

MERCIA LEARNING TRUST
(A company limited by guarantee)

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 AUGUST 2016

MERCIA LEARNING TRUST
(A company limited by guarantee)

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MERCIA LEARNING TRUST**(A company limited by guarantee)****REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Trustees	L.A. Bowes, Executive Headteacher & Accounting Officer J.F. Deal, Community Governor S.M. Hillier, Community Governor C.M.H. Newman, Vice Chair and Parent Governor (resigned 31 August 2016) P.D. Smith, Chair and Parent Governor E.A. Wydenbach (resigned 30 September 2015) S.P. Chew (appointed 1 October 2015) R.A. Dodds (appointed 1 September 2015) S. Pearson H. Partington N. Wileman
Members	J.F. Deal S.M. Hillier C.M.H. Newman P.D. Smith S. Pearson H. Partington
Company registered number	08119703
Company name	Mercia Learning Trust
Principal and registered office	Mercia Learning Trust King Egbert School Totley Brook Road Sheffield South Yorkshire S17 3QU

MERCIA LEARNING TRUST**(A company limited by guarantee)****REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Advisers (continued)**Company secretary** C.F. Chance**Accounting officer** L.A. Bowes**Senior leadership team**

King Egbert School
L.A. Bowes, Headteacher
J. Arundale, Associate Headteacher
C. Chance, Business Manager

Newfield School
L.A. Bowes, Executive Headteacher
E. Anderson, Co-Headteacher
D. Webster, Co-Headteacher

Totley Primary School
N. Wileman, Headteacher

Valley Park Community Primary School
M. Nott, Co-Headteacher
B. Stevenson, Co-Headteacher

Nether Edge Primary School
M. Knox, Headteacher

Independent auditor BHP, Chartered Accountants
2 Rutland Park
Sheffield
S10 2PD

Bankers Yorkshire Bank
Fargate
S1 1LL

Virgin Money
Jubilee House
Gosforth
Newcastle upon Tyne
NE3 4PL

Natwest
997 Abbeydale Road
Sheffield
S7 2QE

MERCIA LEARNING TRUST
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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016

Advisers (continued)

Solicitors	Browne Jacobson LLP 44 Castle Gate Nottingham NG1 7BJ
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MERCIA LEARNING TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2015 to 31 August 2016. The Annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

The trust operates 2 secondary schools and 3 primary schools in Sheffield. Nether Edge Primary School joined the trust on 1 September 2015.

Structure, governance and management

a. Constitution

The academy is a charitable company limited by guarantee and an exempt charity. The charitable company's Memorandum of Association is the primary governing document of the academy trust. The Trustees of Mercia Learning Trust are also the directors of the charitable company for the purpose of company law.

Details of the Trustees who served during the year are included in the Reference and administrative details on page 1.

b. Members' liability

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

c. Trustees' indemnities

Trustees and Governors are covered by the trusts insurer for liability arising from negligent acts, errors and omissions committed in good faith.

MERCIA LEARNING TRUST

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

d. Method of recruitment and appointment or election of Trustees

As set out in the articles of association for the Mercia Learning Trust, the Members of the Company shall comprise:

- a. the signatories to the memorandum;
- b. the chairman of the Directors;
- c. the chairman of the local governing body of King Ecgbert School;
- d. the chairman of each of the Strategic Committees;
- e. the chairman of the local governing body of Totley Primary School;
- f. the vice chairman of the local governing body of Totley Primary School;
- g. any person appointed under Article 16 (special resolution in writing).

The Company shall have the following Directors:

- a. up to 5 Member Directors;
- b. the Principal Directors;
- c. up to 5 Academy Directors;
- d. the Primary Partnership Director;
- e. a minimum of 2 Parent Directors

The Company may also have any Co-opted Director.

When appointing new Directors/Governors, the Board will give consideration to the skills and experience mix of existing Directors/Governors in order to ensure that the Board has the necessary skills to contribute fully to the Mercia Learning Trust's development.

A Local Governing Body for each school undertakes the day to day running of the school in line with the agreed Scheme of Delegation.

e. Pay policy for key management personnel

Using research carried out by an Independent HR consultant and using comparisons with similar trusts a pay scale was constructed for the post of Chief Executive/Executive Headteacher and Business Manager.

With the assistance of the Trusts School Improvement Partner accountabilities and expectations are set for each year.

The role of the Chief Executive/Executive Headteacher and Business Manager is then assessed by a panel of trustees against their accountabilities and the Trusts expectations and recommendations for future payments are made by the panel.

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

The training and induction provided for new Trustees will depend on their existing experience. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and any other documents that they will need to undertake their role as Trustees. As there are normally only one or two new Trustees a year, induction tends to be done informally and is tailored specifically to the individual.

g. Organisational structure

A clear management structure exists to effectively govern the Trust. The structure consists of three levels; the Trustees, the Local Governing Bodies (LGBs) and the Senior Leadership Team (SLT). The aim of the management structure is to devolve responsibility and encourage decision making at all levels.

The Trust is responsible for strategic direction and planning, approving the academies budgets, monitoring individual academy performance and making major decisions about the direction of the Trust. The Local Governing Bodies are responsible for setting individual school policies, approving the school improvement plan, authorisation of spending within agreed budgets, including local capital expenditure, and staff appointments.

The Senior Leadership Teams comprise of the Headteacher, Deputy Headteachers, Assistant Headteachers and Business Manager. These managers control each academy at an executive level implementing the policies laid down by the Trust.

Objectives and Activities

a. Objects and aims

The Trust's object is specifically restricted to the following: 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 a school offering a broad and balanced curriculum.

b. Objectives, strategies and activities

Our mission is to provide an outstanding education for pupils from 0-19. We are passionate that all our pupils should see their time at school as happy and fulfilling, with their potential developed to the utmost. Our approach is founded on partnership working, binding together our school, parents and their communities.

As part of the Mercia Learning Trust, the schools will pool expertise and resources, operating strategically to provide collectively a higher quality of education than could be achieved individually.

Strategic objectives and priorities are detailed in a Mercia Learning Trust Improvement Plan and Local Governing Bodies will continue to be given the opportunity to work collaboratively to drive forward attainment and progress in our schools.

The continuing growth of the Trust will achieve further economies of scale and value for money. Opportunities for staff to work across a number of schools will secure high quality recruitment and retention. The CEO will work with Headteachers of Trust schools to deploy staff across the Trust to provide best value in terms of curriculum management and specific academy needs. Succession planning will ensure that future leaders emerge from within the Trust and are developed with support from the teaching school alliance, providing capacity into the future for all educational phases.

Early years provision and curriculum development at KS1 and KS2 will continue to be a key priority. Whilst performance at KS4 will be scrutinised following the introduction of new specifications.

