

Company Registration number: 10014175 (England and Wales)

THE EXCEPTIONAL EDUCATION TRUST

(A Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

CONTENTS

	Page
Reference and Administrative Details	1 - 2
Trustees' Report	3 - 11
Governance Statement	12 - 14
Statement on Regularity, Propriety and Compliance	15
Statement of Trustees' Responsibilities	16
Independent Auditors' Report on the Financial Statements	17 - 19
Independent Reporting Accountant's Assurance Report on Regularity	20 - 21
Statement of Financial Activities (Incorporating Income and Expenditure Account)	22
Balance Sheet	23
Statement of Cash Flows	24
Notes to the Financial Statements	25 - 49

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018

Members

Dr Stephen Pierpoint (Chairman)
Chris Sheen
Cheryl Williams
Jo Tanner
Dr Andrew Stone

Trustees / Governors

Dr Stephen Pierpoint (Chairman)
Juan Hernandez
Chris Sheen
Robert Pettigrew
Claudette Sommers
Gwyneth Hamond (Resigned 27th February 2018)
Caroline Hussey-Bain (Resigned 27th February 2018)
Farnaz Akhtar Nadeem (Resigned 27th February 2018)

Senior Management Team

Juan Hernandez (Principal)
Rob Pittard (Director Finance & Resources)
Karen Hughes (Vice Principal) (Deputy Principal)
Keith Tonge (Assistant Principal)
Mario Georgiades (Head 6th Form)
Paul Hobbs (Associated Assistant Principal)
Brendan Issac (Associated Assistant Principal)
Renske Meiring (Associated Assistant Principal)

Company Name

The Exceptional Education Trust

Principal and registered office

C/O Norlington School and Sixth Form
Norlington Road
Leytonstone
London
E10 6JZ

Company registered number

10014175 (England & Wales)

Independent Auditors

MHA MacIntyre Hudson
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018

Bankers

LLOYDS BANK
6th Floor
33 Old Broad Street
London
EC2N 1HZ

Solicitors

LB Waltham Forest
Forest Road
London
E17 4JF

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees present their annual report together with the financial statements and auditors' reports of the charitable company for the period 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a Trustees' report, and a directors' report under company law.

The Trust operates an academy for pupils aged 11 to 18 serving a catchment area in Leyton. It has a pupil capacity of 760 and had a roll of 622 in the school census on 29 November 2018.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

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

The Trustees of The Exceptional Education Trust Limited are also the directors of the charitable company for the purposes of company law. The Charitable Company is known as The Exceptional Education Trust.

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

Members Liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10.00, for the debts and liabilities contracted before they ceased to be a member.

Trustees' Indemnities

As stated in the Articles (Article 136): 'Subject to the provisions of the Companies Act 2006 every Trustee or other officer or auditor of the Academy Trust shall be indemnified out of the assets of the Academy Trust against any liability incurred by him which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust. The cost of this insurance in the year was £11,640.

Method of Recruitment and Appointment or Election of Trustees

The Charity's Articles of Association set out the constitution and method of appointment of the Governing Body including Parent Governors who are elected in accordance with Department for Education guidelines. Suitability of Trustees is determined by their interest in the work of the Charity, eligibility and personal competence and to ensure the Board of Trustees and Governing Body has the breadth of skills and knowledge necessary to advance the Academy in all areas.

A pro-forma and application form has been developed to assist in a skills audit of the School's Trustees and Governors. By this method, the Board can ascertain where its strengths and weaknesses lie and can plan succession accordingly.

Once a "skills profile" has been agreed, Trustees and Governors are encouraged to put forward suitable names on the clear understanding that names put forward are not automatically elected onto the Board. Anyone to be considered then meets with members of the Board and chief executive to discuss the role and responsibilities of Trustees and Governors and the workings of the Academy Trust. Assuming all is well, the candidate's application is progressed for safer recruiting checks in line with Keeping Children Safe in Education 2016 and registration made on Companies House. The election of a new Trustee and Governor is detailed in the next minutes.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

Policies and Procedures Adopted for the Induction and Training of Trustees

New Trustees are given a tour of the Academy and the chance to meet staff, students, the principals and the Chairman of the Board with a view to ensuring the Trustee has a good understanding of the Academy's philosophy and its day to day operation.

A formal training programme exists with an external company where Trustees will participate in appropriate training course in the areas of;

- Understanding the structure, legal status and compliance risks
- Developing a business plan
- Self review of governance
- Preparing for OFSTED

New Trustees are also provided with background information on the Academy Trust and information relating to legislative guidance on:

- Scheme of Delegation
- Academy Financial Handbook
- Director Terms of Reference
- Articles of Association
- Keeping Children Safe in Education
- Directors Health and Safety guidance
- Leading and Governing Schools
- NGA Statutory Framework
- Essential Trustees
- Understanding Your Data

From time to time, the Academy arranges technical updates on topical matters for Trustees.

Organisational Structure

The management structure of the Academy consists of the Trustees and the leadership team.

The Trustees meet on a regular basis and fulfil a largely strategic role in the running of the Academy with detailed decision being investigated by the senior management team and fed back to the board. The Trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making major decisions about the strategic direction of the Academy, capital expenditure and the appointment of most senior staff appointments in consultation with the principal.

