, physical as well as academic.
- To understand each pupil's learning needs to enable them to access the curriculum fully with pace and significant progress matched to their ability.
- To ensure any pupil falling behind is given timely, appropriate and relevant catch-up support.

Objectives, strategies and activities (continued)

Trustees' Report (continued)

- To ensure a wide variety of teaching methods is understood by staff and used appropriately for most effective learning.
- To provide data and assessment of the highest quality to inform staff effectively of their pupil's progress for their lesson planning.
- To encourage and support all staff to develop their professional skills and experience to the highest level both individually and as members of appropriate teams.
- To have secure financial systems based on a business model to enable the development of revenue and capital streams in order to generate opportunities for staff and pupils; and to generate and maintain a quality and appropriate physical environment with excellent facilities.
- To engage with all the stakeholders – pupils, parents, staff, governors, trust directors, neighbours, local authority and government to create common purpose in order both to satisfy our social obligations and retain our licence to operate, and to gain advantage from contributions, skills and policies at all levels.

The total number of pupils and students on roll for the period 1 September 2013 to 31 August 2014 was 4,065, based on Autumn 2013 census information.

Attendance - the attendance level achieved for the period was 94.38%.

Permanent exclusions - the aim is to have permanent exclusions only in exceptional circumstances. The Trust had twelve permanent exclusions during the period 1 September 2013 to 31 August 2014, relating to Cedar Mount Academy (6) and South Shore Academy (6).

Staffing - the average number of staff employed during the period 1 September 2013 to 31 August 2014 was 670, corresponding to 519 full time equivalents.

Public benefit

The Academy Trust directors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

The schools' catchment areas are as designated in the Admissions Policies and have not changed since academy status. School governors have reviewed the pupil admissions policies' and consider there to be no barriers to entry on the grounds of gender, ethnicity or family circumstances.

Trustees' Report (continued)

Strategic report

Achievements and performance

The financial year started with six educational establishments within the Trust, following the successful launch of Connell Sixth Form College. South Shore Academy joined the Trust on 1 December 2013 bringing the total number of institutions up to seven.

Connell Sixth Form College was based in a temporary location within The East Manchester Academy for the Academic Year, while the new building, funded by the EFA's Free School Programme was under construction. The new College building was handed over in July 2014 and opened its doors to the new intake of students in late August.

The Trust's central staffing team expanded over the course of the year, with the appointment of three key personnel. A Chief Operating Officer, Amanda Bailey, was appointed in December 2013; a Head of Facilities and Estates, Gerard Mitchell, started in March 2014; and Lynette Beckett began her role as the Trust's Head of HR on 4 August 2014.

Governance across the Trust has been refined in line with DfE recommendations and there is now in place a more streamlined, skills-focussed Board of Directors. Reporting lines between the Board and Local Governing Bodies have subsequently been reconsidered, led by the Trust's Director of Governance.

A key change with respect to financial procedures has involved an extensive tender exercise for financial management software, with the contract being awarded to PS Financials. This software will provide one common system and dataset across the group and ensure that management reporting and consolidation takes place in real time. The software is expected to go live with effect from January 2015.

As the Trust has evolved, a number of networking groups have been established to ensure more effective collaboration. Specific groups created include those for Designated Persons, Vice Principals, Site Managers and the IT steering group.

Ofsted inspections at three Trust schools have taken place during the year. Both Stanley Grove Primary Academy and Gorton Mount Primary Academy were rated Good. Although Cedar Mount Academy was classified as Requiring Improvement, Ofsted acknowledge that many improvements to procedures had taken place and that if this trend is sustained a subsequent visit would be likely to rate the school as Good.

Educational achievement across the Trust has seen several highlights, in particular at Stanley Grove where both results and the quality of teaching have improved considerably. Special mention must also go to Connell College which has had a promising first year of operation.

Key performance indicators

Financial:

- income (percentage derived from the GAG) – 81.3% (2013: 84.4%)
- staff costs as a percentage of income – 74.6% (2013: 66.2%)
- cash balance – £2,011,000 (2013: £2,704,000)

Trustees' Report (continued)

Key performance indicators (continued)

Non-financial:

The Trust's key non-financial performance indicators are assigned to the following four areas:

- Progress and Achievement.
- Teaching.
- Behaviour and Care.
- Leadership, Management and Governance.

| Secondary Schools: | | | | |
|--------------------|---------------------------|---------------------------|-------------------------|---------------|
| | % pupils >5 A*-C GCSEs | % pupils >5 A8-G GCSEs | Pupil Attendance (%) | Pupil Numbers |
| AGGS | 100 | 100 | 98 | 1294 |
| Cedar Mount | 33 | 80 | 94 | 561 |
| South Shore | 36 | 82 | 93 | 749 |

| Primary Schools: | | | | |
|------------------|---|--|-------------------------|---------------------------------|
| | % pupils achieving level 4+ (combined reading, writing, maths) | % pupils Achieving 2 or more levels of progress | Pupil Attendance (%) | Pupil Numbers (excl nursery) |
| Gorton Mount | 68 | 93 (Maths) 93 (Reading) 93 (Writing) | 95 | 492 |
| Stanley Grove | 72 | 93 (Maths) 89 (Reading) 98 (Writing) | 96 | 532 |

| Special School: | | | | |
|-----------------|--|-------------------------|---------------|--|
| | % KS4 pupils on track to achieve EKS targets in English & Maths combined | Pupil Attendance (%) | Pupil Numbers | |
| Melland | 96 | 92 | 149 | |

Trustees' Report (continued)

Going Concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies (note 1 in the financial statements).

Financial review

For the financial period ended 31 August 2014, financial performance has been analysed across the operating divisions of the Trust which are largely responsible for managing delegated budgets. These are: Altrincham Grammar School for Girls (AGGS), Melland High School (Melland), Cedar Mount Academy (CMA), Gorton Mount Primary Academy (GMPA), Stanley Grove Primary Academy (SGPA), Connell Sixth Form College (CSFC), South Shore Academy (SSA) and Head Office.

The value of the Trust has increased considerably with the incorporation of South Shore and the new build at Connell. However, occupancy of both the Gorton Mount and Stanley Grove sites is still via a Tenancy at Will arrangement and therefore the valuations of these sites are not included on the Trust's Balance Sheet.

A key point to note is that with the addition of South Shore Academy, the Local Government Pension Scheme now comprises two funds as compared to just the one fund previously. Lancashire County Pension Fund assets and liabilities relating to South Shore have been transferred into the Trust.

The main source of income for the Trust is revenue grant funding for individual academies. Funding is based largely on pupil numbers, and the key risk moving forward is a reduction in the number of pupils at schools within the Trust. AGGS, Melland, Gorton Mount and Stanley Grove are currently oversubscribed, but there are current reductions to pupil numbers at Cedar Mount and South Shore. The age demographic in East Manchester is likely to result in increased pupil numbers across CMA and the two primaries in the short to medium term. The first year at Connell saw low student numbers with an average weighted funded number of forty, but now that the College has been established the second year's intake has hit the targeted figure of around three hundred.

