

Company Registration Number: 07611347 (United Kingdom)

THE MERCIAN TRUST
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

THE MERCIAN TRUST
(A Company Limited by Guarantee)

CONTENTS

	Page
Reference and Administrative Details	1 - 2
Trustees' Report	3 - 20
Governance Statement	21 - 25
Statement on Regularity, Propriety and Compliance	26
Statement of Trustees' Responsibilities	27
Independent Auditor's Report on the Financial Statements	28 - 30
Independent Reporting Accountant's Assurance Report on Regularity	31 - 32
Statement of Financial Activities Incorporating Income and Expenditure Account	33
Balance Sheet	34 - 35
Statement of Cash Flows	36
Notes to the Financial Statements	37 - 64

THE MERCIAN TRUST
(A Company Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018

Members

John Punch
Vivian Fairbank
John Vallance
Brian Powell (appointed 1 January 2018)
David Lomax (appointed 1 January 2018)
Philip Sturrock MBE (resigned 1 January 2018)
Susan Blakemore (resigned 1 January 2018)
June Aubrook (resigned 1 January 2018)
Peter Stretton (resigned 1 January 2018)
William Stephens (resigned 1 January 2018)
Rebecca Hearsey (resigned 1 January 2018)

Trustees

As the Trust:

Philip Sturrock MBE, Chair
Jane Bonner
Kevin Hubery (appointed 1 January 2018)
Kevin Davis (appointed 1 January 2018)
Mark Harland (appointed 1 January 2018)
Melanie Crooks (appointed 1 January 2018)
Rebecca Hearsey (appointed 1 January 2018)
William Hodson (appointed 1 January 2018)
The Revd. Beverley Boden (appointed 6 November 2018)

As the School:

John Vallance (resigned 1 January 2018)
Jaswinder Dhillon (resigned 1 January 2018)
Paul Lee (resigned 1 January 2018)
Neil Moseley (resigned 1 January 2018)
Timothy Lawrence (resigned 1 January 2018)
Ashvin Pavel (resigned 1 January 2018)
Jonathan Pepper (resigned 27 September 2017)
Karen Reid (resigned 1 January 2018)
Timothy Swain, Headmaster (resigned 1 January 2018)
Kevin Parker (resigned 1 January 2018)
Alexander Hudson (resigned 1 January 2018)
Richard Kirk (resigned 1 January 2018)
Melanie Crooks (resigned 25 September 2017)

Company registered number

07611347

Company name

The Mercian Trust

THE MERCIAN TRUST
(A Company Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE TRUST, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018

Advisers (continued)

Principal and registered office

Queen Mary's Grammar School
Sutton Road
Walsall
West Midlands
WS1 2PG

Company secretary

Graham Charles Underwood

Chief executive officer

Timothy Swain

Senior management team

Timothy Swain, Chief Executive and Accounting Officer
Philip Lines, Chief Financial Officer
Alison Bruton, Queens Mary's High School, Headteacher
Ray Beech, Shire Oak Academy, Principal
Richard Langton, Queen Mary's Grammar School, Head of School
Ian Bryant, Aldridge School, Headteacher
Dan Parkes, Walsall Studio School, Principal
Lois Kelly, Trust, Director of School Improvement
David Mountney, Trust, Educational Consultant
Conrad Bourne, Director of Social Mobility

Independent auditor

Crowe U.K. LLP
Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

Bankers

Lloyds Bank plc
The Bridge
Walsall
West Midlands
WS1 1LU

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees of The Mercian Trust ("the Trust") present their annual report together with the audited financial statements and auditor's report of the Trust for the period from 1st September 2017 to 31st August 2018. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Trust operated in the period from 1 September 2017 to 31 December 2017 as Queen Mary's Grammar School ("The School"), as a selective school academy, based in Walsall, for pupils aged 11 to 19. On 1 January 2018, following approval by the Secretary of State for Education, the School joined with four other secondary schools in Walsall, to form a multi academy trust. The schools which have formed this multi academy trust are:

- Aldridge School
- Queen Mary's Grammar School (QMGS)
- Queen Mary's High School (QMHS)
- Shire Oak Academy
- Walsall Studio School (WSS)

With the assets, liabilities and business of Queen Mary's Grammar School already in the Trust, the assets, liabilities and businesses of the four other schools were transferred into the Trust on 1 January 2018.

The Trust has 5055 pupils on roll (2017: 1011).

Where specifically relating to the period from 1 September 2017 to 31 December 2017, the activities relate to the School and the trustees during that time are referred to as "the Governors". Following the formation of the multi academy trust, the activities relate to the Trust and trustees are referred to as "the Trustees".

STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

The Trust is a company limited by guarantee and an exempt charity. The charitable company's articles of association are the primary governing documents of the Trust. The charitable company was incorporated on 20 April 2011 and began operating as an academy trust on 1 June 2011.

In the period from 1 September 2017 to 31 December 2017, the Trust had 9 members who were appointed by the Queen Mary's Schools Foundation ("The Foundation"), a charitable organisation (numbers 1175360/529001), founded to support three schools in Walsall: Queen Mary's Grammar School; Queen Mary's High School and Mayfield Preparatory School. There were 9 governors appointed by the Foundation, three parent governors two governors appointed by the School's staff and the Headmaster of the School (ex officio).

With the formation of the multi academy trust on 1 January 2018, new articles were adopted, which were approved by the Secretary of State for Education. These provided for five members as follows:

- Queen Mary's Schools Foundation
- Two persons appointed by Queen Mary's Schools Foundation
- Vine Trust Walsall
- One person appointed by Vine Trust Walsall

Except for John Punch and Vivian Fairbank, the members appointed by the Foundation, all previous members resigned with effect from 1 January 2018. The new members were appointed on the same date as a result of the formation of the multi academy trust.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

The Trust is governed by the Trustees who are appointed as follows:

- Two trustees appointed by the members
- Three trustees appointed by the Foundation
- Two trustees appointed by Vine Trust Walsall

In addition, the Trustees may co-opt additional trustees with the consent of a majority of the members. The above appointees act as trustees for the charitable activities of the Trust and are also the directors of the charitable company for the purposes of company law.

Details of the Governors and Trustees who served during the year, except as noted, are included in the reference and administrative details on page 1.

Under the Articles of Association of the Trust, the board of Trustees does not include employees of the Trust. The Chief Executive Officer and the Chief Finance Officer attend meetings, ex officio, but they are not Trustees

MEMBERS' LIABILITY

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

TRUSTEES' INDEMNITIES

The Trust and its schools are members of the Academies' Risk Protection Arrangement (RPA), a Government backed compensation scheme offered by the Education & Skills Funding Agency (ESFA) to Academies. The Trustees consider that the RPA offers sufficient compensation to cover the appropriate risks of the Trust as well as good value for money.

METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES

In the period to 31 December 2017, there were 15 governors. On 1 January 2018, with the exception of the Chair Philip Sturrock and Jane Bonner all the remaining governors resigned to allow the appointment of trustees for the multi academy trust. Since 1 January 2018, The board of Trustees has consisted of eight Trustees. Two were appointed by the members of the company, three appointed by the Foundation, two by Vine Trust Walsall and one was co-opted by the Trustees. A ninth Trustee was co-opted by the Trustees on 6 November 2018.

The Foundation is a charitable organisation with a board of Trustees comprising governors from three schools (Queen Mary's Grammar School, Queen Mary's High School and Mayfield Preparatory School), and additional trustees with connections to the schools although not employed by them.

The Vine Trust, Walsall is a registered charity (number 1093838) which works in Walsall and other Black Country boroughs engaged in economic, environmental and social regeneration.

POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES

The Chief Executive Officer (CEO) is responsible for inducting new Trustees, and supplies them with an Induction Pack including details of the Trustees, minutes of previous meetings, the Trust's strategic and governance plan, and details of how to obtain further information about governor responsibility (e.g., the National Governance Association and Gov.uk websites). The CEO also gives details of responsibilities and duties and invites new Trustees to a briefing session with the Trust's senior leaders.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Training continues throughout the academic year. Regular Trustee meetings may include training as part of the agenda. Alternatively, special training events are set up to meet particular needs. Areas covered have included for example: safeguarding, GDPR and the transition to Trust governance from single academy status. Trustees also have the opportunity to attend formal governor training sessions held by Walsall Local Authority, as well as access to the Walsall Association of Governors.

ORGANISATIONAL STRUCTURE

The board of Trustees operated with one principal sub-committee: The Business, Audit and Risk Committee. Each school within the Trust maintains a Local Governing Body (LGB). These are appointed by the Trustees and are effectively sub-committees of the Trust. A trust document, Rhythms of the Year, sets out agendas for each LGB meeting and arrangements for communications between the LGB and the board of Trustees. Other panels are convened as required for dealing with matters of staffing, pupil discipline and appeals from these, and also a panel to deal with complaints that could not be resolved internally. The Clerk to the Board of Trustees has a remit to convene these panels as and when required from eligible Trustees.

Responsibility for day to day leadership and management of the Trust was devolved to the CEO and the Trust Executive New Team (TENT). During the year, members of the TENT included: the CEO, the Chief Financial Officer (CFO), the head teacher of each school within the Trust, the Director of School Improvement, the Director of Social Mobility and the lead for Initial Teacher Training and Professional Development.

The TENT meets every three weeks to discuss all aspects of the Trust's work. From these meetings come recommendations for action which are considered by Trustees. Where a course of action requires significant expenditure (capital projects, staffing, etc.), they refer any decision through the Business, Audit and Risk Committee for scrutiny.

The CEO is the Accounting Officer of the Trust.

The Trust used the services of the Clerk to the Foundation during the course of the year.

PAY POLICY FOR KEY MANAGEMENT PERSONNEL

All of the Trustees carry out their work for the Trust on a pro bono basis but they have overall responsibility for setting the Trust's pay policy and reviewing the remuneration of senior management within the Trust.

The Trustees have established a separate Pay Committee to oversee this process, which comprises a majority of the Trustees. This Committee has delegated responsibility for reviewing pay proposals for staff and senior management.

The Pay Committee receives recommendations from each of the LGB's regarding performance management and pay for teaching staff and for the senior leadership teams, as well as for the Head teacher / Principal in each school. The CEO presents the recommendations for senior management at the schools and also for the Trust central team.

The Committee also appoints an independent adviser, usually a Chief Executive from another multi academy trust, or a senior figure in the sector to review the performance of the CEO and advise on recommendations of other key senior management where appropriate.