KS1 and KS2 standards at Valley Park Community Primary School continue to be below national expectations. The governors, supported by the Trust Board, will continue to recruit new staff as part of the leadership team and continue to work to establish highly quality staff who have high expectations of both the children and themselves. The school will work effectively with other schools in the Trust and within the wider community in order to build capacity for improvement.

Our Offer:

At all Mercia Learning Trust schools our pupils will benefit from:

A fully inclusive approach, maximising the attainment and achievement of every pupil

- A broad and balanced curriculum, with high quality teaching that responds to individual needs
- Promotion of resilience and self reliance in our learners, thus enabling them to meet the challenges and opportunities of the changing world
- Support to develop and maintain positive well being in all aspects of life
- High standards of orderly behaviour rooted in strong moral values
- Continual investment in the professional development of all our staff, as the foundation of our offer to pupils

c. Public benefit

The charitable company's aims are set out in this report. The Trustees have complied with their duty under section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission and Trustees have paid due regard to this guidance in deciding what activities the charitable company should undertake.

Strategic Report

Achievements and performance

a. Key financial performance indicators

The board of Trustees uses both financial and non-financial key performance indicators to manage the Trust. The Trust maintains a strong management information function which is focused on regular and accurate reporting including the issue of timely financial information to the Trust inclusive of a financial commentary. Financial KPI's are measured continuously.

b. Going concern

After making appropriate enquiries, the board of Trustees have 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.

MERCIA LEARNING TRUST

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

c. Review of activities

King Egbert School

King Egbert School was inspected by OFSTED in May 2013. The Ofsted judgement was OUTSTANDING for Overall Effectiveness along with Leadership and Management, Teaching and Achievement. Our In-school quality assurance validated by our school improvement partner (SIP) supports that this judgement continues to be accurate. Hence the school remains outstanding.

As a designated Teaching School, KES offers school to school support and CPD to other schools under the leadership of headteacher Lesley Bowes, who is a National Leader of Education (NLE) trusted to support schools struggling to make good progress with their students. Our teaching school also leads Initial teacher training for new entrants to the profession through the School Direct model and works closely with both Sheffield universities to ensure excellent teachers are trained for the Sheffield City Region.

King Egbert students made excellent progress to achieve very highly related to their starting points in the 2016 exam season. The results placed the school at the 7th percentile when compared to all other schools nationally. The new Progress 8 (P8) figure for the school was 0.5 which means, on average, students make 0.5 of a grade better progress across each of 8 subjects than the national average. Disadvantaged students at KES have a P8 of 0.2 which means they have exceeded the national average for students who are not disadvantaged.

Students in the sixth form also achieved excellent results, building on the successes of 2015 A level results with 64.8% at A*-B. BTEC students also performed well in all disciplines offered.

Examination Results

GCSE	2014	2015	2016
5 A*-C EM	65.5%	55.4%	77.3%
5 A*-C	70.9%	73.3%	83.3%
5 A*-G	90.8%	97.9%	98.5%
1A*-G	97.1%	100%	100%
P8		0.41	0.50

NB: Changes to exams and the way the statistics are calculated for GCSE mean there can be no direct comparison between 2014 results and previous years.

MERCIA LEARNING TRUST**(A company limited by guarantee)****TRUSTEES' REPORT (continued)****FOR THE YEAR ENDED 31 AUGUST 2016**

A2	2010	2011	2012	2013	2014	2015	2016
A*	9.4%	10.9%	10.1%	14.0%	7.8%	10.2%	17.9%
A – B	51.5%	52.2%	58.8%	68.4%	48.4%	54.4%	64.8%
A – C	74.4%	77.7%	83.4%	90.8%	77.0%	81.8%	83.5%
A – E	99.3%	99.4%	99.7%	100%	99.2%	98.9%	98.1%

STEC Results	2015	2016
D*	33.8%	39.4%
D	45.5%	35.2%
M	16.9%	23.9%
P	3.9%	1.4%

Admissions and attendance

The School continues to be oversubscribed; the standard admission number is 193 mainstream +4 students admitted to the Integrated resource. This year there were over 250 first choice preferences from parents who wanted a place for their child. Attendance remains high and is well above the national average, despite the distance many students travel to school and continuing issues with public transport.

Attendance

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
94.5%	95.0%	95.32%	95.9%	95.4%	95.5%

Newfield School

Following decline in GCSE results 2015, The Mercia Learning Trust restructured the leadership team following the retirement of the former Headteacher and the resignation of the Chair of Governors. The Executive Headteacher works 2 days FTE and the Co-Head teachers were appointed from within the Trust with proven track record. The Governing body is committed to school improvement and to provide support and challenge to the leaders of the school. Two Governors on the LGB are also part of MLT Board.

Considerable school improvement has been seen during the last academic year with significant improvements seen in GCSE outcomes, standards of behaviour, relationships between students and staff and quality of teaching and learning. Further improvements expected following the appointment of a number of key teaching staff with excellent track records.

Newfield was last inspected in November 2012, with an overall judgement of 'Requires Improvement'. The school is expecting an Ofsted inspection during this academic year. The self-evaluation of the leadership team and Governors, currently judges the school at 'Good'.

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Examination results

GCSE	2014	2015	2016
5 A*-C (EM)	57%	41.6%	56.9%
5 A*-G	89%	91.6%	97%
1 A*-G	99%	98.9%	100%
Progress 8		(-0.27)	0.34

Admissions

The standard admission number is 210. The school has historically been undersubscribed but this is now changing with lower school years being close to 210 as the reputation of the school is improving.

	Sept 2012	Sept 2013	Sept 2014	Sept 2015	Sept 2016
Y7	171	153	203	197	210
Total School roll	924	905	930	914	956

Attendance

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
90.9%	92.6%	94.5%	95.1%	94.7%

Attendance continues to be above national average.

Totley Primary School

Attainment at KS1 is again well above national standards and is in line with the high standards of last year. Outcomes at Key Stage 2 remain significantly above national standards in all subjects and children performed highly at greater depth. 87% of children achieved combined ARE which was also significantly above national average. Progress was also well above the national average with a high number of pupils making accelerated progress from their KS1 starting points (expected progress is 0).

Totley Primary School was inspected by OFSTED in July 2015. The overall Ofsted judgement was OUTSTANDING. The school is currently in consultation to move from a one form entry school to a two form entry school in 2018.