Expenditure across the Trust is typical for the education sector with the main area of expenditure being staff costs.

The trustees' policy on reserves is to strike a balance between financial prudence and achieving the Trust's educational objectives. It is acknowledged both that available assets should remain at a financially secure level and that current year government funding is to meet the educational needs of current year pupils.

Reserves Policy

The level of net current asset reserves held at 31 August 2014 total £1,180,000 (2013: £2,137,000). This excludes the fixed asset and pension liability reserves. The reserves will be allocated and spent as part of the Trust's plan to deliver its objectives and maintain its facilities and resources.

The deficit on the Local Government Pension Scheme (£5,518,000 at 31 August 2014) does not mean that an immediate liability crystallises. The deficit results in a cash flow effect for the Academy Trust in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income. There is therefore considered to be no material impact on free reserves of the Academy Trust because of recognising the deficit.

Trustees' Report (continued)

Investment Policy

A formal investment policy will be proposed for adoption by the Board of Directors.

The aim of the policy will be to ensure funds that the Trust does not immediately need to cover anticipated expenditure are invested in such a way as to maximise the Trust's income but with minimal risk. The aim is to research where funds may be deposited applying prudence in ensuring there is minimum risk. The Trust does not consider the investment of surplus funds as a primary activity, rather as a result of good stewardship and as and when circumstances allow.

The Trust will, after constructing and reporting forecasts versus budgets, consider whether it is prudent to deposit funds into an account where improved terms are offered. As improved terms are generally only offered where funds are invested for a fixed term, it may be prudent for the Trust not to invest funds in this manner.

Financial and Risk Management Objectives and Policies

The Trust has developed risk management procedures and there are ongoing discussions with the Internal Audit team at Baker Tilly to ensure that the strategic approach to risk management and operational activities are fit for purpose.

The Trust uses a variety of financial instruments, including cash and items such as trade debtors and trade creditors that arise directly from day to day activities. The main purpose of these financial instruments is to ensure liquidity for the Trust's operations.

Risk management

Risk Registers are produced for the Trust as a whole in addition to each individual Academy. Each Academy is responsible for the maintenance and regular review of the individual Risk Register. Risk Registers are a standing item on the agenda of the Audit & Risk Committee and Academy Governing Body meetings.

The Directors, under the remit of the Audit & Risk Committee, have assessed the major risks to which the Trust is exposed, in particular those related to the operations and finances of the Trust, and are satisfied that systems are in place to mitigate any exposure to major risks.

A formal review of the Trust's risk management process will be undertaken on an annual basis and key controls will be put in place to include:

- formal agendas for all committee activity;
- terms of reference for all governing body and delegated committees under the direction of the governing body;
- pecuniary interests of governors are reviewed annually;
- comprehensive budgeting and management reporting;
- established organisational structure and clear lines of reporting;
- formal written policies;
- clear authorisation and approval levels; and
- vetting procedures as required by law for the protection of the vulnerable.

It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

Trustees' Report (continued)

Principal Risks and Uncertainties

Risks across Trust Schools are managed via individual School Risk Registers, which are reviewed regularly at Senior Management level. The Risk Registers are updated by School Leadership and forwarded to the Trust's Chief Finance Officer.

The principal risks are the loss of reputation through falling standards, falling student rolls and failure to safeguard the students.

Key controls in place are:

- an organisational structure with defined roles, responsibilities and authorisation levels;
- terms of reference for the committees of the Governing Body;
- financial planning, budgeting and regular management reporting highlighting areas of financial risk;
- formal written and published policies for employees; and
- vetting procedures as required by law for the protection of the vulnerable.

The Trust's employees are members of two defined benefit pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The Trust has recognised its share of the LGPS assets and liabilities in accordance with Financial Reporting Standard no. 17. A deficit has been recognised at 31 August 2014. The TPS has been accounted for as a defined contribution scheme. Further details of the accounting policy adopted for each scheme are included in note 1 to the financial statements.

Due to the nature of the two pension schemes there is an underlying risk to the Trust which relates primarily to the uncertainty of the future funding requirements of each scheme, the results of which impact on the contribution rates for future employer contributions to each scheme.

Plans for future periods

Educationally, the aim is to provide a structure for continuous improvement and achievement at all key stages and to demonstrate year on year improvements.

As at January 2015, the Trust comprises seven educational establishments, of which all are located in the North West of England. Six are in the Manchester area with South Shore Academy in Blackpool. The Trust is currently in negotiations with three further establishments with a view to these institutions joining the Trust shortly. These are Manchester Creative and Media Academy (MCMA), Wigan UTC and Marton Primary School.. It is a firm belief of the Board that educational delivery within the UK should remain exclusively within the North West of England.

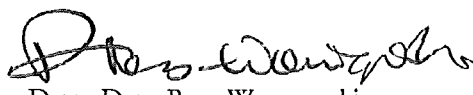
Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the charitable company receives notice under section 488(1) of the Companies Act 2006.

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 30 January 2015 and signed on its behalf by



Mr Baron Bernstein
Chairman



Dame Dana Ross-Wawrzynski
Accounting Officer

Governance statement

Scope of responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Bright Futures Educational 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 only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the academy trust and the Secretary of State for Education. They are also responsible for reporting to the governing body 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 body has formally met ten times during the period. Attendance during the year at meetings of the governing body was as follows:

| Trustee | Meetings Attended | Out of a possible |
|---------------------------|----------------------|----------------------|
| Miss Amanda Bailey | 7 | 7 |
| Mr Baron Bernstein | 9 | 10 |
| Dr Fassah Bibi | 4 | 5 |
| Mr Gary Copitch | 4 | 5 |
| Mr Alan Foster | 9 | 10 |
| Mrs Linda Groom | 5 | 5 |
| Mrs Wendy Jenkins | 8 | 10 |
| Mr Justin Kelly | 9 | 10 |
| Mr Anthony Leon | 9 | 10 |
| Mr Stephen Lindemann | 9 | 10 |
| Miss Susan Morrison | 1 | 4 |
| Mr Jonathan Poole | 9 | 10 |
| Mr Michael Prior | 5 | 5 |
| Mrs Josephine Purcell | 4 | 5 |
| Mr James Rankin | 5 | 5 |
| Dame Dana Ross-Wawrzynski | 10 | 10 |
| Mrs Caroline Shaw | 6 | 10 |
| Mr Edward Smith | 2 | 5 |
| Mrs Anne Yeomans | 4 | 5 |

The Audit and Risk Committee is a sub-committee of the main Board of Directors. Its purpose is to advise the board on all strategic risk-related issues, in particular financial risk. There were three meetings during the period 1 September 2013 to 31 August 2014.