The Pay Committee will consider the above proposals taking into account the guidance from School Teachers' Pay and Conditions and benchmarking for the CEO, senior trust staff and Head teachers / Principals. The Pay Committee's recommendations are ratified by the full Board of Trustees.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

In setting Executive Pay, the Trustees undertake a benchmarking exercise with Trusts of a similar size and works within the guidelines set out by the Education and Skills Funding Agency.

TRADE UNION FACILITY TIME

Relevant union officials

Number of employees who were relevant union officials during the year	9
Full-time equivalent employee number	8

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	9
1%-50%	-
51%-99%	-
100%	-

Percentage of pay bill spent on facility time £

Total cost of facility time	209
Total pay bill	19,292,885
Percentage of total pay bill spent on facility time	- %

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	- %
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CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS

The Trust maintains a register of Business Interests, including details of related parties, so as to identify potential conflicts of interest, if any. In the unlikely event of a potential conflict of interest, this enables the Trustees to manage the matter in the most appropriate way. In addition, all agendas for meetings (including Committee meetings) have "Declarations of Interest" as a standing item. Similar registers are maintained by each of the schools within The Trust and agendas of the meetings of the LGB's also have "Declarations of Interest" as a standing item.

Trustees receive no payment for their services, but may in limited circumstances be reimbursed for out of pocket expenses incurred wholly and exclusively on behalf of the School's business.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Recruitment of staff who may be connected to Trustees is conducted in accordance with the Trust's recruitment policies and procedures and with the connected trustee having no vote or influence over such appointment. The Trust has identified a number of related parties as set out below:

- The Foundation
- Vine Trust Walsall
- Farchynys Estate Management Ltd
- PTP Training Ltd
- Queen Mary's Association

Details of the financial value of transactions are included in note 26 of the notes to the financial statements. All transactions incurred by the Trust were charged at cost.

Queen Mary's Schools Foundation

The Foundation is a charitable trust and holds on trust, as a perpetual endowment, funds donated and investments made over the years since the founding of the School by the letters patent of Queen Mary in 1554, and subsequently the founding of Queen Mary's High School (for girls) and Mayfield Preparatory School. The endowment is used:

- To provide the above schools with benefits including funding of any kind as may be agreed from time to time between the governing bodies of the Foundation and the schools
- To promote the education of pupils of the schools it supports who may be in need of financial assistance

The Foundation is able to appoint members and Trustees of the Trust, as described above. The Trust has not made any payments during the year to the Foundation.

During the year the Trust has received income in the form of donations from The Foundation relating to running the entrance tests for Queen Mary's Grammar School and Queen Mary's High School, as well as donations from parents for enrichment activities. The Foundation has also provided the services of a Clerk to the Governors and Trustees at no cost to the Trust.

The Foundation owns the freehold land on which the both Queen Mary's school sites are based. These are let at a peppercorn rental to the Trust under a 125-year lease for the main sites and 10 year leases for their playing fields, also at a peppercorn rent.

Vine Trust Walsall

Vine Trust Walsall is a charitable trust that is actively engaged in economic and social regeneration. The trust is structured to run an inclusive mix of services and facilities, which respond to the needs of the communities it serves, with a Christian Ethos as its cornerstone.

Vine Trust Walsall is able to appoint members and Trustees of the Trust, as described above.

Vine Trust Walsall owns a number of subsidiaries including Vine Education Trust, Vines Catering and Vine Access Centres, which trade with Walsall Studio School. Vine Trust Walsall was instrumental in founding Walsall Studio School, including providing buildings in which the school operates. In the year Vine Trust Walsall and subsidiaries provided building management, HR, finance & IT support services to the school. The group also provided catering, coaching/mentoring to students, and support in alternative provision education.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Walsall Studio School's main site is the Goldmine Centre, owned by Vine Trust Walsall. This was agreed with the ESFA at the inception of the school in 2013. There is a plan to provide a longer term solution, which is being addressed by the ESFA. The School's original accommodation was the second floor of the Goldmine Centre, which is subject to a 125-year lease from Vine Trust Walsall to the school, at peppercorn rental. As the school has expanded it has needed additional space. The Trust has entered into separate licence agreements for this accommodation, which have been approved by the ESFA. These include:

- 33a Lower Hall Lane (sixth form accommodation) – rent is charged by Vine Trust Walsall, and which is reimbursed to Walsall Studio School by the ESFA
- The auditorium and part of the 1st floor of the Goldmine Centre – rent is paid to Vine Trust Walsall directly by the ESFA

PTP Training Ltd (PTP)

Based in Walsall, Performance Through People (PTP Training Ltd), or "PTP", has been providing training to companies and schools throughout the Midlands for over forty years. PTP was graded as 'Outstanding' by Ofsted for partnership engagement. PTP offer a wide range of services including:

- Apprenticeships: support for employers on how to make the most of the apprenticeship levy/funding
- Traineeships through a variety of skills academies
- Support for schools, including careers guidance, vocational qualifications and training for staff

PTP is a subsidiary of EMCCI, a company limited by guarantee (formerly known as the East Mercia Chamber of Commerce & Industry and Walsall Chamber of Commerce & Industry). A member of the Trust is a member of EMCCI and a director of both EMCCI and PTP. A trustee of the Trust is also director of PTP.

Shire Oak Academy has engaged apprentices through PTP via the apprenticeship levy. Walsall Studio School has a service level agreement with PTP to provide information, advice and guidance (part of CEIAG) and employability sessions to students at the school. It also provides work experience placement opportunities.

Farchynys Estate Management Ltd ("FEML").

In 1965 a group of old boys of Queen Mary's Grammar School acquired a property at Farchynys Hall, near Barmouth in Wales, to provide boys from the school with the opportunity to benefit from outward bound activities at a residential centre. This property, the Coach House, is owned by 4 trustees, appointed by Queen Mary's Old Boys' Club. The facility is made available to the school and to schools in The Trust. With recent expansion at Queen Mary's Grammar School, the centre became outgrown. As a result, The Foundation, and the Queen Mary's (Old Boys') Club Scholarship Fund ("OBSF), a linked charity of the Foundation, agreed to provide funding to acquire two additional buildings on an adjacent site. Thanks to generosity of old boys these were acquired in 2015. The Barn was acquired by The Foundation and is made available for the school's use. To provide greater control over the site, the adjacent Cottage was acquired by the OBSF as an investment.

The properties are owned by these separate bodies, but to manage the estate more effectively, it was agreed to establish a separate legal entity, Farchynys Estate Management Ltd. This company manages and pays for the maintenance of the properties, and manages the letting agent for the Cottage.

The objective of establishing FEML is to continue to provide the Trust with a fantastic residential centre, at minimal cost to encourage greater utilisation by pupils within the Trust. The Trust collects fees for board and lodging on the residential trips from parents and other users (e.g. The Cadet Force) and pays these fees to FEML for the use of the Coach House and the Barn.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Queen Mary's Association ("QMA")

The School relies on, and is very grateful for, the goodwill and support of parents of pupils at the School, as well as alumni and their families. Queen Mary's Association is a registered charity which was formed by parents to raise funds for the benefit of Queen Mary's Grammar School. The QMA and its activities are run by parents and provide valuable donations to the school. During the year the fund raising was directed to raise funds for a new minibus which was acquired during the period. There are 5 trustees of the QMA, all volunteers, and one of whom is related to a trustee of the Trust. The Trust does not make payments to the QMA.

OBJECTIVES AND ACTIVITIES

OBJECTS AND AIMS

The Trust's mission is to provide the best education and life chances for the children and young people of Walsall and the surrounding area.

The Trust brings together different schools catering for a wide range of individual needs into one multi academy trust in order to offer the broadest and best education to all pupils regardless of their socio-economic, cultural or ethnic background.

Leveraging the strengths of the participating schools, pupils of The Mercian Trust will be able to access the advantages and opportunities that each school brings – in teaching, leadership, breadth of curriculum, facilities, enrichment activities and community engagement.

This is summed up in the Trust's mission statement:

The Trust will equip all pupils to live life to the full, enabling them to:

- Realise their potential
- Thrive in the world of work
- Make a positive contribution to the local, national and international community

OBJECTIVES, STRATEGIES AND ACTIVITIES

The Trust's strategic plan is based on the role of multi academy trusts as defined by the National Schools Commissioner, Sir David Carter. It sets out four main areas of activity:

- Developing people
- School Improvement
- Governance and Risk Management
- Financial Health and Efficiency

The strategic plan also looks for its inspiration to the Trust's values:

- Opportunity and community
- Excellence and rigour
- Challenge and support
- Safety and well-being
- Acceptance and applause

The Trust's work in this area is to build a community characterised by hope so that our pupils will make a positive contribution to the area in which they live and beyond.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

The key objectives for the year ended 31 August 2018 were:

Outcomes

- To ensure all pupils realise their full academic potential and are prepared to thrive in the world of work

Trust vision

- To work with stakeholders and appropriate partners to ensure that the Trust's values are developed, embedded and publicised
- To work with team members to ensure the smooth running of the Trust, without losing sight of the central importance of teaching and learning

Leadership and Management

- To ensure that everyone understands that the Trust is a partnership to which each individual school makes a positive contribution; that no institution acts in isolation; that they are working for the common good

Partnerships

- To work with partners to translate the aspiration of life to the full in the business of education in to exciting specific projects
- To ensure that students in schools in the Trust have access new enrichment activities resulting in higher levels of participation and engagement

Commentary on the achievement of the above objectives and also other activities during the year is discussed under the achievements and performance section of the Trustees' report.

PUBLIC BENEFIT

The Trust is mindful of the guidance on public benefit issued by the Charity Commission, and the requirements to comply with current legislation. The Trustees are committed to ensuring access to Trust schools of all candidates of whatever background. The Trust's schools will continue to provide education to children and young people that:

- Is balanced and broadly based;
- Provides the spiritual, moral, cultural, mental and physical development of all students;
- Prepares students for the opportunities, responsibilities and experiences of later life;
- Promotes, sustains and increases individual and collective knowledge and understanding of specific areas of study, skills and expertise;
- Works in partnership with others in order to share enthusiasm, experience and expertise as widely as possible in the Borough and beyond, not least to promote social mobility among disadvantaged children.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

At the time of writing, there are 5,055 students in the five schools of the Trust.