The dismissal, disciplinary investigation and grievances relating to the Principal are reserved functions for the board of Trustees. These items are listed in the Academy Scheme of Delegation and Local Governing Body Terms of Reference

The leadership team is led by a Principal. The Principal is supported on a day to day basis by the wider leadership team which comprise the personnel listed on page 1. These senior leaders manage the Academy at an executive level, implementing the policies agreed by the Trustees and reporting back to them on progress. The level at which spending can be approved and decisions can be made is set out in the Academy's financial regulations and scheme of delegation. The Principal has the role of Accounting Officer.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

Arrangements for setting pay and remuneration of key management personnel

The Trustees will agree the salary level prior to the commencement of the recruitment process of a new Principal against agreed performance targets following discussions with the chief executive and Trustees. Trustees are required to review the Principal's performance against previously set targets and to set new targets for the upcoming year. All pay increases must be linked to achievement of the performance targets.

Where an appointment to the leadership team is a budgeted appointment, the pay level is set as part of the budget process. Where the appointment to the leadership team is unbudgeted, the Trustees will approve the pay level prior to commencement of the recruitment process. Pay points within the leadership team will take into account the responsibilities of the post, the difficulty in filling the post and comparability to other academies of a similar size, with consideration to parity and equality.

With existing members of the leadership team the executive management is required to review the leadership team's performance against previously set targets and set new targets for the coming academic year. The executive management then may apply an inflationary increase and any discretionary increase as authorised by the Trustees. All pay increases must be linked to performance targets.

Related parties and other connected charities and organisations

Three Directors (the Chairman, Vice Chairman and Principal) are Directors of a training company Exceptional Education for All Ltd ("EEA") which therefore constitutes a company under common control. The Director of Finance and Resources acts as company secretary for EEA. The accounts of EEA are not co-terminus and currently have a year end of 9 May annually. The accounts have not been consolidated into these Trust accounts on the basis that the results are not considered to be material.

OBJECTIVES AND ACTIVITIES

Objects and Aims

Our Vision

To be recognised as a world class leader in education, ensuring every child is ready to take up the challenges and realise the opportunities of the 21st century.

Our Aims

Our vision will be realised through the delivery of five key aims articulated as commitments to the local community:

1. To develop outstanding leaders across the school

We are committed to developing outstanding leaders through the establishment of a centre of excellence, ensuring all students have the skills required to develop into young men and women who are ready to take up the challenges and realise the opportunities of the 21st century and impact positively on every aspect of society, whether locally, nationally or internationally.

2. To guide our students to achieve exceptional academic performance across all subjects

We are committed to developing every student's skills and knowledge, ensuring exceptional academic performance for all and enabling students to access the most ambitious career paths and gain access to the best universities nationally and internationally

3. To provide an Outstanding Learning Experience for every student.

We are committed to providing each student with a high-quality personalised learning experience through exceptional teaching and an outstanding curriculum. 'Every Child, All the Time' drives our belief that every child is able to achieve the extraordinary relative to their own personal abilities.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

'Every Child, All the Time' is an approach to student progress where every day, in every lesson, every student will be receiving the best possible learning experiences. It recognises the need to respond to students' emotional needs as well as learning needs throughout their educational journey, appreciating that these needs are different for every child and can change at different stages of this journey.

4. To ensure every student has access to high quality Enrichment activities.

We are committed to ensuring every student has access to exceptional enrichment experiences and activities including high quality coaching so they aspire to participate, compete and succeed at a local, national and international level.

5. To be the School of Choice for the local community.

We are committed to providing a school that:

- meets the needs of every child.
- develops citizens committed to British Values of democracy, tolerance, respect and the rule of law.
- is a safe, happy and caring learning environment where students want to be.

Public Benefit

In setting the Academy's objectives and planning its activities, the Trustee Board have given careful consideration to the Charity Commissions general guidance on public benefit in particular its supplementary guidance on advancing education. The greatest public benefit that the Academy Trust can offer is the provision of an education that maximises each student's potential.

STRATEGIC REPORT

1. To ensure 'Every Child, all the time' receives exceptional academic performance across every Academy
--

1.1. KS4 Academy Performance to be recognised as Outstanding with;

1.1.1. All School Performance to be in the top 10% of schools nationally for progress.

1.1.2. The elimination of any disparity of performance between student groups based upon;

- Gender
- Disadvantage
- Ethnicity
- SEN

1.1.2. Our Most Able students achieve outstanding outcomes

- Norlington School continues to perform well when compared to other schools nationally with progress schools in English and maths in the top 3%* nationally and top 5%* for progress 8 (Progress 8 Score of 0.79 although this is expected to increase through remarks). 76% of students achieved the new measure of English and Maths and Grade 4 with 64% achieving this a Grade 5 in both. This is well above national expectations.
- The Progress 8 score of 0.79 (expected to finish at 0.85) compares favourably with national progress 8 outcomes for boys or -0.24 (2017). This is mirrored in English, Maths and EBacc subjects where all outcomes were at or above 0.75 grades above national outcomes – most were over a grade above nationally expected performance.
- Norlington has been recognised in the top 5% nationally for progress since 2014.
- Disadvantaged students continue to perform with minimal disparity when compared with non-disadvantaged students. This has been the case since 2014.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

All Data is taken from FFTAspire national analysis.