Statutory Assessment Summary 2016

EYFS and Y1	2016 Results	National
GLD	80%	69%
Y1 Phonics	90%	81%

MERCIA LEARNING TRUST**(A company limited by guarantee)****TRUSTEES' REPORT (continued)**
FOR THE YEAR ENDED 31 AUGUST 2016

Y2		2016 Results	National
Reading	National Standard +	83%	74%
	Greater Depth	23%	24%
Writing	National Standard +	80%	66%
	Greater Depth	23%	13%
Maths	National Standard +	83%	73%
	Greater Depth	27%	18%

Y6		2016 Results	National
Reading	National Standard +	87%	66%
	Greater Depth	32%	19%
Writing	National Standard +	97%	74%
	Greater Depth	35%	15%
Maths	National Standard +	97%	70%
	Greater Depth	26%	17%
SPaG	National Standard +	87%	72%
	Greater Depth	29%	23%
Combined R/W/M	National Standard +	87%	53%
	Greater Depth	19%	5%

KS2 Subject	Progress score
Reading	4.1
Writing	4.1
Maths	3.4

NB Writing scores are all teacher assessed.

Attendance: 97.0%

Admissions number 245

Valley Park Community Primary School

Achievements:

- Best Early Years results (GLD) since school opened.
- Best phonics results ever, and disadvantaged children achieved better than their peers.
- Very successful and impressive new build which has already seen an improvement in attitudes to learning.
- New behaviour policy involving 'dojos' has helped increased parental engagement.
- KS2 Maths results have improved (relative to National) over the last three years.

School Improvement Priorities:

- Improve learning behaviours in classrooms so that they are consistently good.
- Improve marking and feedback in all books so that it is consistently good.
- Improve assessment, using the new STAT, so it is consistently good.
- Improve progress for disadvantaged children so that it is more in line with other children nationally and therefore progress is good.
- Improve attendance so that it is above 96% and therefore attendance is good.

Outcomes

EYFS

Good Level of Development	53%
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Phonics

Y1 Pass	71%
Y2 Retakes	68%

KS1 Outcomes	% Expected Standard	% High Level
Reading	44%	6%
Writing	35%	4%
SPaG	33%	4%
Maths	35%	4%
Combined	25%	2%

KS2 Outcomes	% Expected Standard	% High Level
Reading	42%	8%
Writing	47%	2%
SPaG	49%	10%
Maths	55%	14%
Combined	33%	2%

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

	% Expected Progress	Progress Measure
Reading		-4.0
Writing		-4.9
Maths		-1.3

	Scaled Score
Reading	100
SPaG	102
Maths	104

Attendance

2014/15: 93.7%
2015/16: 93.0%

Numbers on roll:

2FEL: 24

Nursery: 55

Reception: 56

Y1: 57

Y2: 53

Y3: 56

Y4: 41

Y5: 59

Y6: 57

Total: 458

Total (R-Y6): 379

Nether Edge Primary School

Achievements:

- Top 5% nationally for progress in Maths KS1 to KS2.
- Top 15% nationally for progress in Writing KS1 to KS2
- Disadvantaged children making more progress than other children nationally from all starting points in all subjects.
- NSS status for school and NLE status for Head.
- Filled over 80 unsubscribed places since September 2015.

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

School Improvement Priorities:

- Improve attendance so that it is above 97% in KS2.
- Improve pupil and staff wellbeing so all language used in school is respectful and courteous.
- Ensure all SEN and disadvantaged children make expected progress with much of the lower ability making more.
- Ensure children observe 'outstanding self-discipline' so that they behave even when no one is watching them.
- Use a new assessment method which increases teacher subject knowledge and helps children make rapid progress which they also retain.
- Ensure the school continues to achieve well with excellent leadership developed throughout.

EYFS

Children reaching a GLD	42%
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Phonics

Y1 pass	69%
Y2 retakes pass	82%

KS1 Outcomes	Expected Standard %	High Level %
Reading	77%	21%
Writing	58%	10%
Maths	65%	0%
Combined R W M	58%	0%

KS2 Outcomes	Expected Standard %	High Level %
Reading	76%	23%
Writing	86%	23%
Maths	89%	21%
SPaG	90%	26%
Combined R W M	73%	13%

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

	Scaled Score
Reading	103
Maths	105
SPaG	106

	Progress Measure
Reading	+2.5
Writing	+3.1
Maths	+4.3

Attendance

2014/15: 94.0%
2015/16: 94.1%

Numbers on roll:

Nursery: 51

Reception: 56

Y1: 59

Y2: 59

Y3: 58

Y4: 60

Y5: 59

Y6: 34

Total: 436

Total (R-Y6): 385

Financial review

a. Financial risk management objectives and policies

The Trust board's main source of income is funding from the EFA that is paid monthly to the school throughout the year. Given this and the planned reserves at each school the Trust board do not consider they have a cash flow or liquidity risk.

MERCIA LEARNING TRUST
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

b. Principal risks and uncertainties

The Trust board has considered and agreed an on-going risk register. The Trust board considers the principle risks and uncertainties to be:

- changes in funding levels - all schools aim to maximise the recruitment and retention of students and the Trust board seeks to ensure maximum funding is received.
- increasing expenditure associated with staffing costs for instance the progression within salary scales and also the rise in employers pensions and national insurance contributions.
- the uncertainty around how the additional school places, which are required from September 2016 due to the population growth, will be managed across the city by the local authority and the impact this will have on Mercia Learning Trust schools and their catchment.

c. Reserves policy

The level of reserves should:

- Ensure fluctuations in income (eg. Reduction in core funding due to 'minimum per pupil funding guarantees' ending in 2016 or unexpected expenditure (eg. Curriculum changes) are managed effectively.
- Enable a robust programme for the renewal and replacement of school assets, particularly ICT to be developed and maintained

In achieving this, the Trustees will be mindful that existing students are not disadvantaged through the retention of excessive reserves.

d. Results for the year

Nether Edge Primary School premises and equipment were transferred by Sheffield City Council (SCC) to the Academy Trust on 1 September 2015. They are now included in its balance sheet as valuations which are shown in the note to the accounts.

During the year ended 31 August 2016, total expenditure of £18,578,380 was more than covered by recurrent grant funding from the EFA together with other incoming resources. The excess of income over expenditure for the year (excluding restricted fixed asset and pension funds, i.e. the unrestricted and general restricted funds) was £400,008.

At 31 August 2016, the net book value of fixed assets was £44,348,192 and movements in tangible fixed assets are shown in Note 18 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Trust.

In accordance with FRS17, the Trust received an actuarial assessment of pension scheme deficit. The deficit balance is included within the balance sheet as at 31 August 2016 and supporting notes to the accounts (see note 27).

MERCIA LEARNING TRUST
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

a. Investments policy

During this period, the Trust has held all its funds in either interest bearing current or deposit accounts.

Plans for future periods

a. Plans for future periods

The legal objects of the Mercia Learning Trust are to advance for the public benefit education in the United Kingdom, in particular by establishing, maintaining, carrying on, managing and developing schools, offering a broad range of curriculum for pupils of different abilities.