In the summer examinations of 2018, Trust Schools achieved the following results:

Key Stage 4 (KS4):

	Nat Ave 2017	Aldridge		QMGS		QMHS		SOA		WSS	
Grades 4+ English & Maths	59	70	↑	99	↔	98	↓	53	↓	24	↓
Grades 5+ English & Maths	40	42	↑	96	↓	98	↓	32	↑	10	↓
Average Attainment 8	44.6	47.1	↑	73.7	↓	72.0	↑	42.8	↓	30.9	↑
Average Progress 8	0	+0.03	↑	0.53	↓	0.5	↑	-0.26	↑	-1.14	↑

The arrows in the table indicate a comparison with the 2017 figures.

It should be noted that the Department for Education ("DfE") has confirmed that Progress 8 data is not an appropriate measure for the evaluation of the performance of Studio Schools. (This caveat applies, therefore, to the last column of the previous table – WSS).

Key Stage 5 (KS5)

	Nat Ave 2017	Aldridge		QMGS		QMHS		SOA		WSS	
A Level	31.3	28.2	↑	40.8	↑	36.3	↑	28.3	↑	20.0	↓
Tech	32.3	34.8	↓							39.2	↓
Applied	35.7							29.1	↓	35.5	↓

It should be noted that that the WSS applied general score was very close to national average; this represents a significantly positive value added score for that school.

KEY PERFORMANCE INDICATORS

The Trustees set rigorous performance indicators for academic progress which are reflected in performance management targets for individual head teachers in the Trust. It is pleasing to note that – in the headline Progress 8 measure, two of the five schools remained in the top quintile with a nationally significant figure which is > +0.5. All of the other schools significantly improved their P8 performance from the previous year.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Whilst difficult to measure, the Trust aims to provide a broad education not just academic results, encouraging extra-curricular activities such as performing arts, sports, clubs, UK/overseas trips, work experience, enterprise, community and family based activities. These are part of a curriculum that transforms lives. The Trust takes pride in the fact that it is more than just a collection of schools. It is a flourishing community.

The Trustees monitor a number of key performance indicators (KPI's) which affect performance, including:

- Examination results
- Value Added and Progress 8 measures
- Government funding streams and other income levels
- Pupil numbers – both for 11-16 and also 16-19 (Sixth Form)
- Staff numbers and curriculum provision through an Integrated Curriculum Financial Planning ICFP tool
- Revenue surpluses
- Capital projects income and spend

The Trustees also monitor carefully the progress made each year on the Trust Strategic Plan.

Highlights from 2017-18 include:

- The Trust was officially incorporated on 1 January 2018
- The academic performance of the Trust showed improvement in key national measures
- A Trust website has been set up and channels of communication have been set up between stakeholders
- The Trust appointed a Director of School Improvement, who introduced a new system of self-evaluation
- Significant progress was made towards the opening of an Alternative Provision free school, including the appointment of a Principal Designate
- An application from Lower Farm Primary School to join the Trust has been submitted to the DfE
- An application to the MAT Development & Improvement Fund (MDIF) was successful with £135k awarded
- An ambitious bid to the Selective Schools Expansion Fund (SSEF) has been submitted to the DfE on behalf of both Queen Mary's Grammar School and Queen Mary's High School. This bid includes a fair access partnership plan which will result in outreach to primary schools across the Borough of Walsall
- A "MAT Block" was introduced at post-16 level in order to maintain the breadth of A Level curriculum
- Trust-wide CPD was introduced including leadership courses for aspiring middle and senior leaders
- An innovative partnership was agreed with Birmingham University, which saw the expansion of the existing TSST programme to include a bespoke scheme for physics
- The Mandarin Excellence Programme was extended to a second school in the Trust School. A third school in the area was also recruited
- A Trust-wide lead for IT, Data and Communications was appointed and preparations for GDPR compliance were carried through
- A partnership was established with Business in the Community to promote careers education

GOING CONCERN

After making appropriate enquiries, the board of trustees has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason 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 Accounting Policies.

FINANCIAL REVIEW

Most of the Trust's income comprises the General Annual Grant (GAG) from the DfE, which is restricted in use in furthering the objects of the Trust. GAG and the associated expenditure are therefore shown as restricted general funds in the Statement of Financial Activities.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

On conversion to academy status, the surplus, assets & liabilities and the business of the former Queen Mary's Grammar School (a voluntary aided selective school) were transferred on 1 June 2011. When the multi academy trust was formed on 1 January 2018 the surpluses, assets, liabilities and businesses of the four schools joining the Trust were also transferred into the Trust.

The results of the Trust reflect 12 months' trading of Queen Mary's Grammar School and 8 months' trading of the schools joining the multi academy trust on 1 January 2018.

During the year, as well as its annual allocation of Devolved Formula Capital grant, the Trust received capital grants from the Academies Condition Improvement Fund (CIF) for:

- Two expansion projects at Queen Mary's Grammar School
- Replacement roofing and windows at Queen Mary's High School
- Replacement roofing at Shire Oak Academy

These are all significant projects which will greatly enhance the estate of the Trust. The projects at Queen Mary's High School and Queen Mary's Grammar School are ongoing, while the roofing project at Shire Oak was completed during the year.

In addition, there has been significant investment in building and sports facilities development at Shire Oak Academy and Aldridge School. With the approval of the Secretary of State for Education, Aldridge School sold a relatively small proportion of its playing fields for £849k, with the proviso from Sport England that this would be reinvested in sports facilities. Some of this investment was made during the period and further investment is planned. Shire Oak has invested in dining facilities for its sixth form and improving conference facilities.

The Trust recognises that education funding is a significant risk to schools and academies across the country. As a result, there is a significant focus on increasing pupil numbers and managing and reducing costs. Pupil numbers increased in September 2017 and again in September 2018. This includes growth in some schools, offset by declines at other schools. Even prior to formation, the Trust has promoted a cross school approach to sixth form recruitment and curriculum and is sharing teaching in selected subjects in a "MAT block".

The Statement of Financial Activities showed an overall net surplus of £51,992k (2017: deficit of £726k). The results for the year to 31 August 2018 reflect those of the Trust, while 2017 relate to the results of Queen Mary's Grammar School. Included in this result was the transfers of assets and liabilities from the four schools transferring into the Trust, on 1 January 2018, and totalling £49,328k. The result was also after charging depreciation of £1,323k (2017: £495k). The result also included an actuarial pension experience gain of £1,462k (2017: loss of £270k), which arose principally due to a reduction in the assumed rate of increase in pensions and salaries.

A review of the valuation of the LGPS pension plans has been carried out by actuaries, Barnett Waddingham. This indicates an overall net deficit of plan liabilities of £8,809k (2017: £1,970k). The main reason for this increase was the transfer in of the schools joining the Trust on 1 January 2018.

RESERVES POLICY

The Trustees have agreed a reserves policy which recognises that ongoing spending plans need to closely match funding. They recognise there are risks and uncertainties which may lead to unexpected costs and there may be a need to fund future capital projects. The Trustees consider it good practice to maintain an appropriate level of reserves to cater for such items, while balancing this with a need not to hold onto reserves for an excessive period. Policies for each of the main reserves are set out below

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Revenue reserves

At 31 August 2018, restricted revenue reserves were £1,782k (2017: £652k) and unrestricted reserves were £2,253k (2017: £118k). Included within these reserves, the Trust held a sports restricted reserve of £357k (2017: £Nil) reflecting the requirement to reinvest the proceeds from the sale of playing fields at Aldridge School (see below).

In addition, the Trustees have agreed 50% of the free revenue reserves of the five founding academies at the date of formation of the MAT can be used for a period of up to five years from that date specifically for the corresponding academies. This reflects a balance to ensure funding received by those academies is being used for pupils at the academies when the MAT was formed, and protecting the future of the Trust. At 31 August 2018, these designated reserves were £1,551k (2017: £Nil).

The free reserves at 31 August 2018, after the above designations, were £2,127k (2017: £770k).

Following the sales of land at Aldridge School with a requirement to invest in sports activities and facilities, a designated sports fund is maintained by that school. The balance was £357k at 31 August 2018.

In addition to amounts reserved for specific capital or on going projects the Trustees believe it is appropriate to maintain a level of free revenue reserves of at least 5% of recurring grant income to cater for risks and uncertainties, unexpected costs or shortfalls in income; working capital needs and the potential need for capital investment. Such reserves were £2,100k at 31 August 2018, or 7.8% of recurring grant income.

Pension Reserve

The defined benefit scheme reserve has a deficit balance, the effect of which is the MAT pays higher employer contributions over a period of years. These are met from future income. While the deficit will not be eliminated in the short term, there should be no direct impact on free revenue reserves.

Fixed Asset Reserve

The fixed asset reserve fund reflects funding received for assets of a capital nature, less accumulated depreciation. Capital funding is received from the ESFA from time to time, but may not be sufficient to cover all capital needs and the Trust may therefore be required to fund expenditure out of its free revenue reserves. If ever applicable, the Trustees have agreed that proceeds from disposal of a specific academy's land & buildings (subject to approval by the Secretary of State) would be reinvested in the academy to which these assets relate (unless otherwise directed by the Secretary of State).

INVESTMENT POLICY

The board of Trustees is responsible for setting investment policy. The day to day responsibility for managing this function is delegated to the Trust's CFO in consultation with the individual schools and taking into account the returns from interest rates compared to cash requirements.

In view of current low interest rates, and the major capital projects being undertaken across the Trust most funds were held in current accounts at year end.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The Trust has a duty to identify and review significant risks and to ensure that there are adequate controls over these risks to provide reasonable assurance to the Trustees that risks are being managed and mitigated. The Trustees have assessed the main areas of risk which the Trust faces and these are documented in the risk register. The main headings in the register are:

- Strategic Plan
- Educational Standards
- Public Profile
- Compliance
- Finance
- Systems
- Safeguarding
- Health and safety
- Personnel

The Trustees have overall responsibility for risk management, and choose to delegate management and monitoring of these matters to the Business, Audit and Risk Committee and, in turn, to the CEO and the TENT. Policies and control procedures have been put into place to cover all the above-mentioned areas of risk.