- 1.2. Sixth forms Academic Performance to be recognised as Outstanding with;**
1.2.1. post-16 outcomes at least in the top 25% of sixth forms nationally, with most in the top 10%
1.2.2. disparities in performance eliminated
1.2.3. the most able achieve outstanding outcomes
1.2.4. there is excellent progression to both university (including those in the Russell Group) and high quality careers options.

- At A level the points per entry was 27.7 (rising to 28.9 when adjusted) resulting in the average grade for A level of C.
- Overall Performance fell below expectations of the school with an expected V.A. of -0.07, although statistically not significant and an increase on 2017.
- 5 subjects were well above national with 3 subjects (Comp Science, DT, Mathematics) performed inline or better than any other local school.
- Most students progress swiftly to higher levels during their study programme. Almost all learners complete their study programmes, achieve qualifications relevant to their career aims and move on to sustained education, employment, training or an apprenticeship.

All students got into University or into higher level apprenticeship. Over the past two years;

- 30% gained a place at a Russell Group University
- Over 50% at a Russell Group or affiliated University
- New 6th Form leadership, Head of 6th form and deputy Head of 6th Form, targeted with increasing student numbers and outcomes have been appointed.

- 1.3. All Academies to be judged at least 'Good' by Ofsted, with most recognised as Outstanding.**
Norlington had a very positive Ofsted visit with many of the school's success recognised. The school is judged as a good school.

2. To ensure high quality Leadership and Governance at Trust board, LGB and Academy level.

Ensuring Outstanding Governance at every level through;

- 2.1. effective recruitment of exceptional Directors and local Governors able to progress the Trust's ambitions
2.2. clearly defined Roles and Responsibilities at LGB level
2.3. high quality governance training programmes
2.4. an accurate and robust self-evaluation process across all aspects of the Trust
2.5. effective Risk Management
2.6. regular and robust Policy and procedure review and management
2.7. successful Finance management and accurate audit control systems

- EET Directors and Norlington Governors operating as separate governance mechanisms with clearly defined roles set out for the LGB. 2 new Directors have been recruited alongside 5 new LGB governors. Five members of the LGB at Norlington have completed an intensive governance-training programme to ensure they are able to be effective.
- The Trust continues to operate an effective self-evaluation process with external assessments and appropriate training for senior staff.
- The Trust Board have undertaken skills gap analysis to determine where future Director recruitment should focus
- The Trust Board have ratified a set of Terms of Reference to include; Finance, Audit, HR and Standards and Performance

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

- The Scheme of Delegation has been reviewed and updated to include changes to Charity Law and subsequent and updated forms relating to these changes

3. To provide high quality and value for money Trust Services that support all Academies in their pursuit of excellence.

Building The Exceptional Education Trust Academy Services Division (ASD) that provides value for money services to all Trust Academies. To the preparation of key areas including;

- 3.1. Human Resources
- 3.2. Health and Safety Oversight
- 3.3. ICT
- 3.4. Pension/Payroll
- 3.5. Premises and resources
- 3.6. Student Services (EWO, Counselling etc)

4. To establish school Improvement systems and build the structures that lead to sustainable and successful schools.

Ensuring outstanding performance across every Academy within the Trust through the;

- 4.1. development of EEA as School Improvement organisation
- 4.2. capture and articulation of a robust and effective school improvement approach and intervention mechanisms
- 4.3. creation of sustainable schools (school enlargement)
- 4.4. identification and development of leaders

- EEA has developed to now include 5 key training programmes (including 3 where the IP is held by EEA) as well as the school to school support mechanisms.
- 10 staff of Norlington have been trained to deliver these programmes with K Hughes overseeing all Quality assurance.
- EEA has generated £81,603 of turnover during this financial period.

5. The Trust to expand to at least five Academies within 5 years.

5.1. Delivery of The Waltham Forest Free School (to open in September 2018)

5.2. Securing and development of Primary School improvement expertise.

5.3. The development of effective Due Diligence processes to ensure smooth incorporation of new Schools within the Trust. There to include;

- Governance
- Financial
- HR & Personnel
- Leadership and Management
- Educational
- Building / resources
- Liabilities

- EET has been recognised by the DFE/RSC as an Academy Sponsor able to accept schools facing challenging circumstances.
- Due diligence processes have been developed and are ready to be implemented as required.
- Norlington has expanded in size to a P.A.N. of 135 in year 7. Years 8 to 11 are almost full.
- The school has been identified for expansion to 162 students from September 2020. This will include a £4 million+ building project.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

- EET is currently considering a potential merger with another local trust. This would be intended to realise both financial savings and increase operational effectiveness of both Trusts.

Achievements and Performance

Key Financial Performance Indicators

Most of the Academy income is obtained from the Education Funding Agency (EFA) in the form of the General Annual Grant (GAG), the use of which is restricted for education purposes. The grants received from the EFA and other government bodies during the period and the associated expenditure are shown as restricted funds in the statement of financial activities.