Governance statement (continued)

| | Meetings Attended | Out of a possible |
|---------------------------------|----------------------|----------------------|
| Audit and Risk Committee | | |
| Miss Amanda Bailey – Trustee | 1 | 1 |
| Mr Alan Foster – Trustee | 2 | 3 |
| Mr Justin Kelly – Trustee | 3 | 3 |
| Mr Anthony Leon – Trustee | 4 | 4 |
| Mr Jonathan Poole – Trustee | 1 | 1 |
| Mr Michael Prior – Trustee | 3 | 3 |
| Mr James Rankin – Trustee | 3 | 3 |
| Mrs Caroline Shaw – Trustee | 1 | 1 |

In addition to the Audit and Risk Committee and Local Governing Bodies, the following sub-committees were also created during the year: -

- Education Committee
- HR and Legal Committee
- Finance Committee
- Facilities and Estates Committee

| | Meetings Attended | Out of a possible |
|-------------------------------------|----------------------|----------------------|
| Education Committee | | |
| Miss Amanda Bailey - Trustee | 4 | 4 |
| Mr Gary Handforth | 4 | 4 |
| Mrs Judith O'Kane | 4 | 4 |
| Miss Sarah Boyse | 1 | 4 |
| Dame Dana Ross-Wawrzynski – Trustee | 2 | 4 |
| Mrs Elizabeth Allen | 2 | 4 |

| | Meetings Attended | Out of a possible |
|-------------------------------------|----------------------|----------------------|
| HR and Legal Committee | | |
| Mrs Lynette Beckett | – | 1 |
| Mrs Wendy Jenkins - Trustee | 1 | 1 |
| Mr Justin Kelly - Trustee | – | 1 |
| Dame Dana Ross-Wawrzynski – Trustee | 1 | 1 |

| | Meetings Attended | Out of a possible |
|-------------------------------------|----------------------|----------------------|
| Finance Committee | | |
| Miss Amanda Bailey - Trustee | 2 | 2 |
| Dame Dana Ross-Wawrzynski – Trustee | 2 | 2 |
| Mr Jonathan Poole - Trustee | 2 | 2 |

| | Meetings Attended | Out of a possible |
|---|----------------------|----------------------|
| Facilities and Estates Committee | | |
| Mr Alan Foster – Trustee | 1 | 1 |
| Mr Stephen Lindemann – Trustee | 1 | 1 |
| Mr Gary Handforth | 1 | 1 |
| Mr Gerard Mitchell | 1 | 1 |

Governance statement (continued)

The purpose of the system of internal financial controls

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

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for period from 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

A Risk Management Policy will be adopted by the board of trustees and a risk register and process of review has been implemented.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Audit and Risk Committee who report to the full governing body;
- regular reviews by the Audit and Risk Committee of reports which indicate financial performance against forecasts, capital expenditure plans and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset and general expenditure purchase) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has appointed Baker Tilly Risk Advisory Services LLP as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the internal auditor reports to the board of trustees, through the audit and risk committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

Governance statement (continued)

The internal auditor has delivered their schedule of planned work for the financial year ending 31 August 2015. The key areas of focus will be:

- governance structure;
- school improvement; and
- safeguarding

Review of Effectiveness

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


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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control and together with the Audit and Risk 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 30 January 2015 and signed on its behalf by:



Mr Baron Bernstein
Chairman



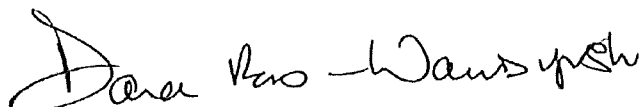
Dame Dana Ross-Wawrzynski
Accounting Officer

Statement on Regularity, Propriety and Compliance

As accounting officer of Bright Futures Educational Trust I have considered my responsibility to notify the academy trust board of directors and the Education Funding Authority of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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



Dame Dana Ross-Wawrzynski
Accounting officer

30 January 2015

Statement of trustees' responsibilities

The trustees (who are also directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction published 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. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the 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.

Statement of trustees' responsibilities (continued)

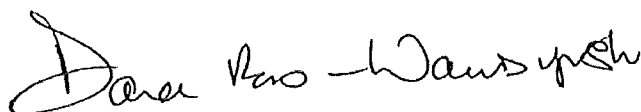
Insofar as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Approved by order of the members of the board of trustees on 30 January 2015 and signed on its behalf by:



Mr Baron Bernstein
Chairman



Dame Dana Ross-Wawrzynski
Accounting Officer



Independent auditor's report to the members of Bright Futures Educational Trust

We have audited the financial statements of Bright Futures Educational Trust for the year ended 31 August 2014 which comprise the Statement of Financial Activities (including the income and expenditure account), the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Account Direction 2013 to 2014 issued by the Education Funding Agency and applicable law.

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

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities set out on page 18 and 19, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.



Independent auditor's report to the members of Bright Futures Educational Trust (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report (incorporating the strategic report) for the financial year 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.

A handwritten signature in black ink that reads "Fiona Baldwin".

Fiona Baldwin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

5 February 2015



Independent reporting auditor's assurance report on Regularity to Bright Futures Educational Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 27 October 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Bright Futures Educational Trust the period 1 September 2013 to 31 August 2014 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 Bright Futures Educational Trust and the EFA in accordance with the terms of our engagement letter. Our review work has been undertaken so that we might state to Bright Futures Educational Trust and the EFA those matters we are required to state to them 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 Bright Futures Educational Trust and the EFA, for our review work, for this report, or for the conclusion we have formed.

Respective responsibilities of Bright Futures Educational Trust's Accounting Officer and the reporting auditor

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2013 to 2014 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.



Independent reporting auditor's assurance report on Regularity to Bright Futures Educational Trust and the Education Funding Agency (continued)

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

The work undertaken to draw our conclusion includes :

- an assessment of the risk of material irregularity and impropriety across the Academy Trust's activities;
- evaluation of the processes and controls established and maintained in respect of regularity, propriety and compliance of the use of public funds through observation of the arrangements in place and enquiry of the Accounting Officer;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance; and
- detailed testing on a sample basis of income and expenditure for the areas identified as high risk.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Statutory auditor
Manchester