Strategic plan

The strategic planning risks identified included:

- The Trust does not function as a single entity.
- Individual schools maintain autonomy to the detriment of the functioning of the Trust.
- Failure to meet Trust objectives
- Insufficient pupil numbers leaving the Trust financially unsustainable
- Post 16 provision not meeting the requirements of students (or their parents' expectations) leading to insufficient recruitment and financial insecurity

To address these, the Trustees have established processes to ensure:

- There is a clear strategic plan
- Good communication, including regular meetings between CEO and Head teachers/Principals
- The creation of a Trust central team
- An appropriate scheme of delegation is in place
- Experienced resources to support the Trust drawn from Trustees, a central Trust team and senior leaders in the schools within the Trust
- Regular visits to schools by the Director of School Improvement
- Planning for future growth
- Regular monitoring of trends in pupil numbers, budget information and employment costs
- A robust expansion strategy

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Education Standards

Risks identified in this area by the Trustees include:

- Schools failing to make nationally expected progress (according to measures in force)
- Insufficient progress on post Ofsted action plans following inspections rated as RI or Inadequate
- Schools failing to make progress to close the gap for disadvantaged children
- Teacher recruitment and retention is insufficient to drive up standards

As a result, the following key processes have been established:

- The Trust will set up a separate Standards Committee at the start of 2019
- A robust performance management process in place
- Termly data drops will be arranged
- CEO/ Director of School Improvement attending senior leadership meetings in schools
- Regular visits by the Director of School Improvement with recommendations, and review by an experienced Trustee or independent review where appropriate
- A robust pupil premium strategy with monitoring by central Trust leaders
- Development of a school improvement package, (including school visits/intervention support)
- An independent review of governance
- Consideration of shared staffing structures between schools including best practice transfer

Public Profile

This is also critical as it ensures the future (financial) viability of the schools in the Trust. The Trustees monitor recruitment both at Year and in Year 12. All Schools in the Trust recruited to their published admissions number (PAN) for Year 7 in 2017-18.

Areas of focus include:

- Pupil and staff behaviour, for which the individual schools' policies are key to managing this risk
- Publicity, which is closely monitored by the CEO, head teachers, Governors and Trustees
- Suitability of partnerships with other organisations which are closely monitored by the Trustees

Safeguarding

The Trustees continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline. Each school's Designated Safeguarding Lead (DSL) is responsible for:

- Ensuring there are adequate systems in place for identifying and reporting on pupil welfare and safety
- Liaising with authorities to ensure that schools fulfil their obligations for dealing with serious incidents
- Planning, coordinating and organising training for staff and pupils on safeguarding matters
- Ensuring that parents are fully informed of arrangements (and of their own responsibilities) through the individual schools' home school agreements

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Finance

The Trust is heavily reliant on Government funding with over 85% of total revenue (excluding capital funding) forecast to come from public grants. Other income comes from a variety of sources such as catering, educational trips, materials for pupils and facilities lettings.

The Trust has already experienced reductions in elements of grant funding and basic per pupil funding, as well as increased pay related costs from pensions/national insurance. Further reductions in grant funding in real terms are also anticipated in both 11-16 and 16-19 education in the future. The recent unexpected increase in teachers' pay will in the main be funded by a short term additional pay grant, however there are still significant uncertainties over future increases in pension costs and the impact of the national funding formula.

The Trust's financial objectives are to manage its affairs to support the achievement of the overall strategic objectives as set out in the Trustees' strategic plan. This covers both short-term and long term planning, managing revenues, costs, assets, liabilities, opportunities and risks to ensure the Trust remains in a good financial position to deliver its planned activities.

The risk from the reductions in basic per pupil funding at the same time as increasing costs over which the Trust has no control, has been and continues to be mitigated in several ways:

- Student numbers remain the key driver and Trustees aim to increase student numbers for 11-16 provision. Both Queen Mary's schools have applied for Selective Schools Expansion funding, and are awaiting the outcome of a decision. Aldridge has already increased its PAN as well
- Although the number of pupils attending at age 16 – 19 can vary year on year, this is a key area of focus for Trustees. The introduction of the MAT block subjects enables the Trust to offer a broader curriculum while managing efficiency of delivery. Retention of existing students is key for all schools as well as increasing external recruitment
- The Trustees, and schools prior to the formation of the multi academy trust, have been successful in attracting capital funding which has improved facilities, supporting recruitment and retention, as well as modernising facilities to reduce running costs. The provision of a long term plan to provide Walsall Studio School with an integrated site is also key to this strategy
- Trustees are also focused on increasing other revenues to reduce the impact of lower grant funding

In addition to increasing revenue, there is a focus on managing costs to achieve savings where possible without impacting on the effectiveness of provision of education. Where necessary the Trustees will approve investment to do this. Costs have fallen due to a previous investment in more energy efficient boilers, replacement windows and roofing, and investments in bulk copiers and printing resources were made to reduce operational costs. Four of the five schools in the Trust have been collectively sourcing energy to secure effective deals. Spend is very closely monitored against budgets to ensure adequate control of costs.

In line with many other trusts, The Trust is currently undergoing a review of its curriculum provision and the introduction of KPI reporting and benchmarking. This includes an integrated curriculum financial planning review to identify actions to improve delivery and efficiency of delivery.

Health & Safety

Trustees, Local Governors and staff are keenly aware of their responsibilities to ensure that Trust schools provide a safe and comfortable place in which to study and work. The schools have a robust set of health & safety procedures, and commission expert external advice through independent audits, focusing on different areas, on a regular basis.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Personnel

The success of the Trust is reliant on the quality of its staff and so Trustees monitor and review policies and procedures to ensure continued development and training of staff as well as ensuring there is clear succession planning. The Trustees oversee the management of a Trust-wide performance management system which assesses staff performance and is linked to pay. Trustees appoint an independent advisor to review performance and pay for the CEO and the TENT. The CEO advises LGB's on decisions on individual school leadership team payments and moderates recommendations from head teachers for staff across the Trust.

The Chairs of the LGBs, and the head teachers in individual schools are responsible for managing change and communication / dissemination of information to staff. Senior staff, governors and Trustees are trained in safeguarding training for recruitment of new staff.

Fraud, misuse of funds and safekeeping of assets

The Trust has a qualified CFO, supported by a suitably qualified finance team which is responsible for managing finances. The Trustees agreed a programme of additional work with the auditors to review internal controls and processes as required by the Academies' Financial Handbook. This internal audit work includes ensuring that the Trust's financial policies are adhered to. Reports are prepared for the Business, Audit & Risk Committee, which fulfils the role of Finance Committee and Audit Committee as described in the Academies Financial Handbook.

The Trustees are mindful of the negative publicity of instances of irregularities in a small number of other unconnected academies which has been reported in the press. They are therefore robust in setting internal controls, are diligent in setting the Trust's budget and monitoring performance closely.

The Trustees also ensure that the Trust maintains insurance cover, including using the RPA scheme and are advised by an independent broker and covering the main aspects of the Trust's operations and assets.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

FUNDRAISING ACTIVITIES / INCOME GENERATION

The schools within the Trust seek to increase revenues where possible. This includes the letting of sports and building facilities to third parties. These arrangements are subject to checks on the third party including for safeguarding, insurance and risk assessment of activities.

When supplying trips, materials or other activities to pupils, all schools consider whether charges can be made in line with the charging and remissions policy. This includes whether to request voluntary contributions from parents to help fund activities. Such requests are clearly identified as voluntary contributions.

Queen Mary's Grammar School and Queen Mary's High School both request voluntary donations towards wider enrichment activities carried out by staff in these schools. Without these, it would be difficult to finance some of the extra-curricular activities which take place outside of core education. Requests are made termly and are clearly marked as voluntary. The Trust is very grateful for the generosity of parents who support the schools in this way. The Trust operates a sensitive approach to fund raising from parents and there have been no complaints. No external professional fundraising organisations were used.

Several of the schools within the Trust also have active parents' associations who support activities and raise funds.

PLANS FOR FUTURE PERIODS

FUTURE DEVELOPMENTS

The key objectives for the forthcoming year for the Trust include to:

- embed the strategic plan for the Trust
- ensure effective succession planning
- secure improved Progress 8 scores for all schools
- demonstrate improved social mobility through: improved access and participation from pupils eligible for pupil premium at the two grammar schools; by the closing of the gap for pupils eligible for pupil premium at GCSE; and through destination data
- introduce quality assurance events at each of the Trust schools
- collaborate with neighbouring multi academy trusts in evaluation exercises (at school & trust levels)
- establish HR work within the Trust including the introduction of a suite of trust-wide policies
- open the new Alternative Provision free school, the Ladder School (early in 2019)
- submit an application for a new Free School primary school (including significant nurture provision)
- expand the Trust by bringing in new schools (including expansion in to the primary sector)
- set up structures and personnel to allow for effective and efficient Trust-wide central services
- embed a high quality professional development programme for aspiring middle and senior leaders
- improve recruitment at Year 12 through the introduction of relevant courses
- embed the use of integrated curriculum financial planning
- complete capital projects to allow for PAN expansion at the selective grammar schools
- submit a proposal for further development of efficient governance and leadership structures in the Trust

THE MERCIAN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

FUNDS HELD AS CUSTODIAN

During the year ended 31st August 2018, the Trust did not hold any funds as custodian trustee on behalf of any other charitable organisation.

EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF THE DISABLED

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The Trust carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and the Trustees.

The Trust has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal Opportunities Policy
- Volunteers' Policy
- Health & Safety Policy

In accordance with the Trust's Equal Opportunities Policy, the Trust has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the Trust's offices.

AGENCY ARRANGEMENTS

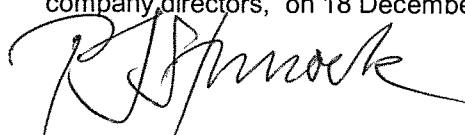
The Trust acts as an agent in distributing bursary funds and grants from the ESFA and other government bodies. Payments received and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. In some instances the trust can use a % of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 28.

DISCLOSURE OF INFORMATION TO AUDITOR

Insofar as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustees have 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.

The Trustees' Report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 18 December 2018 and signed on its behalf by:



Philip Sturrock MBE, Chair
Chair of Trustees

THE MERCIAN TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As trustees, we acknowledge we have overall responsibility for ensuring that The Mercian 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 CEO, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Mercian Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of trustees has formally met 5 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
As the Trust:		
Philip Sturrock MBE, Chair	2	2
William Hodson, Vice Chair	2	2
Jane Bonner	2	2
Melanie Crooks	2	2
Kevin Davis	2	2
Mark Harland	2	2
Rebecca Hearsey	2	2
Kevin Hubery	2	2
As the School:		
Philip Sturrock MBE, Chair	1	3
John Vallance, Vice Chair	3	3
Timothy Swain, Headmaster	3	3
Jane Bonner	2	3
Melanie Crooks	0	0
Jaswinder Dhillon	1	3
Alexander Hudson	2	3
Richard Kirk	2	3
Timothy Lawrence	3	3
Paul Lee	2	3
Neil Moseley	2	3
Kevin Parker	3	3
Ashvin Patel	1	3
Jonathan Pepper, Headmaster	0	1
Karen Reid	2	3

THE MERCIAN TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

The Trustees delegated responsibility for finance, audit and risk to the Business, Audit & Risk Committee. Attendance at meetings of this committee is summarised in the table below:

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Melanie Crooks, Chair	2	2
Rebecca Hearsey	2	2
Alex Lamb***	2	2
Paul Lee***	2	2
Jane Mole***	2	2
Stuart Roberts***	1	2
Martin Taylor***	2	2

*** These attendees are not Trustees but are co-opted members of Local Governing Bodies with experience in finance, audit and risk who have been co-opted on to the Business, Audit & Risk Committee.

