

**ACADEMY TRANSFORMATION TRUST
(A Company Limited by Guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

Registered Number 07846852 (England and Wales)

ACADEMY TRANSFORMATION TRUST LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

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ACADEMY TRANSFORMATION TRUST LIMITED

DESIGNATED MEMBERS AND ADVISERS

THE PERIOD ENDED 31 AUGUST 2012

Directors (Trustees)	Ian Cleland (CEO and Accounting Officer) (appointed 14 November 2011) Anas Mawla (appointed 14 November 2011) Neil Flint (appointed 4 December 2012) Bernard Dickenson (appointed 27 November 2012) Andrew Griffiths (appointed 22 November 2012) Colin Howell (appointed 16 March 2012 and resigned 5 July 2012) Alfred Owen (appointed 1 February 2012 and resigned 5 July 2012)
Company Secretary	N/A
Senior Management Team:	
<ul style="list-style-type: none">• Managing Director• Director of Finance• Operations Director	Joyce Hodgetts Paul Connew Karen Smith
Principle and Registered Office	Room 713 1 Victoria Square Birmingham B1 1BD
Company Registration Number	07846852 (England and Wales)
Independent Auditor	RSM Tenon Audit Limited Rivermead House 7 Lewis Court Grove Park Enderby Leicestershire LE19 1SD
Bankers	Bank of Scotland 33 Old Broad Street London EC2N 1HW Lloyds TSB 116 Colmore Row Birmingham B3 3DP
Solicitors	Stone King LLP 16 St John's Lane London EC1M 4BS Browne Jacobsen LLP Victoria Square House, Victoria Square, Birmingham, B2 4BU

ACADEMY TRANSFORMATION TRUST LIMITED

DIRECTORS' REPORT

THE PERIOD ENDED 31 AUGUST 2012

The Directors present their annual report together with the financial statements and auditors' report of the charitable company for the period ended 31 August 2012.

The charitable company was incorporated on 14 November 2011 and commenced trade as an Academy Trust on 1 August 2012.

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee (registration number 07846852) and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The directors act as the trustees for the charitable activities of Academy Transformation Trust Limited and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as ATT.

Details of the Directors and Trustees who served throughout the period are included in the Reference and Administrative Details on page 1.

Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one period 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.

Directors' Indemnities

A Director may benefit from any indemnity insurance purchased at the Academy Trust's expense to cover the liability of the Directors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust. Provided that any such insurance shall not extend to any claim arising from any act or omission which the Directors knew to be a breach of trust or breach of duty or which was committed by the Directors in reckless disregard to whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Directors in their capacity as directors of the Academy Trust.

Principle Activities

The principle activities of the trust are the delivery and improvement of state funded education to school age children. However, ancillary to this some nursery and adult education services are also to be provided.

Method of Recruitment and Appointment or Election of Trustees

The Founding Members may appoint up to 5 Directors and the Members may appoint up to 5 Directors, provided always that the total number of Directors including the Chief Executive Officer who are employees of the Company does not exceed one third of the total number of Directors. The Chief Executive Officer shall be a Director for as long as he remains in office as such.

The Directors may appoint up to 3 co-opted Directors. A 'co-opted Director' means a person who is appointed to be a Director by being co-opted by Directors who have not themselves been so appointed. The Directors may not co-opt an employee of the Company as a co-opted Director if thereby the number of Directors who are employees of the Company would exceed one third of the total number of Directors including the Chief Executive Officer.

ACADEMY TRANSFORMATION TRUST LIMITED

DIRECTORS' REPORT

THE PERIOD ENDED 31 AUGUST 2012

Structure, Governance and Management (continued)

The Secretary of State may give a warning notice to the Directors where he is satisfied:

- i) that the standards of performance of pupils at any of the Academies are unacceptably low, or
- ii) that there has been a serious breakdown in the way any of the Academies are managed or governed, or
- iii) that the safety of pupils or staff of any of the Academies is threatened (whether by a breakdown of discipline or otherwise).

The Secretary of State may appoint such Additional Directors as he thinks fit if the Secretary of State has:

- (a) given the Directors a warning notice with respect to the performance of an academy and
- (b) the Directors have failed to comply, or secure compliance, with the notice to the Secretary of State's satisfaction within the compliance period.