The School also received capital improvement funding from the EFA for capital projects relating to improvements to electrical and fire safety, refurbishment of science block, heating emitters and replacement of the Victorian roof. A total of £3,508,448 has been recognised as income in 2017/18. In accordance with the Charities SORP 2015, such a grant is shown in the statement of financial activities during the period as restricted income within the fixed assets funds. The balance sheet restricted fixed assets fund is reduced by expenditure equivalent to any depreciation charges over the expected useful life of the assets concerned.

During the year the Academy confirmed to provide education places to 622 students in 2017/18. The school was fully staffed with teachers for the start of 2017/18 academic year despite difficulties in London with recruitment.

The school roll has been increased from 120 to 132 from 2017/18 and thereafter.

As a result of strict financial management and the identification of further recurrent savings the Academy managed to submit a budget for 2018/19 with a small surplus projecting at £4,386.

Student recruitment is strong with a small waiting list for year 7 intake expected in September 2018 which will greatly contribute towards the income required to deliver the excellent education provided at all levels of the Academy.

Going Concern

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

FINANCIAL REVIEW

Reserves Policy

The Academy aims to maintain a level of reserves sufficient to provide a buffer against future funding uncertainties and to provide a fund to pay for future fixed asset replenishment.

The reserves as at 31 August 2018 amounted to £13,651,209 of which £13,506,836 comprised restricted funds. The Academy's free reserves amounted to £144,373.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

The Academy had a pension scheme liability of £975,000 as at 31 August 2018. The liability is included in restricted reserves as the Academy will have to meet any long-term liability out of restricted reserves. A liability for this amount does not crystallise in the short term.

At 31 August 2018 the total funds comprised:

Unrestricted		£144,373
Restricted:	Fixed asset funds	£14,481,836
	Pension reserve	£(975,000)
	General funds	£NIL
		<u>£13,651,209</u>

Investment Policy

The Trustees' policy with regard to investments is of that set out in the Academies Handbook, the Trust Articles of Association and Financial Regulations. The Trustees follow the Charity Commission's guidance: CC14 Charities and investment matters: A guide for Trustees. The Trustees' policy is to invest surplus funds in low risk short term bank deposits. ESFA's prior approval will be obtained for investment transactions which are novel, contentious and/or repercussive.

The Academy Trust has utilised Lloyds bank 24 hours overnight deposit account and 32 day access account to maximise available funds in line with expected cashflow requirements.

Principal Risks and Uncertainties

The Trustees have assessed the major risks to which the Academy is exposed, in particular those relating to teaching, provision of facilities and other operational areas of the Academy and its finances.

Appropriate systems, policies, procedures and controls have been put in place so as to ensure that the various risks do not impact adversely on the Academy's operations. Appropriate insurances are in place in the form of the Risk Protection Arrangement (RPA) which is administered by the DfE.

A risk register has been prepared which sets out the principal risks facing the Academy and the controls that exist to mitigate their effect. The Trustees consider the principal risks and uncertainties facing the Academy are:

- The effect of changes to future funding methodologies and general reductions in educational budgets.
- The need to adapt to frequent changes in the student grading and assessment structure.

The Academy has instigated the following control measures in order to minimise these risks as follows:

- The Academy produces and monitors budgets on a regular basis so that funding shortfalls can be anticipated and management action plan put in place to mitigate their effect.
- The Academy will attempt to maintain a level of reserves sufficient to cover unexpected and future funding deficits.
- The Academy will continue to monitor closely progress towards achieving its planned educational outcomes.
- The Academy continues to monitor curriculum changes, emphasise the growth in pupil achievement and

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

obtain the best results for its pupils. Where there is such uncertainty over the future of grading and qualifications.

- The Senior Leadership team, through the data tracking systems, actively monitor student progress on a 6-week cycle to identify patterns and trends for in-class intervention by the teaching staff.

Fundraising

The Academy does not undertake any formal fundraising activities itself; nominal funds are raised by the PTFA and recognised in separate accounts.

PLANS FOR FUTURE PERIODS

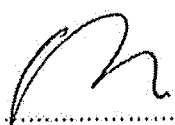
- The Academy is well placed to continue to expand its student numbers roll which was increase from 120 to 132 in 2016/17. In 2017/18 there was a waiting list and further growth in sixth form numbers is anticipated.
- The Academy will continue to set challenging but realistic targets and with the introduction of Progress 8, we are confident that this performance measure will in time reflect favourably on the Academy.
- To grow the Academy Trust by convertor schools and sponsorship having been approved as Academy sponsor by DfE in July 2017.
- Completion of capital work for Science Block, Electrical, Roofing and Heating emitters work on time and within allocated budget.
- To appoint other Trustees using gaps identified by Skills Audit onto the Board.
- It is anticipated the Academy Trust will look to work with Local Authority to expand the Academy by 1FE. This will take the school roll from 132 to 162 from 2019/20. The expansion will require significant restructuring of the school accommodation.

AUDITOR

In so far as the Trustees are aware:

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

The Trustees' Report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 10th December 2018 and signed on the Board's behalf by:


.....
Dr Stephen Pierpoint
Chair of Trustees

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2018

SCOPE OF RESPONSIBILITY

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

The Board of Trustees has delegated the day-to-day responsibility to the Principal as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Exceptional Education Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 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
Dr Stephen Pierpoint (Chairman)	5	5
Juan Hernandez	5	5
Chris Sheen	5	5
Robert Pettigrew	4	5
Claudette Sommers	4	5

The Academy Board has continually reviewed their performance in light of the Academy Trust growing to ensure that sufficient skills, experience and governance structure is in place.