GOVERNANCE REVIEWS

A full review of Governance for Queen Mary's Grammar School was undertaken in the year ended 31 August 2016. In view of the anticipated creation of the multi academy trust, it was not considered appropriate to review this again as a single academy trust. During the process of forming the Trust, the Trustees reviewed skills and considered that these were sufficient to establish the multi academy trust.

Expert legal advice was sought from Browne Jacobson as part of the work to form the multi academy trust to establish the framework of governance for the Trust. This included developing and implementing:

- A Trust scheme of delegation
- A Trust code of governance
- Terms of reference for the board of Trustees, Committees and LGB's

The board of Trustees held a strategy conference in March 2018, which enabled them to set the direction for the Trust in the light of national as well as local priorities. Keynote speakers included Paul Walton (a brand and marketing strategist with the Cello Group) and Nick Mackenzie (a Partner at Browne Jacobson LLB, specialising in Education).

A framework for delivering Governance across the levels of the Trust was reviewed and agreed during the summer term in 2018 and this has now been implemented.

Following a further skills audit in September 2018, and in the light of the strategic plan, it was agreed that there was a need to recruit new Trustees with further expertise in the primary sector and in alternative provision education. One appointment to meet the primary sector skills gap was made in November 2018 and the other role is in hand.

A review of Governance at one of the schools in the Trust was also conducted by an independent advisor in September 2018 and the recommendations made were extended to the Trust Board and LGB's. In a new role established with the creation of the Trust, a Director of School Improvement was appointed, who has attended all LGB meetings to offer advice on good governance. The Director of School Improvement is an accredited Lead Ofsted Inspector and is therefore able to provide additional expertise in Ofsted expectations.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

REVIEW OF VALUE FOR MONEY

As Accounting Officer, the CEO 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:

- Managing the Trust's finances within a very tightly controlled budget, whilst not affecting the overall delivery of teaching and learning or reducing extra-curricular activities
- Within existing budgets, established positions for a School Improvement Director and a Director of Social Mobility to focus on areas for improving outcomes for students
- Maintaining tight control over staff resources and curriculum offering to ensure the Trust is operating an efficient workforce and making the best use of limited funding resources. This includes shared teaching resources across the schools in the trust, as well as providing shared sixth form curriculum subjects, and sharing support services
- The Trust has benefitted from purchasing as a Trust and making use of public sector framework agreements, in areas such as energy arrangements, IT systems, insurances, copiers, so as to use funding efficiently. The Trust has also procured educational resources in bulk orders to maximise discounts, using public procurement networks such as ESPO to benefit from competitive frameworks where appropriate
- The Trust is starting to make use of Integrated Curriculum Financial Planning, Schools ("ICFP") Benchmarking and Schools Resources Management tools. Results of the detailed ICFP modelling exercise are being finalised and are expected to help develop a dashboard to review performance and provide information on differences of delivery within the Trust as well as other similar schools nationally to identify further improvements where possible
- The Trust has taken a coordinated approach to communicating and promoting its schools with senior leaders attending open evenings and planning sessions, to ensure parents and pupils recognise the added value offering of the Trust so as to continue to attract pupils into Years 7 and 12 in a highly competitive local market place. The breadth of education across the Trust allows it to offer a broad curriculum and an integrated approach to educating pupils. This will be further extended with the introduction of the new alternative provision free school
- The Trust has also coordinated continuing professional development training for staff and regularly holds trust-wide CPD sessions to increase efficiency of delivery and to encourage transfer of best practice and team working
- Working collectively with three external selective schools and an exam board to secure a significant reduction in the costs of operating a combined entrance examination for pupils entering grammar schools in the area

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 The Mercian Trust for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

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 2017 to 31 August 2018 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 Business, Audit & Risk Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Crowe U.K. LLP, the external auditor, to perform additional checks.

The reviewer'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:

- Payroll procedures and controls
- Purchasing procedures including authorisation, ordering, accounting/recording, payment and regularity
- Tendering procedures and compliance with the Academies Financial Handbook
- Supplier processes, including new supplier set up, payments and IT security/access
- General financial procedures and compliance with policies and controls,
- Review of bank and other control account reconciliations

In this year of formation of the Trust of five schools, Trustees have appointed the auditors, Crowe U.K. LLP, to carry out extended audit assurance work. This work is reviewed by the BAR Committee with recommendations to the Trustees. Moving forward it is expected that the Trustees will appoint an external specialist to review internal controls and risks which will include termly visits to schools within the Trust.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

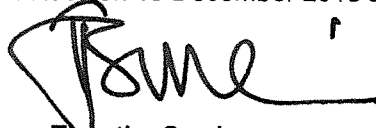
As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- work of the Trust Executive New Team
- work of the CFO and finance teams across the Trust
- extended assurance reviews by the Trust's external auditors
- scrutiny of the Business, Audit & Risk Committee and Trustees
- additional oversight of finances at school level by LGB's
- 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 Business, Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 18 December 2018 and signed on their behalf, by:


Philip Sturrock MBE, Chair
Chair of Trustees


Timothy Swain
Accounting Officer

THE MERCIAN TRUST
(A Company Limited by Guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

I am aware of a contract which had been entered into with a former employee at Shire Oak Academy which may not have been entered into without a full review of Value for Money. This came to light after Shire Oak Academy transferred into the Trust. The annual value of the contract was £20,000 and this has been terminated at 31 August 2018, with the amount paid by the Trust being £11,667. The trustees have commissioned an investigation by the Trust's lawyers, Brown Jacobson. As the review has not been completed I cannot conclude on this matter which will be dealt with in accordance with the Academies Financial Handbook.

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



Timothy Swain
Accounting Officer

Date: 18 December 2018

THE MERCIAN TRUST
(A Company Limited by Guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees (who 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 & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare 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:

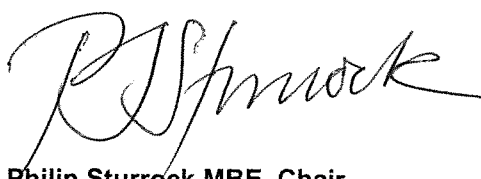
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the board of Trustees on 18 December 2018 and signed on its behalf by:



Philip Sturrock MBE, Chair
Chair of Trustees

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
MERCIAN TRUST**

OPINION

We have audited the financial statements of The Mercian Trust (the 'Trust') for the year ended 31 August 2018 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

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

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
MERCIAN TRUST**

knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustees' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the Trust 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
MERCIAN TRUST**

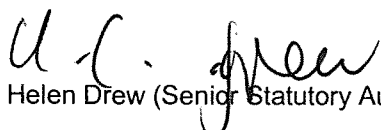
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

USE OF OUR REPORT

This report is made solely to the Trust'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 Trust'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 Trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Helen Drew (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG
18 December 2018

THE MERCIAN TRUST
(A Company Limited by Guarantee)

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

In accordance with the terms of our engagement letter dated 23 July 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Mercian Trust during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

**RESPECTIVE RESPONSIBILITIES OF THE MERCIAN TRUST'S ACCOUNTING OFFICER AND THE
REPORTING ACCOUNTANT**

The Accounting Officer is responsible, under the requirements of The Mercian Trust's funding agreement with the Secretary of State for Education dated 27 May 2011, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

APPROACH

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

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

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

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

The work undertaken to draw to our conclusion includes a review of the design and implementation of the Academy's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the academy and specific transactions identified from our review.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE
MERCIAN TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (continued)**

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 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.


Crowe U.K. LLP

Reporting Accountant

Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

18 December 2018

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
Income from:						
Donations and capital grants	2	1,878,247	(5,612,418)	56,636,901	52,902,730	272,867
Charitable activities	3	1,334,093	19,265,921	-	20,600,014	5,108,760
Other trading activities	4	217,582	-	-	217,582	125,728
Investments	5	3,844	-	-	3,844	2,543
Total income		3,433,766	13,653,503	56,636,901	73,724,170	5,509,898
Expenditure on:						
Raising funds		101,785	-	-	101,785	66,191
Charitable activities		1,197,304	20,571,739	1,323,473	23,092,516	5,899,519
Total expenditure	6	1,299,089	20,571,739	1,323,473	23,194,301	5,965,710
Net income / (expenditure) before transfers		2,134,677	(6,918,236)	55,313,428	50,529,869	(455,812)
Transfers between Funds	19	-	(252,698)	252,698	-	-
Net income / (expenditure) before other recognised gains and losses		2,134,677	(7,170,934)	55,566,126	50,529,869	(455,812)
Actuarial gains/(losses) on defined benefit pension schemes	23	-	1,462,000	-	1,462,000	(270,000)
Net movement in funds		2,134,677	(5,708,934)	55,566,126	51,991,869	(725,812)
Reconciliation of funds:						
Total funds brought forward		118,329	(1,318,358)	11,256,972	10,056,943	10,782,755
Total funds carried forward		2,253,006	(7,027,292)	66,823,098	62,048,812	10,056,943

The notes on pages 37 to 64 form part of these financial statements.