The Mercia Learning Trust will continue to have raising of standards, through improvements in progress and learning, as top priority. This will ensure progression routes for our students at 16+ and 18+, whether into employment or into further/higher education, and the avoidance of young people becoming classed NEET (not in education, employment or training). The Mercia Learning Trust has ambitions to support even more young people and communities by establishing new academies. The majority of the youngsters in our primary schools continue their secondary education in Mercia schools. This partnership working will enable us to shape the education of children from 3 to 18 and provide a consistent approach.

Disclosure of information to auditor

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This report was approved by order of the board of trustees as the company directors, on 16 December 2016 and signed on its behalf by:



.....
P.D. Smith
Chair of Trustees

MERCIA LEARNING TRUST

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GOVERNANCE STATEMENT

Scope of Responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Executive Headteacher, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Mercia Learning Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The board of trustees has formally met 4 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
L.A. Bowes	6	6
J.F. Deal	6	6
S.M. Hillier	5	6
C.M.H. Newman	2	6
P.D. Smith	6	6
S.P. Chew	4	6
R.A. Dodds	6	6
S. Pearson	5	6
H. Partington	6	6
N. Wileman	5	6

Governance reviews:

It is scheduled that the impact and effectiveness of the board of trustees will be reviewed annually during the Spring Term by an external School Improvement Partner.

During the year, finance and audit matters were discussed during meetings of the board of trustees. An Audit and Finance Committee has started to meet since 1 September 2016. It is a sub-committee of the main board of trustees and its purpose is to provide assurance over the sustainability of, and compliance with, its financial systems and controls.

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GOVERNANCE STATEMENT (continued)

Review of Value for money

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

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

- The centralisation of the finance function. This has led to enhanced effectiveness, high productivity and increased purchasing power.
- The amalgamation of staff absence insurance policies bespoke to individual schools - tendering for the service as a Trust with a coherent renewal date at the start of the academic year. Economies of scale have secured a 30% overall reduction in premium.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 Mercia Learning Trust for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the trust's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

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

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

MERCIA LEARNING TRUST

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GOVERNANCE STATEMENT (continued)

The board of trustees has considered the need for a specific internal audit function and has decided to appoint BHP, Chartered Accountants as internal auditor.

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

- testing of purchase systems
- testing of petty cash controls
- testing of employee expense claim controls
- testing of credit card expense systems

On a regular basis, the internal auditor reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The appointee has delivered their schedule of work as planned. No material control issues arose as a result of the appointee's work.

Review of Effectiveness

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

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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the finance 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 16 December 2016 and signed on their behalf, by:



.....
P.D. Smith
Chair of Trustees



.....
L.A. Bowes
Accounting Officer

MERCIA LEARNING TRUST

(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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



L.A. Bowes
Accounting Officer

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

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


.....
P.D. Smith
Chair of Trustees

Date: 16 December 2016

MERCIA LEARNING TRUST
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF MERCIA LEARNING TRUST

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

This report is made solely to the 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 opinion we have formed.

Respective responsibilities of Trustees and auditor

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

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

Scope of the audit of the financial statements

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 2016 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

MERCIA LEARNING TRUST
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF MERCIA LEARNING TRUST

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.



Philip Allsop (Senior statutory auditor)

for and on behalf of

BHP, Chartered Accountants

Statutory Auditors

2 Rutland Park

Sheffield

S10 2PD

16 December 2016

MERCIA LEARNING TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING AUDITOR'S ASSURANCE REPORT ON REGULARITY TO MERCIA LEARNING TRUST
AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 23 July 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Mercia Learning Trust during the year 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Mercia Learning Trust's accounting officer and the reporting auditor

The accounting officer is responsible, under the requirements of Mercia Learning Trust's funding agreement with the Secretary of State for Education dated 20 February 2012, and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

**INDEPENDENT REPORTING AUDITOR'S ASSURANCE REPORT ON REGULARITY TO MERCIA LEARNING TRUST
AND THE EDUCATION FUNDING AGENCY (continued)**

The work undertaken to draw our conclusion includes:

- Detailed testing on a sample basis to assess the nature of expenditure and whether funds have been used appropriately;
- Review of the academy's internal financial procedures to ensure that controls are in place to prevent or identify regularity issues;
- Ensure that EFA approval has been obtained for relevant transactions;
- Discussions with Governors, Senior Leadership Team and the Accounting Officer throughout the audit process to ensure that all regularity threats have been addressed.

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 year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

P. Allsop

Philip Allsop (Senior statutory auditor)

for and on behalf of

BHP, Chartered Accountants

Statutory Auditors

2 Rutland Park

Sheffield

S10 2PD

Date: 16 December 2016

MERCIA LEARNING TRUST**(A company limited by guarantee)****STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Income from:						
Donations & capital grants:						
Transfers from local authority on conversion	2	82,336	(688,823)	2,350,000	1,743,513	3,463,533
Other donations and capital grants	2	31,665	250,641	202,351	484,657	466,010
Charitable activities	3	14,679	17,241,745	-	17,256,424	14,671,271
Other trading activities	4	146,501	-	-	146,501	203,809
Investments	5	15,793	-	-	15,793	15,809
Total income		290,974	16,803,563	2,552,351	19,646,888	18,820,432
Expenditure on:						
Raising funds:						
Voluntary income	6	-	247,887	-	247,887	259,717
Fundraising trading	7	110,626	-	-	110,626	192,198
Charitable activities		26,914	17,232,102	960,851	18,219,867	15,672,881
Total expenditure	8	137,540	17,479,989	960,851	18,578,380	16,124,796
Net income / (expenditure) before other recognised gains and losses						
		153,434	(676,426)	1,591,500	1,068,508	2,695,636
Actuarial gains/(losses) on defined benefit pension schemes	27	-	(3,548,000)	-	(3,548,000)	126,000
Net movement in funds		153,434	(4,224,426)	1,591,500	(2,479,492)	2,821,636
Reconciliation of funds:						
Total funds brought forward		829,032	(3,924,232)	42,816,868	39,721,668	36,900,032
Total funds carried forward		982,466	(8,148,658)	44,408,368	37,242,176	39,721,668