The Secretary of State may also appoint such Additional Directors where following an Inspection by the Chief Inspector in accordance with the Education Act 2005 (an "Inspection") an Academy receives an Ofsted grading (being a grade referred to in The Framework for School Inspection or any modification or replacement of that document for the time being in force) which amounts to a drop, either from one Inspection to the next Inspection or between any two Inspections carried out within a 5 year period, of two Ofsted grades. For the purposes of the foregoing the grade received by the predecessor school as defined in the Relevant Funding Agreement shall be regarded as the grade received by the Academy.

The Secretary of State may also appoint such Further Directors as he thinks fit if a Special Measures Termination Event (as defined in the Relevant Funding Agreement) occurs in respect of any Academy.

Policies and Procedures Adopted for the Induction and Training of Directors and Local Governors

With respect to Board Directors no formal training programme has been agreed as yet. The full Board is still being established. Once candidates have been confirmed support for on boarding new members and on-going training will be considered.

All new ATT Local Governors are encouraged to take part in an induction session, providing them with information regarding:

- what it means to be an ATT Governor;
- the features of an effective Local Governing Body;
- their roles and responsibilities, including those in regards to the strategic direction and improvement of the academy; and
- how they can successfully support, monitor, and evaluate the effectiveness of the academy.

Governors are required to undertake Child Protection Level 1 training, which has to be renewed every three years and in addition to this, the Chair and at least one other Governor is required to undertake Safer Recruitment Training.

In regards to other training opportunities, upon becoming an ATT academy, each member of the Local Governing Body is required to complete a skills audit. From this information and following consultation with the Chair, Principal and Education Adviser, a bespoke training package is drawn up by the ATT Governance Department.