THE MERCIAN TRUST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07611347

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	2018		2017	
		£	£	£	£
Fixed assets					
Intangible assets	13		13,642		-
Tangible assets	14		63,999,248		11,238,357
			<u>64,012,890</u>		<u>11,238,357</u>
Current assets					
Stocks	15	52,782		28,652	
Debtors	16	3,026,972		413,257	
Cash at bank and in hand		6,251,511		762,894	
			<u>9,331,265</u>		<u>1,204,803</u>
Creditors: amounts falling due within one year	17	(2,462,698)		(406,838)	
Net current assets			<u>6,868,567</u>		<u>797,965</u>
Total assets less current liabilities			<u>70,881,457</u>		<u>12,036,322</u>
Creditors: amounts falling due after more than one year	18		<u>(23,645)</u>		<u>(9,379)</u>
Net assets excluding pension scheme liabilities			<u>70,857,812</u>		<u>12,026,943</u>
Defined benefit pension scheme liability	23		<u>(8,809,000)</u>		<u>(1,970,000)</u>
Net assets including pension scheme liabilities			<u><u>62,048,812</u></u>		<u><u>10,056,943</u></u>

THE MERCIAN TRUST
(A Company Limited by Guarantee)

BALANCE SHEET (continued)
AS AT 31 AUGUST 2018

	Note	2018		2017	
		£	£	£	£
Funds of the academy					
Restricted funds:					
Restricted funds	19	1,781,708		651,642	
Restricted fixed asset funds	19	66,823,098		11,256,972	
		<u>68,604,806</u>		<u>11,908,614</u>	
Restricted funds excluding pension liability		68,604,806		11,908,614	
Pension reserve		(8,809,000)		(1,970,000)	
		<u>59,795,806</u>		<u>9,938,614</u>	
Total restricted funds		59,795,806		9,938,614	
Unrestricted income funds	19	2,253,006		118,329	
		<u>62,048,812</u>		<u>10,056,943</u>	
Total funds		<u>62,048,812</u>		<u>10,056,943</u>	

The financial statements on pages 33 to 64 were approved by the Trustees, and authorised for issue, on 18 December 2018 and are signed on their behalf, by:



Philip Sturrock MBE, Chair
Chair of Trustees

The notes on pages 37 to 64 form part of these financial statements.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	21	3,032,937	(581,486)
Cash flows from investing activities:			
Bank interest received		3,844	2,543
Purchase of tangible fixed assets		(1,009,219)	(129,332)
Capital grants from DfE and ESFA		3,461,055	216,690
Net cash provided by investing activities		2,455,680	89,901
Change in cash and cash equivalents in the year		5,488,617	(491,585)
Cash and cash equivalents brought forward		762,894	1,254,479
Cash and cash equivalents carried forward	22	6,251,511	762,894

The notes on pages 37 to 64 form part of these financial statements.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

1.2 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 Trust 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 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.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.3 INCOME

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

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

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating Income and Expenditure Account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

Sponsorship income provided to the Trust which amounts to a donation is recognised in the Statement of Financial Activities incorporating Income and Expenditure Account in the period in which it is receivable, where receipt is probable and it is measurable.

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

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

Donations are recognised on a receivable basis where receipt is probable 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.

Where assets are received on the transfer of an existing academy into the trust, the transferred assets are measured at fair value and recognised in the Balance Sheet at the point when the risks and rewards of ownership pass to the trust, which is on signing of the transfer agreement with the transferring trust. An equal amount of income is recognised for the transfer of an existing academy into the trust within Income and donations and capital grants.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.4 EXPENDITURE

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

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

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

1.5 INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible assets costing £2,500 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £2,500 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

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

The Trust has an art collection which was bequeathed to the Trust from a former old boy. The nature of this collection makes it difficult to value and so the collection is recorded at cost, being £Nil.

Depreciation is provided on all tangible fixed assets other than freehold land and assets under construction, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixed asset category	Economic life (Years)
Freehold buildings	50
Leasehold buildings	50 to 125
Temporary buildings	10
Fixtures and fittings	4 to 10
Computer equipment	3 to 5
Motor vehicles	4 to 5

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

1.7 INTEREST RECEIVABLE

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

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.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.9 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.10 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.

1.11 FUND ACCOUNTING

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

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

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

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.

1.13 FINANCIAL INSTRUMENTS

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

Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 16. Prepayments are not financial instruments.

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

Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in notes 17 and 18. Taxation and social security are not included in the financial instruments disclosure definition.

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

Concessionary loans are initially recognised and measured at the amount received or paid, with the carrying amount adjusted in subsequent year to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.14 TAXATION

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

1.15 PENSIONS

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 23, 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 Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities incorporating Income and Expenditure Account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

1.16 AGENCY ARRANGEMENTS

The charitable company acts as an agent in distributing bursary funds and grants from the ESFA and other government bodies. Payments received 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. In some instances the trust can use a % of the allocation towards its own administration costs and this is recognised in the Statement of financial activities. The funds received and paid and any balances held are disclosed in note 28.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1. ACCOUNTING POLICIES (continued)

1.17 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

Critical accounting estimates and assumptions:

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

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 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The Governors have exercised judgement in estimating the expected useful life of the School's leasehold buildings and other fixed assets. These estimates are then used to calculate the depreciation cost of the assets.

Critical areas of judgment:

There are no critical judgments which would have a material impact on the financial statements.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
Donations	1,878,247	(5,612,418)	53,175,846	49,441,675	56,177
Capital Grants	-	-	3,461,055	3,461,055	216,690
	<u>1,878,247</u>	<u>(5,612,418)</u>	<u>56,636,901</u>	<u>52,902,730</u>	<u>272,867</u>
<i>Total 2017</i>	<u>56,177</u>	<u>-</u>	<u>216,690</u>	<u>272,867</u>	

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	<i>Total funds 2017 £</i>
DfE/ESFA grants				
General Annual Grant (GAG)	-	17,624,252	17,624,252	4,147,664
Other DfE/ESFA Grants	-	883,370	883,370	87,779
	-	18,507,622	18,507,622	4,235,443
Other government grants				
Local Authority Grants	-	230,926	230,926	5,785
	-	230,926	230,926	5,785
Other funding				
School funds income	704,391	-	704,391	245,785
Catering income	602,362	-	602,362	251,749
Management income	-	126,135	126,135	-
Curriculum and exam fee income	-	129,663	129,663	48,210
ITT/PGCE income	-	25,730	25,730	-
Staff consultancy income	27,340	-	27,340	-
Insurance income	-	40,279	40,279	-
Educational income	-	104,682	104,682	33,770
Other income	-	100,884	100,884	288,018
	1,334,093	527,373	1,861,466	867,532
	1,334,093	19,265,921	20,600,014	5,108,760
<i>Total 2017</i>	251,749	4,857,011	5,108,760	

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
School uniform sales	45,458	-	45,458	44,066
Staff catering	11,379	-	11,379	-
Lettings income	95,745	-	95,745	66,029
Music income	65,000	-	65,000	15,633
	<u>217,582</u>	<u>-</u>	<u>217,582</u>	<u>125,728</u>
<i>Total 2017</i>	<u>125,728</u>	<u>-</u>	<u>125,728</u>	

5. INVESTMENT INCOME

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Investment income	3,844	-	3,844	2,543
	<u>3,844</u>	<u>-</u>	<u>3,844</u>	<u>2,543</u>
<i>Total 2017</i>	<u>-</u>	<u>2,543</u>	<u>2,543</u>	

6. EXPENDITURE

	Staff costs 2018 £	Premises 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
Raising funds					
Direct costs	-	-	101,785	101,785	66,191
Support costs	-	-	-	-	-
Educational operations:					
Direct costs	13,974,735	1,310,729	2,565,024	17,850,488	4,422,512
Support costs	2,139,924	1,887,852	1,214,252	5,242,028	1,477,007
	<u>16,114,659</u>	<u>3,198,581</u>	<u>3,881,061</u>	<u>23,194,301</u>	<u>5,965,710</u>
<i>Total 2017</i>	<u>3,756,550</u>	<u>1,083,823</u>	<u>1,125,337</u>	<u>5,965,710</u>	

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

7. SUPPORT COSTS

	Educational operations £	Total 2018 £	<i>Total 2017 £</i>
Premises costs	1,887,852	1,887,852	589,099
Governance costs	72,847	72,847	45,631
Other support costs	1,141,405	1,141,405	349,171
Wages and salaries	1,145,552	1,145,552	290,473
National insurance	131,152	131,152	29,133
Pension cost	863,220	863,220	173,500
	<u>5,242,028</u>	<u>5,242,028</u>	<u>1,477,007</u>
<i>Total 2017</i>	<u>1,477,007</u>	<u>1,477,007</u>	

Included within governance costs are any costs associated with the strategic as opposed to day-to-day management of the charity's activities. These costs will include governor expenses and costs relating to constitutional and statutory requirements including audit and preparation of statutory accounts.

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2018 £	<i>2017 £</i>
Depreciation of tangible fixed assets: - owned by the charity	1,310,729	494,724
Amortisation of intangible fixed assets	12,744	-
Auditor's remuneration - audit	21,000	8,000
Auditor's remuneration - other services	13,875	6,560
Operating lease rentals	<u>31,447</u>	<u>1,109</u>

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

9. STAFF COSTS

a. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	11,886,612	2,851,748
Social security costs	1,196,257	284,831
Pension costs	2,588,563	579,560
	<u>15,671,432</u>	<u>3,716,139</u>
Agency staff costs	443,227	40,411
	<u>16,114,659</u>	<u>3,756,550</u>

b. Non-statutory/non-contractual staff severance payments

Included in staff costs are non-statutory/non-contractual severance payments totalling £18,809. Individually, the amounts were: £18,000 authorised on 16 April 2018 and £809 authorised on 13 March 2018.

c. Staff numbers

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

	2018 No.	2017 No.
Teachers	333	51
Administration and support	253	24
Management	33	6
	<u>619</u>	<u>81</u>

d. Higher paid staff

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

	2018 No.	2017 No.
In the band £60,001 - £70,000	2	0
In the band £70,001 - £80,000	1	1
In the band £80,001 - £90,000	1	1
In the band £100,001 - £110,000	0	1
In the band £110,001 - £120,000	1	0

e. Key management personnel

The key management personnel of the trust comprise the Trust Executive New Team. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the trust was £744,520 (2017: £573,799).

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

10. CENTRAL SERVICES

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

- Preparation and formation of the multi academy trust
- Strategic direction and coordination of activities
- School Improvement including access to a trained Ofsted Lead Inspector
- Financial policy and management
- Coordination of a trust-wide approach to GDPR compliance
- IT advice and policy
- Tax advice
- Programmes of trust-wide developed CPD and initial teacher training
- Advertising subscription to for recruitment of teachers and on teaching staff
- Insurance advisory and broking (outside RPA)
- Annual external audit, pension valuations and extended audit assurance
- Other educational services organised centrally by the Trust

The Trust charged for the services by means of a "top slice approach". In its formative year the Trust charged 2% of grant income. This fee was charged for the full 12 months, including in the 4 months before the Trust was legally formed.