MERCIA LEARNING TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 08119703

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	18		44,348,192		42,797,648
Current assets					
Debtors	19	481,681		444,436	
Cash at bank and in hand		2,633,428		1,986,834	
		<u>3,115,109</u>		<u>2,431,270</u>	
Creditors: amounts falling due within one year	20	<u>(935,863)</u>		<u>(716,250)</u>	
Net current assets			<u>2,179,246</u>		<u>1,715,020</u>
Total assets less current liabilities			<u>46,527,438</u>		<u>44,512,668</u>
Creditors: amounts falling due after more than one year	21		<u>(23,262)</u>		<u>-</u>
Net assets excluding pension scheme liabilities			<u>46,504,176</u>		<u>44,512,668</u>
Defined benefit pension scheme liability	27		<u>(9,262,000)</u>		<u>(4,791,000)</u>
Net assets including pension scheme liabilities			<u><u>37,242,176</u></u>		<u><u>39,721,668</u></u>
Funds of the academy					
Restricted income funds:					
Restricted income funds	22	1,113,342		866,768	
Restricted fixed asset funds	22	<u>44,408,368</u>		<u>42,816,868</u>	
Restricted income funds excluding pension liability		<u>45,521,710</u>		<u>43,683,636</u>	
Pension reserve		<u>(9,262,000)</u>		<u>(4,791,000)</u>	
Total restricted income funds			<u>36,259,710</u>		<u>38,892,636</u>
Unrestricted income funds	22		<u>982,466</u>		<u>829,032</u>
Total funds			<u><u>37,242,176</u></u>		<u><u>39,721,668</u></u>

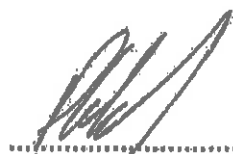
MERGIA LEARNING TRUST

(A company limited by guarantee)

BALANCE SHEET (continued)

AS AT 31 AUGUST 2016

The financial statements were approved by the Trustees, and authorised for issue, on 16 December 2016 and are signed on their behalf, by:



.....
P.D. Smith
Chair of Trustees

The notes on pages 32 to 61 form part of these financial statements.

MERCIA LEARNING TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by operating activities	24	533,339	194,121
Cash flows from investing activities:			
Dividends, interest and rents from investments		15,793	15,809
Purchase of tangible fixed assets		(21,272)	(140,829)
Cash transferred on conversion to an academy trust		118,734	118,533
Net cash provided by/(used in) investing activities		113,255	(6,487)
Change in cash and cash equivalents in the year		646,594	187,634
Cash and cash equivalents brought forward		1,986,834	1,799,200
Cash and cash equivalents carried forward		2,633,428	1,986,834

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

1. Accounting Policies

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

1.1 Basis of preparation of financial statements

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

Mercia Learning Trust constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of Mercia Learning Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Mercia Learning Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015. [The Trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS']

Reconciliations to previous UK GAAP for the comparative figures are included in note 33.

1.2 Reconciliation with previous Generally Accepted Accounting Practice

In preparing these accounts, the Trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

No restatements were required.

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

1. Accounting Policies (continued)

1.3 Fund accounting

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

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

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

Investment income, gains and losses are allocated to the appropriate fund.

1.4 Income

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

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

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

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

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

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

1. Accounting Policies (continued)

1.5 Expenditure

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

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

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

1.6 Going concern

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

1.7 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

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

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

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

1. Accounting Policies (continued)

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long term leasehold property	•	Straight line over 60 years
Motor vehicles	•	Straight line over 35 months
Fixtures and fittings	•	Straight line over 35 months
Computer equipment	•	Straight line over 35-36 months

1.8 Operating leases

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

1.9 Interest receivable

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

1.10 Taxation

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

1.11 Debtors

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

1.12 Cash at Bank and in hand

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

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

1. Accounting Policies (continued)

1.13 Liabilities and provisions

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

1.14 Financial Instruments

The academy only has financial assets and financial liabilities of a kind that qualify as basic financial Instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.15 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 27, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

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

1. Accounting Policies (continued)

1.16 Agency arrangements

The trust acts as agent in distributing 16-19 bursary funds from EFA. Payments received from EFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 32.

1.17 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

2. Income from donations and capital grants

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Transfers from local authority on conversion	82,336	(688,823)	2,350,000	1,743,513	3,463,533
Donations	31,665	-	-	31,665	21,449
School Fund income	-	250,641	-	250,641	254,512
Capital grants	-	-	202,351	202,351	190,049
Subtotal	31,665	250,641	202,351	484,657	466,010
Total donations and capital grants	114,001	(438,182)	2,552,351	2,228,170	3,929,543

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

3. Income from charitable activities

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Education	14,679	17,241,745	17,256,424	14,671,271

Funding for Academy's educational operations

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
DfE/EFA grants				
General Annual Grant	-	15,365,235	15,365,235	13,160,639
Pupil premium	-	1,005,690	1,005,690	793,020
Roof repairs grant	-	-	-	153,395
Conversion grant	-	-	-	135,000
Other	278	186,746	187,024	122,373
	278	16,557,671	16,557,949	14,364,427
Other government grants				
Local authority grants	-	611,985	611,985	270,840
	-	611,985	611,985	270,840
Other funding				
Non-DfE funding	14,401	16,500	30,901	36,004
Teaching school	-	55,589	55,589	-
	14,401	72,089	86,490	36,004
	14,679	17,241,745	17,256,424	14,671,271

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

4. Other trading activities

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Lettings	3,708	-	3,708	1,866
School to school support	23,087	-	23,087	51,976
Other	119,706	-	119,706	149,967
	<u>146,501</u>	<u>-</u>	<u>146,501</u>	<u>203,809</u>

5. Investment Income

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Investment income	15,793	-	15,793	15,809

6. Expenditure on raising voluntary income

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
School fund expenditure	-	247,887	247,887	259,717

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7. Fundraising trading expenditure

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Wages and salaries	33,345	-	33,345	137,272
Other expenses	77,281	-	77,281	54,926
Total	110,626	-	110,626	192,198

8. Expenditure

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Expenditure on raising voluntary income	-	-	247,887	247,887	259,717
Expenditure on fundraising trading	33,345	-	77,281	110,626	192,198
Education:					
Direct costs	10,945,046	580,862	1,960,409	13,486,317	11,335,166
Support costs	1,300,378	2,134,822	1,298,350	4,733,550	4,337,715
	12,278,769	2,715,684	3,583,927	18,578,380	16,124,796

9. Analysis of resources expended by activities

	Activities undertaken directly 2016 £	Support costs 2016 £	Total 2016 £	Total 2015 £
Education	13,486,317	4,733,550	18,219,867	15,672,881

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Support costs

	2016	2015
	£	£
Support staff costs	1,229,599	886,029
Depreciation	123,109	131,572
Technology costs	16,800	313,350
Premises costs	2,224,109	2,155,863
Other support costs	1,019,780	750,761
Governance costs (note 10)	120,153	100,140
Total	4,733,550	4,337,715

10. Governance costs

	2016	2015
	£	£
Legal and professional	19,095	16,535
Other costs	6,783	2,376
Auditors' remuneration	16,035	15,900
Auditors' non audit costs	6,211	1,700
Internal audit costs	1,250	500
Wages and salaries	70,779	63,129
Total	120,153	100,140