ACADEMY TRANSFORMATION TRUST LIMITED

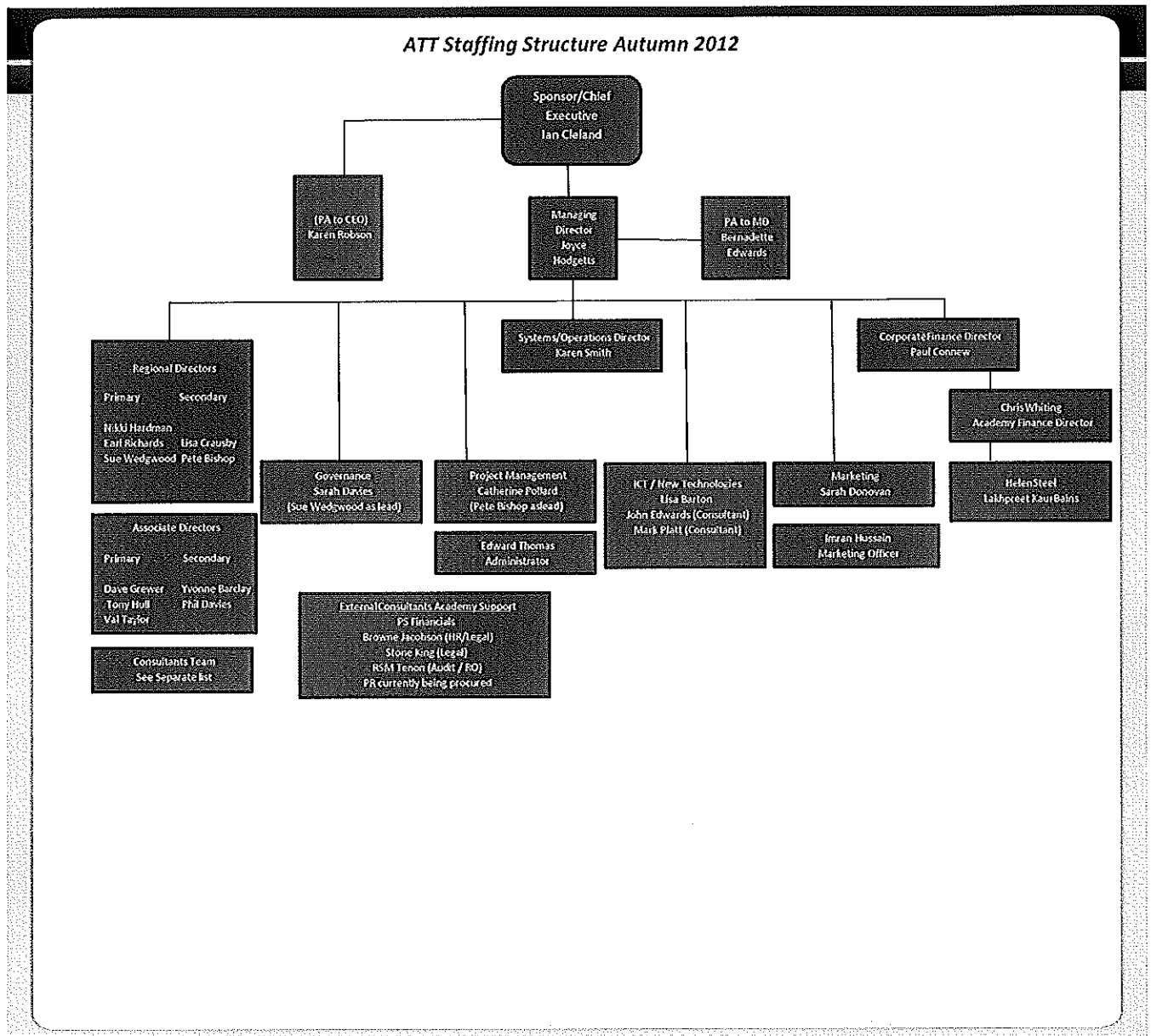
DIRECTORS' REPORT

THE PERIOD ENDED 31 AUGUST 2012

Structure, Governance and Management (*continued*)

Organisational Structure

As a rapidly growing start up charitable company our staffing structure is developing rapidly within a structure established at the time when the business plan was developed. The current structure is set out in the diagram below.



ACADEMY TRANSFORMATION TRUST LIMITED

DIRECTORS' REPORT

THE PERIOD ENDED 31 AUGUST 2012

Structure, Governance and Management (*continued*)

Risk Management

The Academy Trust is a very young organisation and consequently the issues that have been the focus of its risk management have been:

- the establishment of sufficient staff of the right quality to bring onboard the Academies to the Trust effectively
- to identify and recruit sufficient academies to provide the critical mass
- manage the cash flow of the Trust to ensure staff and suppliers are paid within the terms of their business

A formal risk register has been established and will be considered at Board meetings in the future. The key additional risks identified are:

- Dependence on few key personnel during the start up phase when systems have not been fully established and individual knowledge and commitment is key to successful operations;
- Failure to attract and retain high calibre staff;
- Lack of working capital and vulnerability to delays in grant payments by Education Funding Agency and slow decision making within the Department of Education;
- Academy estate grows too slowly for partnership agreement payments to cover the headquarters costs;
- Lack of clarity on the requirements of academy sponsors and increased competition resulting in the number of schools joining the Trust being significantly below the planned numbers.

In addition to Board oversight the senior management team monitor the financial position and forecasts and the development of the Trust regularly at weekly and monthly meetings.

Objectives and Activities

The Company's objects are specifically restricted to the following:

- a) to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum; and
- b) to promote for the benefit of the inhabitants of the areas in which the Academies are located and the surrounding areas the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

Achievements and Performance

The company started to operate as an Academy Trust on 1 August. From that date to the end of the accounting period no education activities took place due to summer holidays. Consequently, no achievements were recorded.

Going Concern

After making appropriate enquiries, the governing body has a reasonable expectation that the Academy Trust will have 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 can be found in the Statement of Accounting Policies.

ACADEMY TRANSFORMATION TRUST LIMITED

DIRECTORS' REPORT

THE PERIOD ENDED 31 AUGUST 2012

Financial Review

These are the first accounts compiled by the Trust as required by Department for Education and has fallen only one month after the first academy opened. As a consequence the statements largely show the impact of set up activity and balances reflecting the take over of a primary school in Walsall. Key items to note are:

- The value of the school land and buildings taken into the books of £1,640k;
- The deficit on the support staff's pension fund held with West Midlands Pensions £410k;
- The net movement of funds shown in the Statement of Financial Activities largely reflects the above;
- Other costs exceeded income by £19k, reflecting the lag in receiving implementation grants from the Education Funding Agency compared to the commitment of expenditure.

The principle sources of funding have been the implementation and general annual grants paid through the Education Funding Agency and direct funding of SEN and early year provision from Walsall Council. The main expenditure has been to:

- project manage the establishment of the first academies including the take over of premises and staff;
- set up of Trust systems and procedures, recruit staff;
- marketing the Trust.