- A programme of training has been procured and Trustees undertaken this training
- Skills gap analysis has been undertaken and have been identified that Directors should be recruited with legal, PR and building experience.
- A review of policies is being undertaken with a view to ensure all necessary policies are identified and structures documented in Scheme of Delegation
- Internal controls in form of Financial Scheme of Delegation which are documented in Financial Regulations and Procedures.
- Terms of Reference have been created with clearly defined roles and responsibilities laid with a clear focus on holding the Academy to account for academic standards, the efficient use of resources and ensuring that statutory duties are met. Terms of Reference have created and ratified for; Audit, Finance Committee, Human Resources and Standards and Performance. These are available for when the Academy trust grows.
- Trustees use the services of external auditors for validation of judgements where necessary.
- There is a clear and effective policy review cycle in place identifying policies for ratification and development on a RAG rated basis.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2018

REVIEW OF VALUE FOR MONEY

As accounting officer the chief executive has responsibility for ensuring that the Academy 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 Academy Trust has delivered improved value for money during the year.

As accounting officer the Principal has responsibility for ensuring that the Academy 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 Academy Trust has delivered improved value for money during the year by:

- Efficiency- systems and practices are in place to increase the efficient running of the organisation.
- Financial Controls - financial controls in place ensuring that there are strong internal spending controls, continuous financial monitoring, financial reporting and challenges of proposed spending.
- Challenge – processes, procedures and practices are challenged to investigate if we still need to do something that we did in the past. Is there a more economical way of achieving each objective?
- Growth – looking to grow the Academy Trust to enable greater economies of scale

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 on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Exceptional Education Trust for the period 1st September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 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 Academy 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:

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2018

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

The Board of Trustees has considered the need for a specific internal audit function and has decided:

- to appoint Williams Giles as internal auditor up until April 2018 where the internal auditing function moved to MacIntyre Hudson

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


- testing of payroll systems
- testing of purchase systems
- testing of control account/ bank reconciliations
- testing of accounting system for quality assurance and identification of error

The Academy Trust has also appointed Strictly Education to assist with accounting technicalities and internal controls. Strictly Education will assist the Financial Controller and the Director of Finance on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities in terms of accounting requirements regulations. The Director of Finance will update the Trustee board of any internal control issues which have been raised by either internal or external auditors. An example of this is the poor implementation of the accounting system which required significant calibration and adjusting in order to function as intended in 2016/17.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Board of Directors 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 10 December 2018 and signed on its behalf by:


.....
Stephen Pierpoint
Chair of Trustees


.....
Juan Hernandez
Accounting Officer

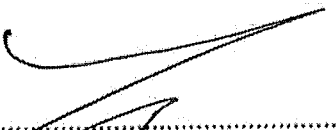
THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Exceptional Education Trust I have considered my responsibility to notify the Trust's 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 Trust's 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 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.


.....
Juan Hernandez
Accounting Officer

THE EXCEPTIONAL EDUCATION 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.

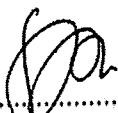
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the Financial Statements 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

and signed on its behalf by:


.....
Stephen Pierpoint
Chair of Trustees

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
EXCEPTIONAL EDUCATION TRUST**

OPINION

We have audited the Financial Statements of The Exceptional Education 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 Auditors' 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 Auditors' 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,

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
EXCEPTIONAL EDUCATION TRUST**

in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our 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 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.

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 EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
EXCEPTIONAL EDUCATION TRUST**

AUDITORS' 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 Auditors' 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 Auditors' 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and its Members for our audit work, for this report, or for the opinions we have formed.



Alyson Howard FCCA DChA CF (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

71 New Dover Road
Canterbury
Kent

CT1 3DZ

Date: 21 December 2013

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
EXCEPTIONAL EDUCATION TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 24 May 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 Exceptional Education 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 Exceptional Education 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 Exceptional Education 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 Exceptional Education Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

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

The Accounting Officer is responsible, under the requirements of The Exceptional Education Trust's funding agreement with the Secretary of State for Education dated 12 July 2016, 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 EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
EXCEPTIONAL EDUCATION TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (continued)

The work undertaken to draw our conclusions includes:

- reviewing the Minutes of the Governing Body and other evidence made available to us, relevant to our consideration of regularity;
- a review of the objectives and activities of the Trust, with reference to the income streams and other information available to us as auditors;
- testing of a sample of payroll payments to staff;
- testing of a sample of payments to suppliers and other third parties;
- testing of a sample of grants received and other income streams; and
- evaluating the internal control procedures and reporting lines, and testing as appropriate and making appropriate enquiries of the Accounting Officer.

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.