5 February 2015

Statement of financial activities (including income and expenditure account and statement of total recognised gains and losses)

| | Note | Unrestricted funds £'000 | Restricted general funds £'000 | Restricted fixed asset funds £'000 | 2014 Total £'000 | 2013 Total £'000 |
|---|------|--------------------------------|---|---|------------------------|------------------------|
| Incoming resources | | | | | | |
| <i>Income from generated funds</i> | | | | | | |
| Voluntary income | 2 | 45 | 352 | 9,375 | 9,772 | 48 |
| Voluntary income – transfers on conversion | 2 | 421 | – | 6,588 | 7,009 | 457 |
| Activities for generating funds | 3 | 207 | 1,340 | – | 1,547 | 959 |
| Investment income | 4 | 1 | 1 | – | 2 | 1 |
| <i>Income from charitable activities</i> | | | | | | |
| Funding for the academies' educational operations | 5 | – | 26,327 | 142 | 26,469 | 22,307 |
| Total incoming resources | | <u>674</u> | <u>28,020</u> | <u>16,105</u> | <u>44,799</u> | <u>23,772</u> |
| Resources expended | | | | | | |
| <i>Charitable activities</i> | | | | | | |
| Academies' educational operations | 7 | 133 | 28,758 | 2,041 | 30,932 | 22,829 |
| <i>Governance costs</i> | 8 | – | 316 | 2 | 318 | 39 |
| <i>Other resources expended</i> | | | | | | |
| Local Government Pension Scheme liability assumed on conversion | 23 | – | 841 | – | 841 | 361 |
| Total resources expended | | <u>133</u> | <u>29,915</u> | <u>2,043</u> | <u>32,091</u> | <u>23,229</u> |
| Net incoming/(outgoing) resources before transfers | | 541 | (1,895) | 14,062 | 12,708 | 543 |
| Transfers between funds | | <u>–</u> | <u>(789)</u> | <u>789</u> | <u>0</u> | <u>–</u> |
| Net incoming/(outgoing) resources for the year | | 541 | (2,684) | 14,851 | 12,708 | 543 |
| Other recognised gains and losses | | | | | | |
| Actuarial losses on defined benefit pension schemes | 23 | – | (1,237) | – | (1,237) | 277 |
| Net movement in funds | | <u>541</u> | <u>(3,921)</u> | <u>14,851</u> | <u>11,471</u> | <u>820</u> |
| Reconciliation of funds | | | | | | |
| Funds brought forward at 1 September | 15 | 347 | (1,305) | 25,134 | 24,176 | 23,356 |
| Funds carried forward at 31 August | 15 | <u>888</u> | <u>(5,226)</u> | <u>39,985</u> | <u>35,647</u> | <u>24,176</u> |

All the above results are derived from continuing activities in both financial periods.

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

The accompanying notes form part of these financial statements.

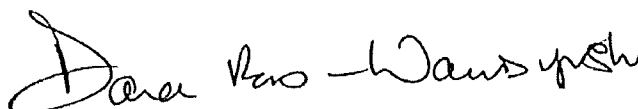
Balance sheet

| | Note | 2014 £'000 | 2013 £'000 |
|---|------|----------------------|----------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 39,985 | 25,134 |
| Current assets | | | |
| Debtors | 13 | 863 | 702 |
| Cash at bank and in hand | | 2,011 | 2,704 |
| | | <u>2,874</u> | <u>3,406</u> |
| Creditors: amounts falling due within one year | 14 | <u>(1,694)</u> | <u>(1,269)</u> |
| Net current assets | | <u>1,180</u> | <u>2,137</u> |
| Total assets less current liabilities and net assets excluding pension liability | | 41,165 | 27,271 |
| Pension scheme liability | 23 | <u>(5,518)</u> | <u>(3,095)</u> |
| Net assets including pension liability | | <u>35,647</u> | <u>24,176</u> |
| Funds | | | |
| Restricted fixed asset fund | 15 | 39,985 | 25,134 |
| Restricted general fund | 15 | 292 | 1,790 |
| Pension reserve | 15 | <u>(5,518)</u> | <u>(3,095)</u> |
| Total restricted funds | 15 | 34,759 | 23,829 |
| Unrestricted funds | 15 | <u>888</u> | <u>347</u> |
| Total funds | | <u>35,647</u> | <u>24,176</u> |

The financial statements were approved by the Trustees and authorised for issue on 30 January 2015 and signed on their behalf by:



Mr Baron Bernstein
Chairman



Dame Dana Ross-Wawrzynski
Accounting Officer

Cash flow statement

| | Note | 2014 £'000 | 2013 £'000 |
|---|------|---------------|---------------|
| Net cash inflow from operating activities | 19 | 9,187 | 1,872 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 2 | 1 |
| Cash assumed on conversion | 25 | 421 | - |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (10,445) | (185) |
| Capital grants from DfE/EFA | | 142 | 121 |
| Net cash out flow from capital expenditure and financial investment | | (10,303) | (64) |
| (Decrease)/increase in cash | 20 | <u>(693)</u> | <u>1,809</u> |
| Reconciliation of net cash flow to movement in net funds | | | |
| | | 2014 £'000 | 2013 £'000 |
| Net funds at 1 September | | 2,704 | 895 |
| (Decrease)/increase in cash | | (693) | 1,809 |
| Net funds at 31 August | | <u>2,011</u> | <u>2,704</u> |

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Principal accounting policies

Basis of preparation

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

The principal accounting policies are set out below.

Going concern

The board of 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 company to continue as a going concern. The board of trustees make this assessment in respect of a year of at least one year from the date of approval of these financial statements.

In undertaking their review the trustees have taken into account various factors including the Trust's relative youth and the ongoing organisational and operational challenges presented by its programme of expansion. Such ongoing changes take place in a general environment of reduced public sector funding which in the medium to long-term is likely to reduce.

The trustees have not identified any material uncertainties from their review and accordingly have applied the basis of going concern in preparing these financial statements. The trustees do have concerns relating to one specific educational establishment: Connell Sixth Form College due to the low initial intake of students and potential clawback of funding by the Education Funding Agency (EFA). However, an agreed action plan and level of cashflow support has been agreed with the EFA and the intake of students in 2015 has been on target. This situation will be closely monitored throughout the new financial year.

Incoming resources

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

Grants receivable

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the year 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 it is included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued. General Annual Grant is recognised in the year to which it relates as part of restricted general funds. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance sheet.

Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the statement of financial activities in the year in which it is receivable, where there is certainty of receipt.

Donations

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

Notes to the financial statements (continued)

Other income

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

Donated services and gifts in kind

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

Resources expended

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

Costs of generating funds

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

Charitable activities

These are costs incurred on the academy trust's educational operations.

Governance costs

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

All resources expended are net of recoverable VAT.

Tangible fixed assets

Tangible fixed assets acquired since the trust was established are included in the accounts at cost.

In the case of fixed assets transferred from predecessor schools these are treated as acquired at fair value, calculated by reference to either:

- net book value at date of transfer; or
- in the absence of reliable net book value data, an estimate of fair value calculated by reference to an assumed value of fixed assets as compared to the pupil roll.

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

Notes to the financial statements (continued)

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

Depreciation

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write down the cost of each asset to its estimated residual value on a straight line, reducing balance basis over their expected useful lives. No depreciation is provided on freehold land or assets under construction.

The rates generally applicable are:

| | |
|-----------------------------------|----------|
| Freehold property | 50 years |
| Long leasehold land and buildings | 50 years |
| Furniture and equipment | 10 years |
| Computers | 3 years |
| Motor vehicles | 4 years |

In addition, freehold property for South Shore is being depreciated over a period of 45 months, being the UEL of the assets to the expected demolition date of 31 August 2017. The change in UEL was effective from 1 December 2013 and this resulted in accelerated depreciation of £1,106k in 2013/14.

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

Leased assets

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

Taxation

The academy trust is considered to pass the tests set out in Paragraph 1 of Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Taxes 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.