The amount charged during the year was £481,633 (2017: £154,267). The table below shows the amounts charged in the period leading up to the formation of the Trust and since 1 January 2018.

Trust Central charges	4 mths Dec-17	8 mths Aug-18	year to Aug-18	year to Aug-17
Aldridge School	49,439	98,879	148,318	45,762
QMGS	29,469	58,937	88,406	27,364
QMHS	23,927	47,854	71,781	23,277
Shire Oak Academy	47,332	94,665	141,997	45,545
Walsall Studio School	10,377	20,754	31,131	12,319
Total	160,544	321,089	481,633	154,267

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

11. TRUSTEES' REMUNERATION AND EXPENSES

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

		2018	2017
		£	£
T Swain	Remuneration	35,000-40,000	100,000-105,000
	Pension contributions paid	5,000-10,000	15,000-20,000
KS Parker	Remuneration	10,000-15,000	30,000-35,000
	Pension contributions paid	0-5,000	0-5,000
A Hudson	Remuneration	10,000-15,000	40,000-45,000
	Pension contributions paid	0-5,000	5,000-10,000
T Lawrence	Remuneration	Nil	0-5,000
	Pension contributions paid	Nil	0-5,000

During the year, no Trustees received any benefits in kind (2017 - £NIL).

During the year ended 31 August 2018, travel and subsistence expenses totalling £1,171 (2017: £407) were reimbursed to two trustees (2017: one trustee) in the role of employee and £415 (2017: £418) was reimbursed to one other trustee (2017: one trustee).

12. TRUSTEES' AND OFFICERS' INSURANCE

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

13. INTANGIBLE FIXED ASSETS

	Software £
COST	
Transfer of existing academies	26,386
At 31 August 2018	<u>26,386</u>
AMORTISATION	
Charge for the year	12,744
At 31 August 2018	<u>12,744</u>
CARRYING AMOUNT	
At 31 August 2018	<u><u>13,642</u></u>

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

14. TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Plant and equipment £	Assets under construction £	Total £
COST					
At 1 September 2017	-	12,601,630	1,167,975	-	13,769,605
Additions	-	230,047	255,880	523,292	1,009,219
Transfer of existing academies	45,748,920	6,074,358	1,239,123	-	53,062,401
At 31 August 2018	45,748,920	18,906,035	2,662,978	523,292	67,841,225
DEPRECIATION					
At 1 September 2017	-	1,798,149	733,099	-	2,531,248
Charge for the year	470,373	415,849	424,507	-	1,310,729
At 31 August 2018	470,373	2,213,998	1,157,606	-	3,841,977
NET BOOK VALUE					
At 31 August 2018	45,278,547	16,692,037	1,505,372	523,292	63,999,248
At 31 August 2017	-	10,803,481	434,876	-	11,238,357

15. STOCKS

	2018 £	2017 £
Finished goods and goods for resale	52,782	28,652

16. DEBTORS

	2018 £	2017 £
Trade debtors	122,434	12,647
Prepayments and accrued income	2,373,713	345,955
VAT Debtor	530,825	54,655
	3,026,972	413,257

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade creditors	841,005	62,668
Other taxation and social security	469,923	-
Other creditors	291,501	34,880
Accruals and deferred income	860,269	309,290
	2,462,698	406,838

	2018	2017
	£	£
DEFERRED INCOME		
Deferred income at 1 September 2017	38,695	44,439
Resources deferred during the year	355,480	6,551
Amounts released from previous years	(38,695)	(12,295)
Deferred income at 31 August 2018	355,480	38,695

At the balance sheet date the trust was holding business rates relief and income for trips in advance of the next financial year.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Other creditors	23,645	9,379

Other creditors includes £3,861 (2017: £1,443) falling due within one year and £23,645 (2017: £9,379) falling due after more than one year for the balance of a Salix loan. The total amount advanced was £30,880. This loan is interest free, unsecured and repayable in equal annual instalments of £2,652 over a period of up to eight years to 1 September 2026

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

19. STATEMENT OF FUNDS

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
UNRESTRICTED FUNDS						
General funds	118,329	3,433,766	(1,299,089)	-	-	2,253,006
RESTRICTED FUNDS						
General Annual Grant (GAG)	276,547	17,624,252	(16,223,765)	(252,698)	-	1,424,336
Other Dfe/ESFA grants	123,418	883,370	(1,006,788)	-	-	-
Other incoming resources	251,677	2,726,509	(2,978,186)	-	-	-
Sports reserve	-	357,372	-	-	-	357,372
Pension reserve	(1,970,000)	(7,938,000)	(363,000)	-	1,462,000	(8,809,000)
	<u>(1,318,358)</u>	<u>13,653,503</u>	<u>(20,571,739)</u>	<u>(252,698)</u>	<u>1,462,000</u>	<u>(7,027,292)</u>
RESTRICTED FIXED ASSET FUNDS						
Dfe/ESFA capital grants	2,713,157	3,461,055	-	252,698	-	6,426,910
Voluntary capital income	9,907,465	-	-	-	-	9,907,465
Capital donations from private sector	1,167,599	-	-	-	-	1,167,599
Depreciation	(2,531,249)	-	(1,323,473)	-	-	(3,854,722)
Donations on transfer	-	53,175,846	-	-	-	53,175,846
	<u>11,256,972</u>	<u>56,636,901</u>	<u>(1,323,473)</u>	<u>252,698</u>	<u>-</u>	<u>66,823,098</u>
Total restricted funds	<u>9,938,614</u>	<u>70,290,404</u>	<u>(21,895,212)</u>	<u>-</u>	<u>1,462,000</u>	<u>59,795,806</u>
Total of funds	<u><u>10,056,943</u></u>	<u><u>73,724,170</u></u>	<u><u>(23,194,301)</u></u>	<u><u>-</u></u>	<u><u>1,462,000</u></u>	<u><u>62,048,812</u></u>

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

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 and include grants from the Department for Education.

Transfers between funds relate to amounts expended on fixed assets from the DfE grants which have been used for the acquisition of fixed assets during the year.

The excess of restricted fixed asset funds over the total net book value of fixed assets represents capital

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

19. STATEMENT OF FUNDS (continued)

monies not yet spent. At 31 August 2018 this amounted to £2,810,208 (2017: £18,615).

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2018 were allocated as follows:

	Total 2018 £	Total 2017 £
Aldridge School	1,381,629	-
Aldridge School Sports Regime	357,372	-
Queens Marys Grammar School	872,037	769,971
Queen Mary's High School	381,808	-
Shire Oak Academy	904,776	-
Walsall Studio School	51,393	-
The Mercian Trust	85,699	-
Total before fixed asset fund and pension reserve	<u>4,034,714</u>	<u>769,971</u>
Restricted fixed asset fund	66,823,098	11,256,972
Pension reserve	(8,809,000)	(1,970,000)
Total	<u><u>62,048,812</u></u>	<u><u>10,056,943</u></u>

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 2018 £	Total 2017 £
Aldridge School	4,019,245	440,319	307,945	1,363,682	6,131,191	-
Queens Marys Grammar School	3,342,623	518,900	476,306	1,099,059	5,436,888	5,470,986
Queen Mary's High School	1,796,182	307,374	283,280	460,625	2,847,461	-
Shire Oak Academy	3,977,153	735,348	261,997	947,913	5,922,411	-
Walsall Studio School	644,288	55,358	168,852	278,567	1,147,065	-
The Mercian Trust	195,244	82,625	30,448	77,495	385,812	-
	<u><u>13,974,735</u></u>	<u><u>2,139,924</u></u>	<u><u>1,528,828</u></u>	<u><u>4,227,341</u></u>	<u><u>21,870,828</u></u>	<u><u>5,470,986</u></u>

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

19. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	<i>Balance at 1 September 2016 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 August 2017 £</i>
GENERAL FUNDS						
General funds	80,845	377,477	(339,993)	-	-	118,329
RESTRICTED FUNDS						
General Annual Grant (GAG)	154,252	4,147,664	(4,025,369)	-	-	276,547
Other Dfe/ESFA grants	157,838	87,779	(349,945)	-	227,746	123,418
Other incoming resources	242,068	680,288	(670,679)	-	-	251,677
Pension reserve	(1,615,000)	-	(85,000)	-	(270,000)	(1,970,000)
	<u>(1,060,842)</u>	<u>4,915,731</u>	<u>(5,130,993)</u>	<u>-</u>	<u>(42,254)</u>	<u>(1,318,358)</u>
RESTRICTED FIXED ASSET FUNDS						
Dfe/ESFA capital grants	2,724,213	216,690	-	-	(227,746)	2,713,157
Voluntary capital income	9,907,465	-	-	-	-	9,907,465
Capital donations from private sector	1,167,599	-	-	-	-	1,167,599
Depreciation	(2,036,525)	-	(494,724)	-	-	(2,531,249)
	<u>11,762,752</u>	<u>216,690</u>	<u>(494,724)</u>	<u>-</u>	<u>(227,746)</u>	<u>11,256,972</u>
Total restricted funds	<u>10,701,910</u>	<u>5,132,421</u>	<u>(5,625,717)</u>	<u>-</u>	<u>(270,000)</u>	<u>9,938,614</u>
Total of funds	<u><u>10,782,755</u></u>	<u><u>5,509,898</u></u>	<u><u>(5,965,710)</u></u>	<u><u>-</u></u>	<u><u>(270,000)</u></u>	<u><u>10,056,943</u></u>

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
Intangible fixed assets	-	-	13,642	13,642
Tangible fixed assets	-	-	63,999,248	63,999,248
Current assets	2,253,006	4,268,051	2,810,208	9,331,265
Creditors due within one year	-	(2,462,698)	-	(2,462,698)
Creditors due in more than one year	-	(23,645)	-	(23,645)
Provisions for liabilities and charges	-	(8,809,000)	-	(8,809,000)
	<u>2,253,006</u>	<u>(7,027,292)</u>	<u>66,823,098</u>	<u>62,048,812</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	<i>Unrestricted funds</i> 2017 £	<i>Restricted funds</i> 2017 £	<i>Restricted fixed asset funds</i> 2017 £	<i>Total funds</i> 2017 £
Tangible fixed assets	-	-	11,238,357	11,238,357
Current assets	118,329	1,067,859	18,615	1,204,803
Creditors due within one year	-	(406,838)	-	(406,838)
Creditors due in more than one year	-	(9,379)	-	(9,379)
Provisions for liabilities and charges	-	(1,970,000)	-	(1,970,000)
	<u>118,329</u>	<u>(1,318,358)</u>	<u>11,256,972</u>	<u>10,056,943</u>

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

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

	2018 £	2017 £
Net income/(expenditure) for the year (as per Statement of Financial Activities)	50,529,869	(455,812)
Adjustment for:		
Depreciation charges	1,310,729	494,724
Amortisation charges	12,744	-
Bank interest	(3,844)	(2,543)
Increase in stocks	(2,199)	(5,954)
Increase in debtors	(1,666,415)	(153,433)
Increase/(decrease) in creditors	448,516	(326,778)
Capital grants from DfE and other capital income	(3,461,055)	(216,690)
Defined benefit pension scheme obligation transferred from academies	7,938,000	-
Defined benefit pension scheme cost less contributions payable	180,000	51,000
Defined benefit pension scheme finance cost	183,000	34,000
Net gain on assets and liabilities from academies joining the trust	739,438	-
Fixed assets transferred from academies joining the trust	(53,175,846)	-
Net cash provided by/(used in) operating activities	3,032,937	(581,486)

22. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash in hand	6,251,511	762,894
Total	6,251,511	762,894

23. 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 West Midlands Pension Fund. 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 2016.