Financial and Risk Management Objectives and Policies

The Trust's objectives are to establish a firm foundation of open academies with sufficient resources to provide funds for investment in education methods and supporting technologies. Local business managers have the authority to work with their Principals to agree a balanced budget with the local governing body. These budgets will be reviewed and approved by the ATT Board. The Trust's Finance Director will monitor the financial performance throughout the year through the delivery of Responsible Officer checks and monthly management accounts and commentaries provided by each academy.

Principle Risks and Uncertainties

The principle risks have been described in the risk management section above.

Reserves Policy

Owing to the early stage of development of the trust and that the Board is still being formed no policy has been adopted at this stage. No reserves are being held at this time other than the establishment of a small cash fund by holding £25,000 and £50,000 of the funds of primary and secondary schools respectively to provide cash smoothing facility to ATT and the academies. This policy was established in November 2012.

It is anticipated that by the end of the next accounting period the Trust will begin to require academies to contribute to funds and reserves for specific purposes. Soon after this year end it has been agreed that a small cash fund would be established to enable emergency funding to be provided to any part of the organisation that encounters emergency calls on its resources.

Investment Policy

No investment policy has been in place due to there being no funds available. As the number of academies increase the use of interest bearing accounts and other investment options will be considered by the Board.

Plans for Future Periods

The Trust plans to continue to grow the number of academies it runs. It is anticipated that by the end of the next accounting period there will be at least 20 schools within the Organisation comprising 12 secondary schools and 8 primary schools. The predicted combined annual turnover at that point will be approximately £70m.

ACADEMY TRANSFORMATION TRUST LIMITED

DIRECTORS' REPORT

THE PERIOD ENDED 31 AUGUST 2012

Auditor

In so far as the trustees are aware:

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

The auditors are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

Approved by order of the directors and trustees on 18 December 2012 and signed on their behalf by:

Ian Cleland
CEO and Accounting Officer

ACADEMY TRANSFORMATION TRUST LIMITED

DIRECTORS' STATEMENT

THE PERIOD ENDED 31 AUGUST 2012

Scope of Responsibility

As Directors, we acknowledge we have overall responsibility for ensuring that Academy Transformation Trust (ATT) 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 governing body has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the master and supplementary funding agreements between ATT and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the trustees Report and in the Statement of Trustees' responsibilities. The Board has formally met once during the period. Attendance was as follows:

Trustee	Meetings attended	Out of a possible
Ian Cleland (Chairman, CEO and accounting officer)	1	1
Anas Mawla	1	1
Mike Dwan (resigned)	0	0
Colin Howells (resigned)	0	0

Mike Dwan and Colin Howells resigned on 5 July 2012

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 systems of internal control are being implemented incrementally as the Trust take shape. Interim processes have been designed to ensure that the resources of the Trust are used appropriately and effectively and form a sound basis for the future. In developing and implementing the processes the risks to the achievement of academy trust policies, aims and objectives, are evaluated alongside the likelihood of those risks being realised and the impact should they be realised. These considerations are balanced against the need to manage them efficiently, effectively and economically.

Capacity to Handle Risk

The Board has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements. This process will be regularly reviewed by the Board to reflect the changing circumstances as the Trust grows.

ACADEMY TRANSFORMATION TRUST LIMITED

DIRECTORS' STATEMENT

THE PERIOD ENDED 31 AUGUST 2012

The Risk and Control Framework

The Academy Trust's system of internal financial control is based on a framework of regular management information and administrative procedures 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 governing body;
- regular reviews by the Finance Director, CEO and the Board;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The Board has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the directors have appointed RSM Tenon to undertake the Responsible Officer ('RO')'s role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. Due to the absence of significant activity within the one academy the RO role will not be activated until the next reporting period. From then quarterly RO reports will be submitted to the local governing bodies and the Board on the operation of the systems of control and on the discharge of the governing body's financial responsibilities.

Review of Effectiveness

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

- the work of the external auditor;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance and General Purposes 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 governing body on 18 December 2012 and signed on its behalf by:

Ian Cleland
CEO and Accounting Officer

ACADEMY TRANSFORMATION TRUST LIMITED
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE PERIOD ENDED 31 AUGUST 2012

Statement on Regularity, Propriety and Compliance

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

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

Ian Cleland
CEO and Accounting Officer

ACADEMY TRANSFORMATION TRUST LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE PERIOD ENDED 31 AUGUST 2012

The directors (who act as trustees for charitable activities of Academy Transformation Trust Limited and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Requirements 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 directors to prepare financial statements for each financial period. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the statement 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 directors are required to:

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

The directors 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 directors are responsible for ensuring that in its conduct and operation, the Charitable Company applies financial and other controls which conform with the requirements of both 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 directors 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 governing body on 18 December 2012 signed on its behalf by:

Ian Cleland
CEO and Accounting Officer

ACADEMY TRANSFORMATION TRUST LIMITED

**STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF
RECOGNISED GAINS AND LOSSES)**

FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2012 £'000
Incoming resources					
<i>Incoming resources from generated fund:</i>					
Transfer from Local authority on conversion	23	30	(393)	1,640	1,277
Activities for generating funds	3	44	437	-	481
<i>Incoming resources from Charitable activities:</i>					
Funding for the Academy's educational operations	4	-	84	-	84
Total incoming resources		<u>74</u>	<u>128</u>	<u>1,640</u>	<u>1,842</u>
Resources expended					
<i>Cost of generating funds:</i>					
Cost of generating voluntary income		(10)	(120)	-	(130)
<i>Charitable activities</i>					
Academy's educational operations	6	(55)	(399)	(3)	(457)
Governance Costs	7	-	(31)	-	(31)
Total resources expended	5	<u>(65)</u>	<u>(550)</u>	<u>(3)</u>	<u>(618)</u>
Net incoming/(outgoing) resources before transfers		9	(422)	1,637	1,224
Gross transfer between funds	14	(28)	28	-	-
Net income/(expenditure) before other recognised gains and losses		(19)	(394)	1,637	1,224
Other recognised gains and losses					
Actuarial losses on defined benefit pension scheme	21	-	(15)	-	(15)
Net movement in funds		(19)	(409)	1,637	1,209
Total funds brought forward		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total funds carried forward		<u>(19)</u>	<u>(409)</u>	<u>1,637</u>	<u>1,209</u>

The academy's activities derive from acquisitions and continuing operations in the current financial period. A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

ACADEMY TRANSFORMATION TRUST LIMITED

BALANCE SHEET AT 31 AUGUST 2012

COMPANY NUMBER: 07846852

	Notes	2012 £'000	2012 £'000
Fixed assets			
Tangible assets	11		1,645
			<u>1,645</u>
Current assets			
Debtors	12	307	
Cash at bank and in hand		36	
			<u>343</u>
Liabilities			
Creditors: amounts falling due within one year	13	(369)	
			<u>(26)</u>
Net current assets			<u>(26)</u>
Total assets less current liabilities excluding pension liability			1,619
Pension scheme liability	21		(410)
			<u>(410)</u>
Net assets including pension liability			<u>1,209</u>
Funds of the academy:			
Restricted income funds			
- Fixed asset fund	14		1,637
- General fund	14		1
- Pension reserve	14		(410)
			<u>1,228</u>
Total restricted funds			<u>1,228</u>
Unrestricted income funds			
- General fund	14		(19)
			<u>(19)</u>
Total unrestricted funds			<u>(19)</u>
Total funds			<u>1,209</u>

The financial statements on pages 15 to 32 were approved by the governors and authorised for issue on 18 December 2012 and are signed on their behalf by:

Ian Cleland
CEO and Accounting Officer

ACADEMY TRANSFORMATION TRUST LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012

	Notes	2012 £'000
Net cash inflow from operating activities	17	48
Capital expenditure	18	<u>(12)</u>
Increase in cash in the year	19	36
Reconciliation of net cash flow to movement in net funds		
Net funds at 14 November 2011		-
Net funds at 31 August 2012	19	<u><u>36</u></u>

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

ACADEMY TRANSFORMATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

1. Statement of Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the Education Funding Agency and the Companies Act 2006. The Statement of Financial Activities as set out on page 15 identifies the identical information as that of the Income and Expenditure Statement. As such, no separate Income and Expenditure Statement has been prepared.

A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Conversion to an Academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from Mossley Primary School to the academy trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Academy Transformation Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 23.

Going concern

The Trust Board 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 trust to continue as a going concern. The Trust Board make this assessment each year in respect of a period of one year from the date of approval of the financial statements.

The trust currently has negative unrestricted reserves due to this being the first accounting period. Set up costs have been incurred without the benefit of a similar level of income. The Trust has forecasts showing positive reserves will be in place in the next 12 months.

Incoming resources

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

- **Grants receivable**

Grants are included in the Statement of Financial Activities on an accruals basis. 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. The balance of income received for specific purposes but not matched to relevant expenditure during the period is shown in the restricted income fund on the balance sheet. For grants provided to fund fixed assets, this includes the net book value of assets acquired.