Retirement Benefits

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

Teachers' Pension Scheme

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 23, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

Notes to the financial statements (continued)

Local Government Pension Scheme

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds 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 as part of staff costs are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the year until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount. Actuarial gains and losses are recognised immediately in other gains and losses.

Fund accounting

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

Restricted fixed assets are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency and 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 and include grants received from the Education Funding Agency and the Department for Education.

Conversion to an academy trust

The conversion of predecessor schools to academies involved the transfer to the trust of identifiable assets and liabilities and the operation of the schools for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion to academies trust have been valued at their fair value, being a reasonable estimate of the current market value that the board of trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the Trust.

The two schools that joined the Trust during the financial year 2012/13 are still occupied via a Tenancy at Will arrangement. As such, ownership of the land and buildings currently remains with Manchester City Council, and no value has transferred onto the Balance Sheet.

The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income or other resources expended in the Statement of Financial Activities and analysed as appropriate under unrestricted funds, restricted general funds (pension liability) and restricted fixed asset funds (buildings, fixtures and fittings). Further details of the transaction are set out in note 25.

Notes to the financial statements (continued)

2 Voluntary income

| | Unrestricted funds £'000 | Restricted funds £'000 | 2014 Total £'000 | 2013 Total £'000 |
|-----------------|--------------------------------|------------------------------|------------------------|------------------------|
| Capital grants | - | - | - | - |
| Other donations | 466 | 16,315 | 16,781 | 505 |
| | <u>466</u> | <u>16,315</u> | <u>16,781</u> | <u>505</u> |

Included within other donations is £7,009,000 (2013: £457,000) in relation to funds received on conversion. See note 25 for further details.

3 Activities for generating funds

| | Unrestricted Funds £'000 | Restricted funds £'000 | 2014 Total £'000 | 2013 Total £'000 |
|------------------------|--------------------------------|------------------------------|------------------------|------------------------|
| Hire of facilities | 89 | - | 89 | 152 |
| Catering income | - | 207 | 207 | 304 |
| Other generated income | 118 | 1,123 | 1,241 | 503 |
| Big Lottery Fund | - | 10 | 10 | - |
| | <u>207</u> | <u>1,340</u> | <u>1,547</u> | <u>959</u> |

4 Investment income

| | Unrestricted funds £'000 | Restricted funds £'000 | 2014 Total £'000 | 2013 Total £'000 |
|--------------------------|--------------------------------|------------------------------|------------------------|------------------------|
| Bank interest receivable | <u>1</u> | <u>1</u> | <u>2</u> | <u>1</u> |

5 Funding for the academy trust's educational operations

| | Unrestricted funds £'000 | Restricted Funds £'000 | 2014 Total £'000 | 2013 Total £'000 |
|-------------------------------|--------------------------------|------------------------------|------------------------|------------------------|
| DfE/EFA revenue grants | | | | |
| General Annual Grant | - | 23,104 | 23,104 | 19,676 |
| Start-up grants | - | 435 | 435 | 510 |
| Capital grants | - | 142 | 142 | 121 |
| Other DfE/EFA grants | - | 2,788 | 2,788 | 2,000 |
| | <u>-</u> | <u>26,469</u> | <u>26,469</u> | <u>22,307</u> |

Notes to the financial statements (continued)

6 Analysis of total resources expended

| | Staff Costs £'000 | None pay expenditure Premises costs £'000 | Other costs £'000 | 2014 Total £'000 | 2013 Total £'000 |
|--|-------------------------|--|-------------------------|------------------------|------------------------|
| Costs of generating voluntary income | – | – | – | – | – |
| Costs of activities for generating funds | – | – | – | – | – |
| Academy's educational operations | | | | | |
| - direct costs | 16,921 | – | 2,736 | 19,657 | 15,535 |
| - allocated support costs | 4,284 | 1,499 | 5,492 | 11,275 | 7,294 |
| Governance costs | – | – | 318 | 318 | 39 |
| | <u>21,205</u> | <u>1,499</u> | <u>7,439</u> | <u>31,250</u> | <u>22,868</u> |

Total resources expended include:

| | 2014 £'000 | 2013 £'000 |
|-------------------------|---------------|---------------|
| Operating lease rentals | 315 | 84 |
| Auditor's remuneration | | |
| - Audit Fee | 21 | 15 |
| - Other Audit Services | 7 | 5 |
| - Internal Audit | 5 | 1 |
| Depreciation | <u>2,182</u> | <u>846</u> |

There were no separately identifiable costs in excess of £5,000 which require separate disclosure.

Notes to the financial statements (continued)

7 Charitable activities

| | 2014 Total £'000 | 2013 Total £'000 |
|--|------------------------|------------------------|
| Direct costs | | |
| Teaching and educational support staff | 16,921 | 13,191 |
| Educational supplies | 1,655 | 1,508 |
| Examination fees | 233 | 201 |
| Staff development | 369 | 194 |
| Educational consultancy | 313 | 356 |
| Other direct costs | 166 | 85 |
| | <u>19,657</u> | <u>15,535</u> |
| Allocated support costs | | |
| Support staff costs | 4,284 | 2,836 |
| Depreciation | 2,182 | 846 |
| Recruitment and support | 169 | 62 |
| Maintenance of premises and equipment | 1,095 | 989 |
| Cleaning | 245 | 276 |
| Rent and rates | 159 | 164 |
| Insurance | 236 | 189 |
| Catering | 382 | 577 |
| Other support costs | 2,513 | 1,355 |
| Big Lottery Fund | 10 | - |
| | <u>11,275</u> | <u>7,294</u> |
| Total direct and support costs | <u><u>30,932</u></u> | <u><u>22,829</u></u> |

8 Governance costs

| | 2014 Total £'000 | 2013 Total £'000 |
|---------------------------------|------------------------|------------------------|
| Legal and professional fees | 285 | 19 |
| Auditor's remuneration | | |
| - audit of financial statements | 28 | 15 |
| - other audit costs | 5 | 5 |
| | <u>318</u> | <u>39</u> |

Notes to the financial statements (continued)

9 Staff costs

Staff costs during the year were as follows:

| | 2014 £'000 | 2013 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 17,037 | 12,311 |
| Social security costs | 995 | 1,023 |
| Other pension costs | 2,372 | 1,479 |
| | <u>20,404</u> | <u>14,813</u> |
| Supply teacher costs | 771 | 579 |
| Compensation payments | 30 | 32 |
| | <u>21,205</u> | <u>15,424</u> |

Included in compensation payments are non-statutory/non-contractual severance payments totalling £30,000 (2013: nil). One of the non-statutory/non-contractual payments exceeded £5,000 individually, and this was for £30,000.