Contributions amounting to £204,875 were payable to the schemes at 31 August 2018 (2017 - Nil) and are included within creditors.

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,

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

23. PENSION COMMITMENTS (continued)

automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pension costs paid to TPS in the period amounted to £1,453,189 (2017 - £361,277).

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 an unfunded multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

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 2018 was £948,018 (2017 - £155,000), of which employer's contributions totalled £773,156 (2017 - £121,000) and employees' contributions totalled £174,862 (2017 - £34,000). The agreed contribution rates for future years are 19.3% for employers and between 5.5% and 8.5% 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.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

23. PENSION COMMITMENTS (continued)

Principal actuarial assumptions:

	2018	2017
Discount rate for scheme liabilities	2.65 %	2.60 %
Rate of increase in salaries	3.80 %	4.20 %
Rate of increase for pensions in payment / inflation	2.30 %	2.70 %
Inflation assumption (CPI)	2.30 %	2.70 %

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

	2018	2017
Retiring today		
Males	21.9	21.8
Females	24.3	24.3
Retiring in 20 years		
Males	24.1	24.0
Females	26.7	26.6

Sensitivity analysis	At 31 August	At 31 August
	2018	2017
	£	£
Discount rate +0.1%	(316,000)	(66,000)
Discount rate -0.1%	396,000	68,000
Mortality assumption - 1 year increase	588,000	106,000
Mortality assumption - 1 year decrease	(497,000)	(102,000)

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

	Fair value at	Fair value at
	31 August	31 August
	2018	2017
	£	£
Equities	4,543,000	712,000
Gilts	516,000	82,000
Corporate bonds	266,000	43,000
Property	583,000	82,000
Cash and other liquid assets	269,000	56,000
Other	1,002,000	149,000
Total market value of assets	7,179,000	1,124,000

The actual return on scheme assets was £86,000 (2017 - £162,000).

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

23. PENSION COMMITMENTS (continued)

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2018 £	2017 £
Current service cost	892,000	172,000
Net interest cost	181,000	34,000
Admin expenses	2,000	-
	<u>1,075,000</u>	<u>206,000</u>

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

	2018 £	2017 £
Opening defined benefit obligation	3,094,000	2,492,000
Transferred in on existing academies joining the trust	13,387,000	-
Current service cost	892,000	172,000
Interest cost	312,000	55,000
Employee contributions	132,000	34,000
Actuarial (gains)/losses	(1,679,000)	363,000
Benefits paid	(150,000)	(22,000)
	<u>15,988,000</u>	<u>3,094,000</u>

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

	2018 £	2017 £
Opening fair value of scheme assets	1,124,000	877,000
Transferred in on existing academies joining the trust	5,449,000	-
Interest income	131,000	21,000
Actuarial gains/(losses)	(217,000)	93,000
Employer contributions	712,000	121,000
Employee contributions	132,000	34,000
Benefits paid	(150,000)	(22,000)
Administration expenses	(2,000)	-
	<u>7,179,000</u>	<u>1,124,000</u>

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

24. OPERATING LEASE COMMITMENTS

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

	2018	2017
	£	£
AMOUNTS PAYABLE:		
Within 1 year	44,109	1,109
Between 1 and 5 years	34,404	36
Total	<u>78,513</u>	<u>1,145</u>

25. 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.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

26. RELATED PARTY TRANSACTIONS

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

As stated in the Trustees' report above, the Trust has a number of transactions with related parties. Details are set out below. Please note that the Trustees' report also provides additional information on the nature of the relationship with each of the related parties.

Queen Mary's Schools Foundation

During the year the Trust received donations from The Foundation relating to running the entrance tests for Queen Mary's Grammar School and Queen Mary's High School, as well as donations from parents for enrichment activities. The Foundation has also provided the services of a Clerk to the Governors and Trustees at no cost to the Trust. The total value of this income from donations was £82,110.

The Foundation owns the freehold land for both Queen Mary's school sites, let at a peppercorn rent to the Trust under a 125-year lease for the main sites and 10 year leases for playing fields.

Vine Trust Walsall

Vine Trust Walsall owns a number of subsidiaries including Vine Education Trust, Vines Catering and Vine Access Centres, which trade with Walsall Studio School. Vine Trust Walsall was instrumental in founding Walsall Studio School, including providing buildings in which the school operates. In the year Vine Trust Walsall group provided building management, HR, finance & IT support services to the school. The group also provided catering, coaching/mentoring to students, and support in alternative provision education.

Walsall Studio School's main site is the Goldmine Centre, owned by Vine Trust Walsall. This was agreed with the ESFA in 2013 who are working with the Trust to provide a longer term solution. The School's original accommodation was the second floor of the Goldmine Centre, on a 125-year lease from Vine Trust Walsall, at peppercorn rental. As the school has expanded it has needed more space. The Trust has entered into separate licence agreements for this accommodation, which have also been approved by the ESFA. Charges from Vine Trust Walsall during the year were:

Services	£
Staff costs	171,756
Property Service charge including staff costs	68,733
Rent / licence fees	16,000
Catering and other	8,679
Total	265,168

PTP Training Ltd (PTP)

Shire Oak Academy has engaged apprentices through PTP via the apprenticeship levy. Walsall Studio School has a service level agreement with PTP to provide information, advice and guidance (part of CEIAG) and employability sessions to students at the school. It also provides work experience placement opportunities. The cost of services from PTP during the year were £15,431.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

26. RELATED PARTY TRANSACTIONS (continued)

Farchynys Estate Management Ltd ("FEML").

As described in the Trustees' report, The Trust has the benefit of using a residential centre in Wales, which is owned by a group of old boys of that School, The Foundation and the Old Boys' Scholarship Fund. The estate is run by FEML, which charges parents and other directly for board and lodging, except for the Queen Mary's Grammar School year 7 residential week, which is paid to the Trust and then reimbursed to FEML. This amounted to £120 per pupil (£18,000 in total).

27. POST BALANCE SHEET EVENTS

In January 2019 the Trust will open 'The Ladder', an alternative provision free school, providing students an effective 'step up' for those for whom mainstream schooling has been challenging and ineffective.

28. AGENCY ARRANGEMENTS

The Trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 13 August 2018 the Trust received £68,797 and disbursed £44,510 from the fund in addition to the Trust's cost of administering the fund of £1,636. An amount of £46,261 (2017: £23,611) is included in other creditors relating to undistributed funds that is repayable to the ESFA.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

29. TRANSFER OF EXISTING ACADEMIES INTO THE TRUST

Queen Mary's High School (Walsall)

	Value reported by transferring trust £	Fair value adjustments £	Transfer in recognised £
Tangible fixed assets			
Long-term leasehold property	5,619,080	-	5,619,080
Plant and equipment	297,022	-	297,022
Debtors due within one year	177,523	-	177,523
Cash in bank and in hand	657,382	-	657,382
Liabilities			
Creditors due within one year	(420,570)	-	(420,570)
Pensions			
Pensions - pension scheme assets	1,161,000	-	1,161,000
Pensions - pension scheme liabilities	(3,002,000)	-	(3,002,000)
Net assets	4,489,437	-	4,489,437

Aldridge School

	Value reported by transferring trust £	Fair value adjustments £	Transfer in recognised £
Intangible assets			
Computer software	9,998	-	9,998
Tangible fixed assets			
Freehold property	148,834	21,282,907	21,431,741
Long-term leasehold property	21,282,907	(21,282,907)	-
Plant and equipment	145,867	-	145,867
Stock	14,000	-	14,000
Debtors due within one year	210,455	-	210,455
Cash in bank and in hand	2,414,870	-	2,414,870
Liabilities			
Creditors due within one year	(549,343)	-	(549,343)
Pensions			
Pensions - pension scheme assets	1,805,000	-	1,805,000
Pensions - pension scheme liabilities	(4,648,000)	-	(4,648,000)
Net assets	20,834,588	-	20,834,588

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

29. TRANSFER OF EXISTING ACADEMIES INTO THE TRUST (continued)

Shire Oak Academy

	Value reported by transferring trust	Fair value adjustments	Transfer in recognised
	£	£	£
Intangible assets			
Computer software	16,388	-	16,388
Tangible fixed assets			
Freehold property	-	24,317,179	24,317,179
Long-term leasehold property	24,317,179	(24,317,179)	-
Plant and equipment	674,722	-	674,722
Assets under construction	34,105	-	34,105
Stock	7,931	-	7,931
Debtors due within one year	302,346	-	302,346
Cash in bank and in hand	1,741,003	-	1,741,003
Liabilities			
Creditors due within one year	(402,728)	-	(402,728)
Pensions			
Pensions - pension scheme assets	2,483,000	-	2,483,000
Pensions - pension scheme liabilities	(5,737,000)	-	(5,737,000)
Net assets	<u>23,436,946</u>	<u>-</u>	<u>23,436,946</u>

Walsall Studio School

	Value reported by transferring trust	Fair value adjustments	Transfer in recognised
	£	£	£
Tangible fixed assets			
Long-term leasehold property	421,173	-	421,173
Plant and equipment	120,665	-	120,665
Debtors due within one year	256,976	-	256,976
Cash in bank and in hand	3,419	-	3,419
Liabilities			
Creditors due within one year	(234,703)	-	(234,703)
Net assets	<u>567,530</u>	<u>-</u>	<u>567,530</u>