MHA MacIntyre Hudson

Reporting Accountant

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

71 New Dover Road
Canterbury
Kent
CT1 3DZ

Date: 21 December 2018

THE EXCEPTIONAL EDUCATION 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 general funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
INCOME FROM:						
Donations & capital grants:						
Transfers on conversion	2	105,824	-	-	105,824	10,058,967
Other donations and capital grants	2	1,073	2,043	3,535,028	3,538,144	525,172
Charitable activities	3	-	4,088,881	-	4,088,881	4,147,269
Other trading activities	4	43,493	119,506	-	162,999	73,312
Investments	5	650	-	-	650	189
TOTAL INCOME		151,040	4,210,430	3,535,028	7,896,498	14,804,909
EXPENDITURE ON:						
Raising funds		8,609	-	-	8,609	36,750
Charitable activities	7	73,993	4,261,430	169,114	4,504,537	4,716,302
TOTAL EXPENDITURE	6	82,602	4,261,430	169,114	4,513,146	4,753,052
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	20	68,438 23,631	(51,000) -	3,365,914 (23,631)	3,383,352 -	10,051,857 -
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		92,069	(51,000)	3,342,283	3,383,352	10,051,857
Actuarial gains on defined benefit pension schemes	25	-	175,000	-	175,000	41,000
NET MOVEMENT IN FUNDS		92,069	124,000	3,342,283	3,558,352	10,092,857
RECONCILIATION OF FUNDS:						
Total funds brought forward		52,304	(1,099,000)	11,139,553	10,092,857	-
TOTAL FUNDS CARRIED FORWARD		144,373	(975,000)	14,481,836	13,651,209	10,092,857

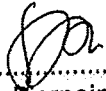
The notes on pages 25 to 49 form part of these Financial Statements.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 10014175 (ENGLAND AND WALES)

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£	2018 £	£	2017 £
FIXED ASSETS					
Tangible assets	15		13,805,174		10,963,595
CURRENT ASSETS					
Stocks	16	12,843		14,125	
Debtors	17	723,990		170,351	
Cash at bank and in hand		2,110,982		521,311	
		<u>2,847,815</u>		<u>705,787</u>	
CREDITORS: amounts falling due within one year	18	<u>(1,943,318)</u>		<u>(385,851)</u>	
NET CURRENT ASSETS			904,497		319,936
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14,709,671</u>		<u>11,283,531</u>
CREDITORS: amounts falling due after more than one year	19		<u>(83,462)</u>		<u>(91,674)</u>
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			14,626,209		11,191,857
Defined benefit pension scheme liability	25		<u>(975,000)</u>		<u>(1,099,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>13,651,209</u></u>		<u><u>10,092,857</u></u>
FUNDS OF THE ACADEMY					
Restricted funds:					
Restricted fixed asset funds	20	14,481,836		11,139,553	
Restricted general funds - pension reserve	20	<u>(975,000)</u>		<u>(1,099,000)</u>	
Total restricted funds			13,506,836		10,040,553
Unrestricted funds	20		<u>144,373</u>		<u>52,304</u>
TOTAL FUNDS			<u><u>13,651,209</u></u>		<u><u>10,092,857</u></u>

The Financial Statements on pages 22 to 49 were approved by the Trustees, and authorised for issue, on and are signed on their behalf, by:


.....
Stephen Pierpoint
Chair of Trustees

The notes on pages 25 to 49 form part of these Financial Statements.

THE EXCEPTIONAL EDUCATION 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 operating activities	22	<u>958,862</u>	<u>215,501</u>
Cash flows from investing activities:			
Investment income		650	189
Purchase of tangible fixed assets		(3,010,693)	(102,531)
Capital grants from DfE Group		<u>3,535,028</u>	<u>408,152</u>
Net cash provided by investing activities		<u>524,985</u>	<u>305,810</u>
Cash flows from financing activities:			
Cash and net assets transferred on conversion to an Academy Trust		<u>105,824</u>	-
Net cash provided by financing activities		<u>105,824</u>	-
Change in cash and cash equivalents in the year		1,589,671	521,311
Cash and cash equivalents brought forward		<u>521,311</u>	-
Cash and cash equivalents carried forward	23	<u><u>2,110,982</u></u>	<u><u>521,311</u></u>

The notes on pages 25 to 49 form part of these Financial Statements.

THE EXCEPTIONAL EDUCATION 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.

The Exceptional Education Trust constitutes a public benefit entity as defined by FRS 102. The Financial Statements are prepared in sterling which is the functional currency of the Trust and rounded to the nearest pound.

The Exceptional Education Trust is a company limited by guarantee, incorporated in England and Wales. The address of the registered office and principal place of operation are detailed on page 1. The nature of the Trust's operation and principal activity are detailed in the Trustees' Report.

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 Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

1.3 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 Group.

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

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.4 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 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 meeting any performance-related conditions, there is no unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities 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 in full 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 in the period in which it is receivable, where receipt is probable and it is measurable.

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.

1.5 Expenditure

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

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.

All expenditure is inclusive of irrecoverable VAT.

THE EXCEPTIONAL EDUCATION 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 £1,000 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 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. Where tangible fixed assets have been acquired with unrestricted funds, transfers are made to the restricted fixed asset fund.

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:

Leasehold property	-	0.8 - 10% straight line
Furniture and fittings	-	20% straight line
Plant and equipment	-	20 - 25% straight line

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.

1.7 Stocks

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

1.8 Debtors

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

1.9 Cash at bank and in hand

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

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.10 Liabilities and provisions

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

1.11 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 17. 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 18 and 19. 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.

1.12 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.

1.13 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 25, the TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. 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 EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

The LGPS is a funded multi-employer 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 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.