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

| | 2014 Number | 2013 Number |
|----------------------------|----------------|----------------|
| Teachers | 244 | 180 |
| Administration and support | 228 | 172 |
| Management | 47 | 41 |
| | <u>519</u> | <u>393</u> |

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

| | 2014 Number | 2013 Number |
|----------------------|----------------|----------------|
| £60,001 to £70,000 | 10 | 6 |
| £70,001 to £80,000 | 6 | 2 |
| £80,001 to £90,000 | 6 | 2 |
| £90,001 to £100,000 | 2 | 2 |
| £100,001 to £110,000 | 1 | 1 |
| £210,000 to £220,000 | 1 | 1 |

Twenty four of the above employees participated in the Teachers' Pension Scheme (2013: twelve). During the year ended 31 August 2014 employer's pension contributions for these staff amounted to £337,000 (2013: £130,000). One employee participated in the Local Government Pension Scheme; employer's pension contributions amounted to £22,000 (2013: £12,000).

Notes to the financial statements (continued)

10 Governors' remuneration and expenses

The Chief Executive Officer and staff trustees only receive remuneration in respect of services they provide undertaking the roles of Chief Executive Officer and staff and not in respect of their services as trustees. The value of trustees'/directors' remuneration was as follows:

| | | |
|---------------------------|-------------------|-----------------------------|
| Dame Dana Ross-Wawrzynski | £225,000-£230,000 | (2013: £210,000 – £215,000) |
| Ms Amanda Bailey | £80,000-£85,000 | (2013: Nil) |
| Mr Jonathan Poole | £70,000-£75,000 | (2013: £70,000 – £75,000) |
| Mrs Linda Groom | £10,000-£15,000 | (2013: £15,000 - £20,000) |

During the year, the trust has also made payments to one of the trustees for additional services provided to the trust. Full details of this amount is included in note 24 to the financial statements.

11 Trustees' and officers' insurance

In accordance with normal commercial practice the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on the academy trust's business. The insurance provides cover up to £2,000,000 on any one claim. The cost for the year ended 31 August 2014 was included within a combined policy and has not been specified separately.

The charitable company will also insure against any losses of money or goods resulting from fraud or dishonesty by the charitable company's employees.

Notes to the financial statements (continued)

12 Tangible fixed assets

| | Freehold Land £'000 | Freehold Buildings £'000 | Leasehold Land & Buildings £'000 | Furniture & Equipment £'000 | Computer Equipment £'000 | Total £'000 |
|---|---------------------------|--------------------------------|---|-----------------------------------|--------------------------------|----------------|
| Cost | | | | | | |
| At 1 September 2013 | 1,451 | 6,507 | 17,828 | 355 | 275 | 26,416 |
| Assets transferred on conversion (Note 25) | 330 | 6,258 | – | – | – | 6,588 |
| Additions | – | – | 10,086 | 172 | 187 | 10,445 |
| At 31 August 2014 | <u>1,781</u> | <u>12,765</u> | <u>27,914</u> | <u>527</u> | <u>462</u> | <u>43,449</u> |
| Depreciation | | | | | | |
| At 1 September 2013 | – | – | 1,123 | 70 | 89 | 1,282 |
| Provided in the year | 0 | 1,235 | 741 | 96 | 110 | 2,182 |
| At 31 August 2014 | <u>0</u> | <u>1,235</u> | <u>1,864</u> | <u>166</u> | <u>199</u> | <u>3,464</u> |
| Net book value at: | | | | | | |
| 31 August 2014 | <u>1,781</u> | <u>11,530</u> | <u>26,050</u> | <u>361</u> | <u>263</u> | <u>39,985</u> |
| 31 August 2013 | <u>1,451</u> | <u>6,507</u> | <u>16,705</u> | <u>285</u> | <u>186</u> | <u>25,134</u> |

Notes to the financial statements (continued)

13 Debtors

| | 2014 | 2013 |
|----------------|------------|------------|
| | £ | £ |
| Trade debtors | 76 | 14 |
| Other debtors | 391 | 332 |
| Prepayments | 146 | 137 |
| Accrued income | 250 | 219 |
| | <u>863</u> | <u>702</u> |

14 Creditors: amounts falling due within one year

| | 2014 | 2013 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 502 | 598 |
| Other creditors | 200 | 21 |
| Accruals | 907 | 221 |
| Deferred income | 85 | 429 |
| | <u>1,694</u> | <u>1,269</u> |
| Deferred income | | £'000 |
| At 1 September 2013 | | 429 |
| Resources deferred in the year | | 85 |
| Amounts released from previous year | | <u>(429)</u> |
| | | <u>85</u> |

At 31 August 2014, the academy trust was holding funds received in advance for overestimated student numbers at Connell Sixth Form College.

Notes to the financial statements (continued)

15 Funds

| | Balance at 31 August 2013 £'000 | Incoming resources £'000 | Resources expended £'000 | Gains, Losses & Transfer £'000 | Balance at 31 August 2014 £'000 |
|-------------------------------------|--|--------------------------------|--------------------------------|---|--|
| Restricted general funds | | | | | |
| General Annual Grant | 1,790 | 24,448 | (25,157) | (789) | 292 |
| Start-Up Grant | – | 435 | (435) | – | – |
| Other DfE/EFA grants | – | 2,788 | (2,788) | – | – |
| Pensions reserve | (3,095) | 349 | (694) | (2,078) | (5,518) |
| | <u>(1,305)</u> | <u>28,020</u> | <u>(29,074)</u> | <u>(2,867)</u> | <u>(5,226)</u> |
| Restricted fixed asset funds | | | | | |
| DfE/EFA capital grants | 133 | 142 | (275) | – | – |
| Capital expenditure from GAG | 116 | 9,375 | (116) | 789 | 10,164 |
| Donated on conversion | 24,885 | 6,588 | (1,652) | 0 | 29,821 |
| | <u>25,134</u> | <u>16,105</u> | <u>(2,043)</u> | <u>789</u> | <u>39,985</u> |
| Total restricted funds | <u>23,829</u> | <u>44,125</u> | <u>(31,117)</u> | <u>(2,078)</u> | <u>34,759</u> |
| Unrestricted funds | <u>347</u> | <u>674</u> | <u>(133)</u> | <u>–</u> | <u>888</u> |
| Total funds | <u>24,176</u> | <u>44,799</u> | <u>(31,250)</u> | <u>(2,078)</u> | <u>35,647</u> |

16 Analysis of net assets between funds

Fund balances at 31 August 2014 are represented by:

| | Unrestricted funds £'000 | Restricted general funds £'000 | Restricted fixed asset funds £'000 | Total funds £'000 |
|--------------------------|--------------------------------|---|---|-------------------------|
| Tangible fixed assets | – | – | 39,985 | 39,985 |
| Current assets | 888 | 1,817 | – | 2,705 |
| Current liabilities | – | (1,525) | – | (1,525) |
| Pension scheme liability | – | (5,518) | – | (5,518) |
| Total | <u>888</u> | <u>(5,226)</u> | <u>39,985</u> | <u>35,647</u> |

Notes to the financial statements (continued)

17 Capital commitments

There were no amounts contracted for, but not provided in the financial statements at 31 August 2014 or 31 August 2013.