ACADEMY TRANSFORMATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

1. Statement of Accounting Policies (continued)

- **Donations**

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

- **Other income**

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

- **Interest receivable**

Interest receivable is included within the statement of financial activities on an accruals basis.

Resources Expended

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

- **Costs of generating funds**

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

- **Charitable activities**

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

- **Governance costs**

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

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £1,000 and with an expected useful life exceeding one year are capitalised as tangible fixed assets. Items procured in batches or collectively are considered separately for these purposes.

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 costs and depreciated over their expected useful economic life. The related grants are credited to a restricted fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

ACADEMY TRANSFORMATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

1. Statement of Accounting Policies (continued)

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

Long leasehold buildings	2%
Computer equipment	33%

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

Impairment losses are recognised in the Statement of Financial Activities.

Leased Assets

Rentals under operating leases are charged on a straight line basis over the lease term.

Taxation

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

Pensions Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS'), the Local Government Pension Scheme ('LGPS') and a defined contribution pension scheme. The first two are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the government actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 21, the TPS is a multi-employer scheme and the trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

1. Statement of Accounting Policies (continued)

Fund Accounting

The unrestricted general fund represents those resources which are freely available for application towards achieving any charitable purpose that falls within the Trust's charitable objects.

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

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

Comparative figures

The Academy Trust was incorporated on 14 November 2011, this being the first period of activity, no comparative figures exist.

2. General Annual Grant (GAG)

a. Results and carry forward for the period

	Jubilee Academy Mossley £'000	Total £'000
GAG brought forward from previous year	-	-
GAG allocation for current year	84	84
Total GAG available to spend	<hr/>	<hr/>
Recurrent expenditure from GAG	(82)	(82)
Fixed assets purchased from GAG	(1)	(1)
	<hr/>	<hr/>
	(83)	(83)
GAG carried forward to next year	<hr/>	<hr/>
	1	1
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	(10)	(10)
GAG to surrender to DfE	<hr/>	<hr/>
(12% rule breached if result is positive)	Nil	Nil

(No breach)

3. Activities for Generating Funds

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000
School improvements	33	-	33
Marketing and public relations	1	-	1
Leading Edge Academy Partnership	10	-	10
Project management	-	437	437
	<hr/>	<hr/>	<hr/>
	44	437	481

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4. Funding for academy's educational operations

	Jubilee Academy Mossley £'000	Total 2012 £'000
DfE / EFA revenue grants		
- General Annual Grant (GAG)	84	84
	84	84

All amounts are included in restricted funds for the year.

5. Resources expended

	Staff costs £'000	Premises costs £'000	Other costs £'000	Total 2012 £'000
Costs of activities for generating funds	10	-	120	130
Academy's education operations:				
Direct costs	59	-	3	62
Allocated support costs	300	4	91	395
	369	4	214	587
Governance costs including allocated support costs	-	-	31	31
	369	4	245	618

Incoming/outgoing resources for the year include:

	2012 £'000
Fees payable to auditor - audit	8
- other services	2
Depreciation on tangible fixed assets	7
Operating lease expenditure	16

6. Charitable Activities – Academy's educational operations

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000
Direct costs:			
Teaching and educational support staff costs	-	59	59
Other direct costs	1	2	3
	1	61	62
Allocated support costs:			
Support staff costs	-	300	300
Depreciation	4	3	7
Maintenance of premises and equipment	-	1	1
Cleaning	-	1	1
Rent and rates	16	-	16
Insurance	-	10	10
Security and transport	-	7	7
Bank charges and pension interest	1	2	3
Other support costs	33	17	50
	54	341	395
Total	55	402	457

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

7. Governance Costs

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000
Legal and professional fees	-	21	21
Auditor's remuneration:			
Audit of financial statements	-	8	8
Preparation of financial statements	-	2	2
	-	31	31

8. Staff costs

Staff costs during the period were:

	2012 £'000
Wages and salaries	298
Social security costs	34
Pension costs	22
Staff insurance	5
	<u>359</u>
Support costs	10
	<u>369</u>

The average number of persons (including senior management team) employed by the academy during the year expressed as full time equivalents was as follows:

	2012 No.
Charitable activities	
Teachers	26
Administration and support	20
Management	6
	<u>52</u>

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

	2012 No.
£120,001 - £130,000	1
£150,001 - £160,000	1
	<u>2</u>

The above employees did not contribute to the Teachers Pension scheme, or the local Government Pension scheme, but contributed £10,000 to the defined contribution scheme.