11. Net incoming resources/(resources expended)

This is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets:		
- owned by the trust	820,728	877,143
Operating lease expense	25,264	20,326

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

12. Auditors' remuneration

	2016	2015
	£	£
Fees payable to the academy trust's auditor and its associates for the audit of the academy's annual accounts	16,035	15,900
Fees payable to the academy trust's auditor and its associates in respect of:		
Audit-related assurance services	1,800	1,300
Taxation compliance services	700	700
Internal audit services	1,250	600
All other non-audit services not included above	3,161	500
	2016	2015
	£	£
Fees payable to the academy trust's auditor and its associates in connection with the academy's pension scheme(s) in respect of:		
All assurance services not included above	1,250	750

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

13. Staff costs

Staff costs were as follows:

	2016	2015
	£	£
Wages and salaries	9,467,216	8,240,544
Social security costs	776,732	623,286
Operating costs of defined benefit pension schemes	1,727,680	1,265,449
	11,971,628	10,129,279
Supply teacher costs	205,232	200,032
Staff restructuring costs	101,909	88,986
	12,278,769	10,418,297

✓ Staff restructuring costs comprise:

	2016	2015
	£	£
Severance payments	101,909	88,986

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

	2016	2015
	No.	No.
Teachers	181	189
Management	24	27
Admin and support	200	210
	405	426

Average headcount expressed as a full time equivalent:

	2016	2015
	No.	No.
Teachers	156	157
Management	27	25
Admin and support	154	182
	337	364

MERCIA LEARNING TRUST**(A company limited by guarantee)****NOTES TO THE FINANCIAL STATEMENTS
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The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2016 No.	2015 No.
In the band £ 60,001 - £ 70,000	1	3
In the band £ 70,001 - £ 80,000	3	2
In the band £130,001 - £140,000	0	1
In the band £140,001 - £150,000	1	0

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £54,665 (2015: £88,986). Individually, the payments were: £1,926, £8,195, £37,500 and £7,044.

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £694,451 (2015: £680,562).

14. Trustees' remuneration and expenses

The Executive Headteacher and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of headteacher and staff, and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees. The value of trustees' remuneration and other benefits was as follows:

L.A. Bowes:

Remuneration £140,000 - £145,000 (2015: £135,000 - £140,000)

Pension £20,000 - £25,000 (2015: £15,000 - £20,000)

N. Willeman

Remuneration £50,000 - £55,000 (2015: £Nil)

Pension £5,000 - £10,000 (2015: £Nil)

During the year, no trustees received any reimbursement of expenses.

MERCIA LEARNING TRUST**(A company limited by guarantee)****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016****15. Central services**

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

- Accounting Officer support
- Chief Finance Officer support
- Human Resources/Occupational Health services
- Health and Safety support
- Safeguarding Training
- Legal Services support

The trust charges for these services on the following basis:

- Flat percentage of GAG income – 2.5%
 - 1.7% for services (£259,597)
 - 0.8% for contingency (£122,164)

The actual amounts charged during the year were as follows:

	2016 £	2015 £
Newfield School	124,334	121,175
Totley School	20,459	20,571
Valley Park	41,037	17,392
King Ecgbert School	165,002	167,286
Nether Edge	30,929	-
Total	381,761	326,424

16. 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 academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2016 was £809 (2015 - £694).

17. Other finance costs

	2016 £	2015 £
Interest income on pension scheme assets	79,000	42,000
Interest on pension scheme liabilities	(297,000)	(199,000)
	(218,000)	(157,000)

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NOTES TO THE FINANCIAL STATEMENTS
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18. Tangible fixed assets

	Long term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 September 2015	43,850,000	19,904	259,506	562,270	44,691,680
Additions	11,235	-	-	10,037	21,272
Assets inherited on conversion	2,350,000	-	-	-	2,350,000
At 31 August 2016	46,211,235	19,904	259,506	572,307	47,062,952
Depreciation					
At 1 September 2015	1,280,523	18,615	228,764	366,130	1,894,032
Charge for the year	683,367	1,289	26,562	109,510	820,728
At 31 August 2016	1,963,890	19,904	255,326	475,640	2,714,760
Net book value					
At 31 August 2016	44,247,345	-	4,180	96,667	44,348,192
At 31 August 2015	42,569,477	1,289	30,742	196,140	42,797,648

Included in land and buildings is freehold land at valuation of £8,595,000 (2015: £7,725,000) which is not depreciated.

On conversion of Nether Edge Primary School, SMC Chartered Surveyors were appointed to carry out a valuation of the land and buildings transferred to the trust.

19. Debtors

	2016 £	2015 £
Trade debtors	16,984	15,493
Other debtors	139,875	144,824
Prepayments and accrued income	324,822	284,119
	481,681	444,436

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FOR THE YEAR ENDED 31 AUGUST 2016

20. Creditors: Amounts falling due within one year

	2016 £	2015 £
Other loans	7,201	-
Trade creditors	300,131	179,690
Other taxation and social security	223,167	197,392
Other creditors	10,123	1,074
Accruals and deferred income	395,241	338,094
	<u>935,863</u>	<u>716,250</u>

	2016 £	2015 £
Deferred income		
Deferred income at 1 September 2015	36,072	89,073
Resources deferred during the year	158,494	36,072
Amounts released from previous years	(36,072)	(89,073)
Deferred income at 31 August 2016	<u>158,494</u>	<u>36,072</u>

At the balance sheet date the academy was holding funds received in advance for universal infant free school meals, awkward year group and government growth funding.

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

	2016 £	2015 £
Other loans	<u>23,262</u>	<u>-</u>

MERCIA LEARNING TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

22. Statement of funds

	Brought Forward £	Income £	Expenditure £	Gains/ (Losses) £	Carried Forward £
<i>Unrestricted funds</i>					
General funds	829,032	290,974	(137,540)	-	982,466
<i>Restricted funds</i>					
GAG	595,361	15,365,235	(15,029,485)	-	931,111
Pupil premium - EFA	95,920	1,005,690	(1,101,610)	-	-
Pupil premium - LA	-	13,329	(13,329)	-	-
School fund	88,726	253,818	(247,887)	-	94,657
Conversion support	77,374	-	-	-	77,374
SEN grant	-	49,576	(49,576)	-	-
Mental health grant	-	17,764	(17,764)	-	-
PE grant	-	27,635	(27,635)	-	-
UIFSM grant	-	99,385	(99,186)	-	199
FEL funding	-	330,350	(330,350)	-	-
Growth fund	-	17,199	(17,199)	-	-
Core maths grant	-	41,687	(41,687)	-	-
Teaching school	-	55,589	(55,589)	-	-
Awkward year group	-	14,913	(14,913)	-	-
Other funds	9,387	203,393	(202,779)	-	10,001
Pension reserve	(4,791,000)	(692,000)	(231,000)	(3,548,000)	(9,262,000)
	(3,924,232)	16,803,563	(17,479,989)	(3,548,000)	(8,148,658)
<i>Restricted fixed asset funds</i>					
Assets Inherited on conversion	42,648,534	2,350,000	(761,136)	-	44,237,398
Fixed assets purchased from GAG and other restricted funds	3,289	-	-	-	3,289
DfE/EFA Capital grants	29,034	202,351	(148,470)	-	82,915
Local Choice funding	136,011	-	(51,245)	-	84,766
	42,816,868	2,552,351	(960,851)	-	44,408,368
Total restricted funds	38,892,636	19,355,914	(18,440,840)	(3,548,000)	36,259,710
Total of funds	39,721,668	19,646,888	(18,578,380)	(3,548,000)	37,242,176