1.14 Agency arrangements

The Trust acts as an agent in distributing 16-19 Bursary Funds from the ESFA payments received from the ESFA and subsequent disbursements to students are excluded from the Statement of Financial Activities as the Trust does not have control over the charitable application of the funds. The Trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the Statement of Financial Activities. Where funds have not been fully applied in the accounting period then an amount will be included as amounts due to the ESFA.

1.15 Critical accounting estimates and areas of judgment

Estimates and judgments 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 25, 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 EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2018 £	Restricted general funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
Transfers on conversion	105,824	-	-	105,824	10,058,967
Donations	1,073	2,043	-	3,116	117,020
Capital grants	-	-	3,535,028	3,535,028	408,152
Subtotal	1,073	2,043	3,535,028	3,538,144	525,172
Total 2018	106,897	2,043	3,535,028	3,643,968	10,584,139
Total 2017	316,943	(969,980)	11,237,176	10,584,139	

Further income from conversion has been recognised in the current year, received from the London Borough of Waltham Forest in respect of balances held that were delayed in being clarified as part of the initial transfer arrangements.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

3. CHARITABLE ACTIVITIES - FUNDING FOR EDUCATIONAL OPERATIONS

	Unrestricted funds 2018 £	Restricted general funds 2018 £	Total funds 2018 £	Total funds 2017 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	3,654,537	3,654,537	3,676,229
Pupil Premium	-	212,783	212,783	221,401
Other DfE / ESFA revenue grants	-	24,814	24,814	24,078
	-	3,892,134	3,892,134	3,921,708
Other government grants				
Local Authority grants	-	82,708	82,708	128,094
Local Authority - SEN	-	79,608	79,608	78,929
	-	162,316	162,316	207,023
Other funding				
Trip income	-	34,431	34,431	18,538
	-	34,431	34,431	18,538
Total 2018	-	4,088,881	4,088,881	4,147,269
Total 2017	-	4,147,269	4,147,269	

There are no unfulfilled conditions or other contingencies attached to the government grants above.

THE EXCEPTIONAL EDUCATION 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 general funds 2018 £	Total funds 2018 £	Total funds 2017 £
Lettings income	11,358	-	11,358	2,950
Catering	1,150	-	1,150	1,232
Consultancy	-	22,579	22,579	41,707
Uniform sales	11,195	-	11,195	10,831
Music income	2,185	-	2,185	-
Other income	17,605	96,927	114,532	16,592
	<u>43,493</u>	<u>119,506</u>	<u>162,999</u>	<u>73,312</u>
Total 2018				
	<u>30,373</u>	<u>42,939</u>	<u>73,312</u>	
Total 2017				

5. INVESTMENT INCOME

	Unrestricted funds 2018 £	Restricted general funds 2018 £	Total funds 2018 £	Total funds 2017 £
Bank interest receivable	650	-	650	189
	<u>189</u>	<u>-</u>	<u>189</u>	
Total 2017				

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

6. TOTAL EXPENDITURE

	Staff costs 2018 £	Premises costs 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
Expenditure on raising funds	-	-	8,609	8,609	36,750
Charitable activities:					
Direct costs	2,939,227	-	277,433	3,216,660	3,350,416
Support costs	714,195	142,402	431,280	1,287,877	1,365,886
Total 2018	<u>3,653,422</u>	<u>142,402</u>	<u>717,322</u>	<u>4,513,146</u>	<u>4,753,052</u>
Total 2017	<u>3,887,912</u>	<u>124,884</u>	<u>740,256</u>	<u>4,753,052</u>	

In 2017, of the total expenditure of £4,753,052, £36,750 was from unrestricted funds, £4,528,456 was from restricted general funds and £187,846 was from restricted fixed asset funds.

7. ANALYSIS OF EXPENDITURE BY CHARITABLE ACTIVITIES

	Activities undertaken directly 2018 £	Support costs 2018 £	Total 2018 £	Total 2017 £
Educational operations	<u>3,216,660</u>	<u>1,287,877</u>	<u>4,504,537</u>	<u>4,716,302</u>
Total 2017	<u>3,350,416</u>	<u>1,365,886</u>	<u>4,716,302</u>	

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

8. TOTAL DIRECT COSTS

	Raising funds £	Educational operations £	Total 2018 £	Total 2017 £
Teaching and learning costs	-	219,070	219,070	173,729
Technology costs	-	4,581	4,581	24,553
Other costs	8,609	53,782	62,391	36,750
Direct staff costs	-	2,939,227	2,939,227	3,152,134
Total 2018	8,609	3,216,660	3,225,269	3,387,166
Total 2017	36,750	3,350,416	3,387,166	

9. TOTAL SUPPORT COSTS

	Educational operations £	Total 2018 £	Total 2017 £
Defined benefit pension scheme finance cost	33,000	33,000	21,000
Technology costs	65,333	65,333	44,038
Premises costs	142,402	142,402	180,518
Other costs	158,701	158,701	166,711
Governance costs	38,132	38,132	50,995
Support staff costs	681,195	681,195	714,778
Depreciation	169,114	169,114	187,846
Total 2018	1,287,877	1,287,877	1,365,886
Total 2017	1,365,886	1,365,886	