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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9. Governors' remuneration and expenses

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payment, including expenses, from the academy in respect of their role as governors. The value of governors' remuneration was as follows:

K Hammond, Principal:	£0k - £5k
L Shortland, staff governor:	£0k - £5k

The above employees did not contribute to the Teachers' Pension Scheme, or the Local Government Pension Scheme, but contributed £10k to the defined contribution scheme.

10. Governors' and Officers' Insurance

In accordance with normal commercial practice, the academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the period ended 31 August 2012 was £612.

The cost of this insurance is included in the total insurance cost.

11. Tangible Fixed Assets

Trust

	Leasehold land and buildings £'000	Computer Equipment £'000	Total £'000
Cost			
At 14 November 2011	-	-	-
Transfer conversion	1,640	-	1,640
Additions	-	12	12
At 31 August 2012	1,640	12	1,652
Depreciation			
At 14 November 2011	-	-	-
Charged in period	(3)	(4)	(7)
At 31 August 2012	(3)	(4)	(7)
Net book values			
At 31 August 2012	1,637	8	1,645

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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12. Debtors

	2012
	£'000
Trade debtors	237
Other debtors	39
Prepayments and accrued income	31
	307

13. Creditors: amounts falling due within one year

	2012
	£'000
Trade creditors	148
PAYE & NIC creditor	47
Other taxation and social security	23
Other creditors	29
Accruals and deferred income	122
	369

Deferred Income

	2012
	£'000
Deferred income at 14 November 2011	-
Resources deferred in current period	98
Deferred income at 31 August 2012	98

Deferred income held at 31 August 2012 related to unspent project management funds received from the Education Funding Agency.

14. Funds

	Income Resources	Resources Expended	Gains, losses and transfers	Balance at 31 August 2012
	£'000	£'000	£'000	£'000
Restricted general funds				
General Annual Grant (GAG)	84	(83)	-	1
Other DfE/EFA grants	437	(465)	28	-
Pension reserve	(393)	(2)	(15)	(410)
	128	(550)	13	(409)
Restricted fixed asset funds				
Long leasehold land and buildings	1,640	(3)	-	1,637
	-	-	-	-
Total restricted funds	1,768	(553)	13	1,228
Unrestricted funds				
Unrestricted funds	74	(65)	(28)	(19)
Total unrestricted funds	74	(65)	(28)	(19)
Total funds	1,842	(618)	(15)	1,209

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14. Funds (continued)

A transfer of funds has taken place as the expenditure against DfE/EPA grant income exceeded income. The balance has therefore been transferred to unrestricted reserves.

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

Restricted general funds

This fund represents grants received for the Academy's operation activities and development. This includes the pension reserve which represents the potential liability due by the academy at the period end.

Restricted other funds

From time to time, additional funds are applied as set out above for specific purpose laid down by the grant provider and to be used in the short term.

Fixed asset fund

This fund represents the net book value of the assets transferred on conversion.

Unrestricted funds

The unrestricted funds represent funds available to the Governors to apply for the general purposes of the academy.

15. Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by:

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	8	-	1,637	1,645
Current assets	47	296	-	343
Current liabilities	(74)	(295)	-	(369)
Pension scheme liability	-	(410)	-	(410)
Total net assets	(19)	(409)	1,637	1,209

16. Financial commitments

Operating leases

At 31 August 2012, the Academy had annual commitments under non-cancellable operating leases as follows:

	2012 £'000
<u>Other</u>	
Expiring within two and five years inclusive	16
	16

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17. Reconciliation of net income to net cash inflow from operating activities

	2012 £'000
Net income	1,224
Depreciation (note 11)	7
FRS 17 pension finance income (note 21)	2
Increase in debtors	(277)
Increase in creditors	369
Inherited assets	(1,277)
Net cash inflow from operating activities	48

18. Capital expenditure and financial investment

	2012 £'000
Purchase of tangible fixed assets	12
Net cash outflow from capital expenditure and financial investment	12

19. Analysis of changes in net funds

	At 14 November 2011 £'000	Cash Flows £'000	At 31 August 2012 £'000
Cash at bank and in hand	-	36	36
	-	36	36

20. Members' Liabilities

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

21. Pension and similar obligations

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff which is managed by West Midlands Pension Fund on behalf of Jubilee Academy Mossley. LGPS is a defined-benefit scheme.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

At 31 August 2012, there were £11,553 contributions outstanding. The balance was paid post the year end.