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

22. Statement of funds (continued)

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

Unrestricted funds

The unrestricted funds represent funds available to the governors to apply for the general purposes of the Academy.

Restricted general funds

General Annual Grant (GAG) - The Academy's principal funding stream received from the Education Funding Agency. This must be used to fund the normal running costs of the Academy for the benefit of existing students.

Pupil Premium (EFA) - DfE funding to address the current underlying inequalities between children eligible for free school meals (FSM) and their wealthier peers by ensuring that funding to tackle the disadvantage reaches the pupils who need it most.

Pupil Premium (LA) - The local authority is responsible for managing pupil premium for the remainder of the school term in which the maintained school converts to academy status. Children in local authority care also receive additional pupil premium funding which on-going continues to be managed by the local authority.

School Fund - Funds received for activities, trips and fundraising which will be paid to suppliers and charities.

Conversion support - A grant to cover costs incurred during conversion to multi academy trust status.

SEN grant - Funding is provided by the Local Authority, weighted according to the severity of need, for additional support needed in a mainstream school to meet a pupil's identified special educational needs. In each case, the particular needs of the individual child determine the nature and extent of the additional support that is required.

Mental Health grant - NHS England and the Department for Education have commissioned the Sheffield Clinical Commissioning Group to support joint working with schools and child and adolescent mental health services. Each school involved receives £3,500 to be part of the pilot.

PE grant - In 2015-16 the EFA provided Primary Schools with a PE and Sport Premium to improve the quality of the PE and sport activities they offer their pupils.

UIFSM grant - The universal infant free school meals (UIFSM) grant enables schools to provide free school meals to all pupils in reception, year 1 and year 2.

Early years funding grant - Providers of Free Early Learning (FEL) for 2, 3 and 4 year olds are able to claim funding from the Early Years Block of Dedicated Schools Grant held by the Local Authority.

Growth fund - The local authority plan places in schools across the city where growth in numbers is expected - the school then receives an amount per planned pupil place.

Core maths grant - The EFA provides funding for schools to become early adopters of the new Core Maths qualification. In addition to preparing students for Core Maths qualifications, early adopters will be expected to

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

22. Statement of funds (continued)

work with the Core Maths Support Programme (CMSP) to develop teaching approaches and materials, to support professional development and to generally lay the foundations for successful implementation when Core Maths becomes widely available. The CfBT Education Trust provides additional funding for the Core Maths Lead to support the continued implementation of Core Maths in their own and partner institutions.

Teaching school - Income is received via the Teaching School towards Leadership support.

Awkward year group - Due to the population increase, it has been necessary to increase the number of classes in a year group - however, as the newly created class may not yet be at capacity and therefore not financially viable, then the local authority contributes towards the transitional period.

Other - miscellaneous funding towards specific purposes.

Defined benefit pension liability - The deficit on the Local Government Pension Scheme has been recognised against restricted funds in order to match it against GAG as recommended by the EFA Accounts Direction.

Restricted fixed asset funds

Assets inherited on conversion - Assets donated to the Academy from the local authority on conversion.

Fixed assets purchased from GAG and other funds - For capital expenditure.

DfE/EFA Capital grants - For capital expenditure.

Local Choice funding - For ICT assets.

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

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**NOTES TO THE FINANCIAL STATEMENTS
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22. Statement of funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £	Total 2015 £
King Egbert School	1,017,179	980,244
Newfield School	515,541	200,573
Totley School	199,787	179,606
Valley Park School	208,470	117,631
Mercia Learning Trust	144,495	217,746
Nether Edge Primary School	10,336	-
Total before fixed asset fund and pension reserve	2,095,808	1,695,800
Restricted fixed asset fund	44,408,368	42,816,868
Pension reserve	(9,262,000)	(4,791,000)
Total	37,242,176	39,721,668

Analysis of academies by cost

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2016 £	Total 2015 £
King Egbert School	4,927,373	385,384	219,401	1,764,354	7,296,512	7,531,660
Newfield School	3,003,350	349,594	153,957	1,610,850	5,117,751	5,236,463
Totley School	563,480	87,607	79,635	207,191	937,913	1,193,323
Valley Park School	1,177,901	267,909	118,578	620,357	2,184,745	852,748
Mercia Learning Trust	282,972	73,027	-	240,192	596,191	412,458
Nether Edge School	996,530	163,640	130,018	334,352	1,624,540	-
	10,951,606	1,327,161	701,589	4,777,296	17,757,652	15,226,652

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

23. Analysis of net assets between funds

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	44,348,192	44,348,192	42,797,648
Current assets	982,466	2,072,467	60,176	3,115,109	2,431,270
Creditors due within one year	-	(935,863)	-	(935,863)	(716,250)
Creditors due in more than one year	-	(23,262)	-	(23,262)	-
Provisions for liabilities and charges	-	(9,262,000)	-	(9,262,000)	(4,791,000)
	<u>982,466</u>	<u>(8,148,658)</u>	<u>44,408,368</u>	<u>37,242,176</u>	<u>39,721,668</u>

24. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £	2015 £
Net income for the year (as per Statement of financial activities)	1,068,508	2,695,636
Adjustment for:		
Depreciation charges	820,728	877,143
Dividends, interest and rents from Investments	(15,793)	(15,809)
Increase in debtors	(37,245)	(91,851)
Increase in creditors	205,210	83,535
Defined benefit pension scheme cost less contributions payable	13,000	(48,000)
Defined benefit pension scheme finance cost	218,000	157,000
Cash donated on conversion to an academy trust	(118,734)	(118,533)
Pension deficit inherited on conversion	692,000	1,275,000
Fixed assets donated on conversion	(2,350,000)	(4,620,000)
Loan inherited on conversion	37,665	-
Net cash provided by operating activities	<u>533,339</u>	<u>194,121</u>

25. Analysis of cash and cash equivalents

	2016 £	2015 £
Cash in hand	2,633,428	1,986,834
Total	<u>2,633,428</u>	<u>1,986,834</u>

MERCIA LEARNING TRUST**(A company limited by guarantee)****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016****26. Conversion to a multi academy trust**

On 1 September 2015 Nether Edge Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Mercia Learning Trust from Sheffield City Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of financial activities incorporating income and expenditure account as Donations - transfer from local authority on conversion

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of financial activities incorporating income and expenditure account .