18 Operating lease commitments

At 31 August 2014 the academy trust had annual commitments under non-cancellable operating leases as follows:

| | Land & buildings | | Other | |
|--|------------------|-------|-------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Expiring within one year | 35 | 24 | 8 | 17 |
| Expiring within two and five years inclusive | 6 | – | 365 | 69 |

19 Reconciliation of net income to net cash inflow from operating activities

| | 2014 | 2013 |
|--|---------|-------|
| | £'000 | £'000 |
| Net income | 12,708 | 543 |
| Depreciation | 2,182 | 846 |
| Capital grants from DfE and other capital income | (142) | (121) |
| Assets donated | (7,009) | (173) |
| Interest receivable | (2) | (1) |
| FRS 17 liability assumed on conversion | 841 | – |
| FRS 17 pension finance income/cost | 345 | 636 |
| (Increase) / decrease in debtors | (161) | 11 |
| Increase in creditors | 425 | 131 |
| Net cash inflow from operating activities | 9,187 | 1,872 |

20 Analysis of changes in net funds

| | At 31 August 2013 £'000 | Cash flows £'000 | At 31 August 2014 £'000 |
|--------------------------|----------------------------------|---------------------|----------------------------------|
| Cash at bank and in hand | 2,704 | (862) | 1,842 |

21 Contingent liabilities

If a capital asset acquired by the academy trust for market value using a capital grant made available to the academy trust by the Department for Education, is disposed of during the currency of the relevant funding agreement between the charitable company and the Secretary of State, the academy trust is required to repay to the Secretary of State the same proportion of the proceeds of the disposal as equates with the proportion of the agreed costs met by the Secretary of State, unless the Secretary of State agrees to all proceeds being retained by the academy trust for its charitable purposes.

Notes to the financial statements (continued)

22 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.

23 Pension and similar obligations

The Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Schemes (LGPS) for non-teaching staff, which is managed by both the Greater Manchester Pension Fund and Lancashire County Pension Fund. Both are defined benefit schemes.

As described in notes 1 and 25 the LGPS obligation relates to employees of the Trust who were employees transferred as part of the conversion from the maintained schools and new employees who were eligible to, and did, join the scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor schools and the Trust at the balance sheet date.

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

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

Teachers' Pension Scheme (TPS)

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.

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

Notes to the financial statements (continued)

Valuation of the Teachers' Pension Scheme

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

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

The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

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

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

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis. The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Notes to the financial statements (continued)

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

Local Government Pension Scheme (LGPS) – Greater Manchester Pension Fund

The academy trust is one of several employing bodies included within the Greater Manchester Pension Fund (GMPF) part of the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2014 was £782,000, of which employer's contributions totalled £575,000 and employees contributions totalled £207,000. The agreed contribution rates for future years are 17.5% per cent for employers and average 7.4% per cent 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.

The following information is based upon full actuarial valuations of the funds at 31 August 2014. Disclosures have been consolidated to facilitate an understanding of the overall position as permitted by Financial Reporting Standard 17. Once employees are transferred they are classed as one admitted body and the same assumptions are applied across all employees.

The principal actuarial assumptions used by the actuaries were as follows:

| | 2014 % | 2013 % |
|--|-----------|-----------|
| Discount rate for scheme liabilities at 31 August 2014 | 3.7 | 4.6 |
| Expected return on plans' assets at 31 August 2014 | 5.5 | 5.9 |
| Rate of increase in pensions in payment | 2.6 | 2.8 |
| Rate of increase in salaries | 3.7 | 4.6 |
| Inflation assumption | 1.0 | 1.0 |

Notes to the financial statements (continued)

The post retirement mortality assumptions used to value the benefit obligation at 31 August 2014 and 31 August 2013 are based on the Fund's VitaCurves with improvement in line with the Medium cohort and a 1% p.a. underpin from 2010. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | At 31 August 2014 | At 31 August 2013 |
|-----------------------------|----------------------|----------------------|
| <i>Retiring today</i> | | |
| Males | 21.4 | 20.1 |
| Females | 24.0 | 22.9 |
| <i>Retiring in 20 years</i> | | |
| Males | 24.0 | 22.5 |
| Females | 26.3 | 25.0 |

*Figures assume members aged 45 as at the last formal valuation date

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

| | Expected return at 31 August 2014 | Fair value at 31 August 2014 £'000 | Expected return at 31 August 2013 | Fair value at 31 August 2013 £'000 |
|--|---|---|---|---|
| Equities | 6.3% | 4,657 | 6.6% | 3,850 |
| Bonds | 3.2% | 1,180 | 3.9% | 963 |
| Property | 4.5% | 393 | 4.7% | 321 |
| Cash | 3.3% | 328 | 3.6% | 214 |
| Total market value of assets | | 6,558 | | 5,348 |
| Present value of scheme liabilities | | | | |
| - Funded | | (11,073) | | (8,443) |
| Deficit in the scheme | | (4,515) | | (3,095) |

The expected return on plans' assets is based on market expectations for investment returns over the life of the related obligation.

The actual return on scheme assets was £606,000 (2013: £676,000).

Notes to the financial statements (continued)

The amounts charged or (credited) in the statement of financial activities in calculating net incoming resources are as follows:

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Current service cost (net of employee contributions) | 820 | 686 |
| Total operating charge | 820 | 686 |
| Analysis of pension finance income/(costs) | | |
| Expected return on plans' assets | (334) | (208) |
| Interest on obligation | 408 | 308 |
| Pension finance income | 74 | 100 |
| Total | 894 | 786 |

The amounts charged or credited in the statement of financial activities are included in staff costs.

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative actuarial losses recognised in the statement of financial activities at 31 August 2014 was £1,420,000 (2013: £319,000).

The amounts recognised in the statement of financial activities after net incoming resources are as follows:

| | 2014 £'000 | 2013 £'000 |
|--------------------------|---------------|---------------|
| Actuarial (losses)/gains | (1,101) | 277 |

Changes in the present value of the defined benefit obligation are as follows:

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Opening defined benefit obligation | 8,443 | 6,317 |
| Defined benefit liabilities assumed on conversion of GMPA and SGPA | - | 798 |
| Current service cost | 820 | 686 |
| Interest cost | 408 | 308 |
| Actuarial losses | 1,347 | 191 |
| Contributions by plan participants | 207 | 187 |
| Benefits paid | (152) | (44) |
| Closing defined benefit liabilities at 31 August | 11,073 | 8,443 |

Notes to the financial statements (continued)

Movements in the fair value of the academy trust's share of scheme plan assets are as follows:

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Opening fair value of employer assets | 5,348 | 3,581 |
| Fair value of employer assets acquired on conversion of SGPA and GMPA | - | 437 |
| Expected return | 334 | 208 |
| Actuarial gains | 246 | 468 |
| Contributions by employer | 575 | 511 |
| Contributions by plan participants | 207 | 187 |
| Benefits paid | (152) | (44) |
| Closing fair value of plans' assets at 31 August | <u>6,558</u> | <u>5,348</u> |

The estimated value of employer contributions for the year ended 31 August 2015 is £626,000.