ACADEMY TRANSFORMATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

21. Pension and similar obligations (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, defined benefit scheme. The regulations under which the TPS operates at the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2011, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%) which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Government Actuary ("GA") using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

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

The last valuation of the TPS related to the period 1 April 2001 – 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75% and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5% which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost sharing agreement also introduced (effective for the first time for the 2008 valuation) a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8% depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are therefore currently suspended. The Government however has set out a future process for determining the employer contribution rate under the new scheme and this process will involve a full actuarial valuation.

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21. Pension and similar obligations (continued)

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £11,553 of which employer's contributions totalled £7,732 and employees' contributions totalled £3,821. The agreed contribution rates for future years are 21.3% for employers and 5.5% - 7.5% for employees.

Principal Actuarial Assumptions	At 31 August 2012
Rate of increase in salaries	4.05%
Rate of increase for pensions in payment / inflation	2.30%
Discount rate for scheme liabilities	4.50%
Inflation assumption (CPI)	2.30%

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

	At 31 August 2012
<i>Retiring today</i>	
Males	22.0
Females	24.7
<i>Retiring in 20 years</i>	
Males	23.8
Females	26.6

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

	Expected return at 31 August 2012	Fair value at 31 August 2012 £'000
Equities	7.0%	46
Government bonds	2.5%	8
Other bonds	3.4%	8
Property	6.0%	9
Cash/liquidity	0.5%	1
Other	0.1%	13
Total market value of assets		85
Present value of scheme liabilities		
- Funded		(495)
Deficit in the scheme		(410)

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

21. Pension and similar obligations (continued)

The expected return has been calculated as a weighted average of all pension schemes included within the financial statements

The actual return on scheme assets was £1,000.

Amounts recognised in the statement of financial activities

	2012 £'000
Current service cost (net of employee contributions)	2
Total operating charge	2

Analysis of pension finance income / (costs)

	2012 £'000
Expected return on pension scheme assets	-
Interest on pension liabilities	(2)
Pension finance costs	(2)

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £15,000 loss.

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

	2012 £'000
Inherited liability	473
Current service cost	3
Interest cost	2
Employee contributions	1
Actuarial loss	16
At 31 August 2012	495

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

	2012 £'000
Inherited asset	80
Actuarial gain	1
Employer contributions	3
Employee contributions	1
At 31 August 2012	85

The estimated value of employer contributions for the year ended 31 August 2013 is £34,000.

ACADEMY TRANSFORMATION TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21. Pension and similar obligations (continued)

The two period history of experience adjustments is as follows:

	31 August 2012 £'000	1 August 2012 £'000
Present value of defined benefit obligations	(495)	(473)
Fair value share of scheme assets	85	80
Deficit in the scheme	(410)	(393)
		2012 £'000
Experience adjustments on share of scheme assets		1
Experience loss on scheme liabilities		(16)

22. Related Party Transactions

Owing to the nature of the Academy's operations and the composition of the board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of Governors may have an interest.

During the period, Academy Transformation Trust made purchases totalling £16,318 from Gaia Technologies Plc., of which the Trust director Anas Mawla is shareholder and managing director. The balance due to Gaia Technologies Plc. at 31 August 2012 was £6,763.

During the period, Academy Transformation Trust also made purchases totalling £13,431, including £7,000 accrued expenditures, from the Advice Alliance Limited, of which the group financial director is the majority shareholder. The balance due to the Advice Alliance Limited at 31 August 2012 was £14,717.

All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures.

23. Conversion to an academy trust

During the year the following school converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Academy Transformation Trust from the relevant local authority for £nil consideration.

<u>Academy</u>	<u>Date of transfer</u>	<u>Predecessor School</u>	<u>Local authority</u>
Jubilee Academy Mossley	1 August 2012	Mossley Primary School	Walsall City Council

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

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23. Conversion to an academy trust (continued)

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

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total £'000
Tangible fixed assets:				
Long leasehold land and buildings			1,640	1,640
LGPS pension deficit	-	(393)	-	(393)
Other identified assets and liabilities	30	-	-	30
Net assets/(liabilities)	<u>30</u>	<u>(393)</u>	<u>1,640</u>	<u>1,277</u>

The above net assets/liabilities include £nil that were transferred as cash.