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Leasehold land and buildings	-	-	2,350,000	2,350,000
Budget surplus/(deficit) on LA funds	120,001	-	-	120,001
Budget surplus/(deficit) on other school funds	-	3,177	-	3,177
LGPS pension surplus/(deficit)	-	(692,000)	-	(692,000)
Borrowing obligations	(37,665)	-	-	(37,665)
Net assets/(liabilities)	82,336	(688,823)	2,350,000	1,743,513

The above net assets include £118,734 that were transferred as cash.

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

27. Pension commitments

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

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

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

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

27. Pension commitments (continued)

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

The employer's pension costs paid to TPS in the period amounted to £ 1,049,568 (2015 - £832,547).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £726,000 (2015 - £593,000), of which employer's contributions totalled £559,000 (2015 - £471,000) and employees' contributions totalled £167,000 (2015 - £122,000). The agreed contribution rates for future years are 13.7% for employers and 5.5% to 12.5% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.10 %	4.00 %
Rate of increase in salaries	3.55 %	3.95 %
Rate of increase for pensions in payment / inflation	1.90 %	2.20 %
Inflation assumption (CPI)	1.80 %	2.20 %

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

	2016	2015
Retiring today		
Males	23	23
Females	25.7	25.6
Retiring in 20 years		
Males	25.4	25.3
Females	28.5	28.4

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

27. Pension commitments (continued)

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

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	1,726,000	1,115,000
Government Bonds	442,000	270,000
Other bonds	183,000	111,000
Property	324,000	215,000
Cash / liquidity	50,000	34,000
Other	226,000	134,000
Total market value of assets	2,951,000	1,879,000

The actual return on scheme assets was £ 446,000 (2015 - £nil).

The overall expected return on assets is derived from a weighted average of the expected return from each of the main asset classes (which is the best estimate of the future investment return for that asset class at the accounting date).

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

	2016 £	2015 £
Current service cost (net of employee contributions)	(571,000)	(423,000)
Net interest cost	(218,000)	(157,000)
Gains on curtailments and settlements	(1,000)	-
Total	(790,000)	(580,000)

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27. Pension commitments (continued)

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

	2016 £	2015 £
Opening defined benefit obligation	6,670,000	4,338,000
Current service cost	571,000	423,000
Interest cost	297,000	199,000
Contributions by employees	167,000	122,000
Actuarial losses/(gains)	3,904,000	(170,000)
Losses on curtailments	1,000	-
Liabilities assumed in a business combination	792,000	1,778,000
Benefits paid	(189,000)	(20,000)
Closing defined benefit obligation	12,213,000	6,670,000

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

	2016 £	2015 £
Opening fair value of scheme assets	1,879,000	805,000
Return on plan assets (excluding net interest on the net defined pension liability)	79,000	42,000
Actuarial gains and (losses)	356,000	(44,000)
Contributions by employer	559,000	471,000
Contributions by employees	167,000	122,000
Assets acquired in a business combination	100,000	503,000
Benefits paid	(189,000)	(20,000)
Closing fair value of scheme assets	2,951,000	1,879,000

28. Operating lease commitments

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

	2016 £	2015 £
Amounts payable:		
Within 1 year	62,888	46,021
Between 1 and 5 years	50,047	72,090
Total	112,935	118,111

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29. Financial commitments under PFI arrangements

At 31 August 2016 the trust had future commitments under PFI arrangements as follows:

	2016 £	2015 £
Amounts payable:		
Within 1 year	1,758,613	1,778,165
Between 1 and 5 years	7,034,452	7,112,660
After more than 5 years	19,275,453	19,484,365
Total	28,068,518	28,375,190

30. Related party transactions

Owing to the nature of the trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures.

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

The Escafeld Teaching School Alliance is a joint venture between King Egbert School and Tapton School Academy. The executive head of Tapton School Academy, Mr D Bowes, is husband of Mrs L Bowes, executive headteacher of the Trust. Under the Alliance arrangement, the Trust paid net funds of £44,022 to Mercla Learning Trust during the year.

31. Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the trust received £28,219 and disbursed £18,812 from the fund. An amount of £9,407 is included in creditors.

32. 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.

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33. First time adoption of FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Trustees have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

Reconciliation of total funds	Notes	1 September 2014	31 August 2015
		£	£
Total funds under previous UK GAAP		36,900,032	39,721,668
Total funds reported under FRS 102		<u>36,900,032</u>	<u>39,721,668</u>

Reconciliation of net income	Notes	31 August 2015
		£
Net income previously reported under UK GAAP		2,716,636
Change in recognition of LGPS interest cost	A	(21,000)
Net income reported under FRS 102		<u>2,695,636</u>

Explanation of changes to previously reported funds and net income/expenditure:

A	Under previous UK GAAP the trust recognised an expected return on defined benefit pension plan assets in expenditure. Under FRS102 a net interest expense, based on the net defined benefit liability, is recognised in expenditure. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the expense by £21,000 and decrease other recognised gains and losses in the SoFA by an equivalent amount.
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34. SOFA prior year comparatives

	Unrestricted funds 2015 £	Restricted funds 2015 £	Restricted fixed asset funds 2015 £	Total funds 2015 £
<i>Income from:</i>				
Donations and capital grants				
Transfer from local authority on conversion	114,796	(1,271,263)	4,620,000	3,463,533
Other donations and capital grants	20,549	255,412	190,049	466,010
Charitable activities	22,368	14,648,903	-	14,671,271
Other trading activities	203,809	-	-	203,809
Investments	15,809	-	-	15,809
Total income	377,331	13,633,052	4,810,049	18,820,432
<i>Expenditure on:</i>				
Raising funds				
Voluntary income	-	259,717	-	259,717
Fundraising trading	192,198	-	-	192,198
Charitable activities	20,804	14,774,933	877,144	15,672,881
Total expenditure	213,002	15,034,650	877,144	16,124,796
Net income/(expenditure) before other gains and losses	164,329	(1,401,598)	3,932,905	2,695,636
Actuarial gains/(losses) on defined benefit pension schemes	-	126,000	-	126,000
Net movement in funds	164,329	(1,275,598)	3,932,905	2,821,636