The three-year history of experience adjustments is as follows:

| | 2014 £'000 | 2013 £'000 | 2012 £'000 |
|---|----------------|----------------|---------------|
| Present value of defined benefit obligations | (11,073) | (8,443) | |
| Fair value of share of scheme assets | <u>6,558</u> | <u>5,348</u> | |
| Deficit in the scheme | <u>(4,515)</u> | <u>(3,095)</u> | |
| Experience adjustments on share of scheme assets | 246 | 468 | |
| Experience adjustments on share of scheme liabilities | <u>(210)</u> | <u>-</u> | |

Local Government Pension Scheme (LGPS) – Lancashire County Pension Fund

The academy trust is one of several employing bodies included within the Lancashire County Pension Fund (LCPF) part of the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2014 was £120,000, of which employer's contributions totalled £91,000 and employees' contributions totalled £29,000. The agreed employer's contribution rate for 2014/15 is 12.3% per cent plus a lump sum of £48,800.

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

The following information is based upon full actuarial valuations of the funds at 31 August 2014. Employees transferred into the Trust on 1 December 2013 with the incorporation of South Shore Academy.

Notes to the financial statements (continued)

The principal actuarial assumptions used by the actuaries were as follows:

| | 2014 % |
|--|-----------|
| Discount rate for scheme liabilities at 31 August 2014 | 4.0 |
| Expected return on plans' assets at 31 August 2014 | 5.74 |
| Rate of increase in pensions in payment | 2.2 |
| Rate of increase in salaries | 3.7 |
| Inflation assumption | 2.2 |

Based on the Fund's assumptions, the average future life expectancies at age 65 are summarised below:

| | At 31 August 2014 |
|-----------------------------|----------------------|
| <i>Retiring today</i> | |
| Males | 22.7 |
| Females | 25.2 |
| <i>Retiring in 20 years</i> | |
| Males | 24.9 |
| Females | 27.6 |

*Figures assume members aged 45 as at the last formal valuation date

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

| | Expected return at 31 August 2014 | Fair value at 31 August 2014 |
|--|---|------------------------------------|
| | | £'000 |
| Equities | 7.0% | 219 |
| Government Bonds | 2.9% | 1 |
| Other Bonds | 3.8% | 118 |
| Property | 6.2% | 42 |
| Cash/liquidity | 0.5% | 11 |
| Other | 7.0% | 51 |
| Total market value of assets | | 442 |
| Present value of scheme liabilities | | |
| - Funded | | (1,445) |
| deficit in the scheme | | (1,003) |

The expected return on plan assets is based on market expectations for investment returns over the life of the related obligation.

The actual return on plan assets during the year was £11,000.

Notes to the financial statements (continued)

The amounts charged or (credited) in the statement of financial activities in calculating net incoming resources are as follows:

| | 2014 £'000 |
|--|-------------------|
| Current service cost (net of employee contributions) | 89 |
| Total operating charge | <u>89</u> |
| Analysis of pension finance income/(costs) | |
| Expected return on plans' assets | (15) |
| Interest on obligation | 43 |
| Pension finance income | <u>28</u> |
| Total | <u><u>117</u></u> |

The amounts charged or credited in the statement of financial activities are included in staff costs.

The amounts recognised in the statement of financial activities after net incoming resources are as follows:

| | 2014 £'000 |
|------------------|---------------|
| Actuarial losses | <u>(136)</u> |

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative actuarial losses recognised in the statement of financial activities at 31 August 2014 was £136,000.

Changes in the present value of the defined benefit obligation are as follows:

| | 2014 £'000 |
|--|---------------------|
| Opening defined benefit obligation | – |
| Defined benefit liabilities assumed on conversion of South Shore Academy | 1,137 |
| Current service cost | 89 |
| Interest cost | 43 |
| Actuarial losses | 147 |
| Contributions by plan participants | <u>29</u> |
| Closing defined benefit liabilities at 31 August | <u><u>1,445</u></u> |

Notes to the financial statements (continued)

Changes in the fair value of the academy trust's share of scheme plan assets are as follows:

| | 2014 £'000 |
|---|---------------|
| Opening fair value of employer assets | – |
| Fair value of employer assets acquired on conversion of South Shore Academy | 296 |
| Expected return | 15 |
| Actuarial gains | 11 |
| Contributions by employer | 91 |
| Contributions by plan participants | 29 |
| | <hr/> |
| Closing fair value of plans' assets at 31 August 2014 | <u>442</u> |

The estimated value of employer contributions for the year ended 31 August 2014 is £123,000.

The one-year history of experience adjustments is as follows:

| | 2014 £'000 |
|---|---------------------|
| Present value of defined benefit obligations | (1,445) |
| Fair value of share of scheme assets | 442 |
| Deficit in the scheme | <hr/> (1,003) <hr/> |
| Experience adjustments on share of scheme assets | 11 |
| Experience adjustments on share of scheme liabilities | <hr/> – <hr/> |

24 Related party transactions

Owing to the nature of the academy trust's operations and the composition of the board of governors being drawn from local public and private sectors organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy trust's financial regulations and normal procurement procedures. During the year there has been one related party transactions that was considered to be material to either party.

Wendy Jenkins is a partner of Arcahu LLP and also a Trustee of the Trust. During the year, Arcahu LLP received payments totalling £16,800 (2012/13: £10,000) from the Trust, for services provided by Wendy Jenkins.

Notes to the financial statements (continued)

25 Acquisitions

On 1 December 2013, South Shore Academy converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Bright Futures Educational Trust from Blackpool Borough Council for £nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the Statement of Financial Activities as voluntary income or other resources expended.

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

| | Unrestricted funds £'000 | Restricted general funds £'000 | Restricted fixed asset funds £'000 | Total funds 2014 £'000 | Total funds 2013 £'000 |
|--------------------------------|--------------------------------|---|---|---------------------------------|---------------------------------|
| Tangible fixed assets | | | | | |
| - Leasehold land and buildings | - | - | - | - | - |
| - other tangible fixed assets | - | - | 6,588 | 6,588 | 173 |
| Budget surplus on LA funds | 421 | - | - | 421 | 284 |
| LGPS deficit | - | (841) | - | (841) | (361) |
| Total | <u>421</u> | <u>(841)</u> | <u>6,588</u> | <u>6,168</u> | <u>96</u> |

26 Post balance sheet event

At the time of audit, no further establishments have joined Bright Futures Educational Trust. However, the Trust continues to work closely with Manchester Creative and Media Academy (MCMA), Wigan UTC and Marton Primary School, with a view to all of these institutions becoming part of BFET during the current financial year. It is also worth noting that a bid to open a new Free Primary Academy on the current Gorton Mount site has been submitted to the DfE with an expectation that notification of the outcome will be made in early 2015.