10. GOVERNANCE COSTS

	2018 £	2017 £
Legal and professional fees	19,750	15,610
Trustees' expenses and training	4,093	10,314
Auditors' remuneration - Audit of the Financial Statements	7,987	7,750
Auditors' remuneration - Other services	2,674	6,291
Auditors' remuneration - Other services under provision	-	11,030
Auditors' remuneration - Audit of the Financial Statements under provision	3,628	-
Total	38,132	50,995

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

11. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets:		
- owned by the Trust	169,114	187,846
Auditors' remuneration - Audit of the Financial Statements	7,987	7,750
Auditors' remuneration - Other services	2,674	6,291
Auditors' remuneration - Other services under provision	-	11,030
Auditors' remuneration - Audit of the Financial Statements under provision	3,628	-

No central services were provided by the Trust in the year, and no central charges arose as Norlington School and 6th Form remains the only Academy in the Multi Academy Trust at 31 August 2018.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

12. STAFF COSTS

a. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	2,810,761	2,975,739
Social security costs	287,097	294,853
Pension costs	421,474	482,615
	<u>3,519,332</u>	<u>3,753,207</u>
Agency staff costs	101,090	113,705
Defined benefit pension scheme finance cost	33,000	21,000
	<u>3,653,422</u>	<u>3,887,912</u>

b. Staff numbers

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

	2018 No.	2017 No.
Teaching	37	36
Support	44	48
Management	8	11
	<u>89</u>	<u>95</u>

c. 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	2
In the band £80,001 - £90,000	0	1
In the band £100,001 - £110,000	1	1

The above employees participated in both the Teachers' Pension Scheme and Local Government Pension Scheme. During the year ended 31 August 2018 pension contributions for these staff members amounted to £30,444 (2017 - £50,929).

d. Key management personnel

The Key Management Personnel of the Trust comprise the Trustees and the Senior Management Team. The total amount of employee benefits (including employer national insurance contributions and employer pension contributions) received by Key Management Personnel for services to the Trust was £678,621 (2017 - £436,892).

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

13. TRUSTEES' REMUNERATION AND EXPENSES

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

		2018 £	2017 £
Juan Hernandez, Principal and Accounting Officer	Remuneration	105,000-110,000	100,000-105,000
	Pension contributions paid	5,000-10,000	15,000-20,000

During the year ended 31 August 2018, expenses totalling £821 (2017 - £3,976) were reimbursed to 1 Trustee (2017 - 1).

14. 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 Academy 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.

15. TANGIBLE FIXED ASSETS

	Leasehold property £	Furniture and fittings £	Plant and equipment £	Assets under construction £	Total £
Cost					
At 1 September 2017	10,732,894	149,066	211,113	58,368	11,151,441
Additions	-	22,327	24,608	2,963,758	3,010,693
At 31 August 2018	10,732,894	171,393	235,721	3,022,126	14,162,134
Depreciation					
At 1 September 2017	89,926	29,813	68,107	-	187,846
Charge for the year	88,801	28,316	51,997	-	169,114
At 31 August 2018	178,727	58,129	120,104	-	356,960
Net book value					
At 31 August 2018	10,554,167	113,264	115,617	3,022,126	13,805,174
At 31 August 2017	10,642,968	119,253	143,006	58,368	10,963,595

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

15. TANGIBLE FIXED ASSETS (continued)

The long-term leasehold property was professionally valued on 5 February 2013 by D Payling of London Borough of Waltham Forest, a RICS Registered Valuer using the depreciated replacement cost method. The Trustees consider that the valuation remains appropriate for the purposes of these financial statements.

Assets under construction comprise four separate CIF funded projects that were incomplete as at 31 August 2018, being electrical works, a heating upgrade, roofing replacement and science block refurbishment. All four projects are due to be completed during the 2018/19 year at which point they will be transferred to appropriate asset classes and depreciated from the time they are brought into use.

16. STOCKS

	2018 £	2017 £
Finished goods and goods for resale	<u>12,843</u>	<u>14,125</u>

17. DEBTORS

	2018 £	2017 £
Trade debtors	14,400	13,127
VAT	200,326	31,106
Other debtors	41,697	54,501
Prepayments and accrued income	467,567	71,617
	<u>723,990</u>	<u>170,351</u>

18. CREDITORS: Amounts falling due within one year

	2018 £	2017 £
Other loans	68,781	68,781
Trade creditors	156,577	149,768
Other taxation and social security	73,162	75,725
Other creditors	49,971	62,351
Accruals and deferred income	1,594,827	29,226
	<u>1,943,318</u>	<u>385,851</u>

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

18. CREDITORS: Amounts falling due within one year (continued)

	2018 £	2017 £
Deferred income		
Deferred income at 1 September 2017	14,875	-
Resources deferred during the year	19,221	14,875
Amounts released from previous years	(14,875)	-
	<u>19,221</u>	<u>14,875</u>
Deferred income at 31 August 2018	<u>19,221</u>	<u>14,875</u>

At the Balance Sheet date the Trust was holding funds received in advance for;

- Rates for the 2018-19 academic year; and
- School trips taking place in the 2018-19 academic year

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

	2018 £	2017 £
Other loans	<u>83,462</u>	<u>91,674</u>

On conversion last year the Trust inherited three loans from London Borough of Waltham Forest.

The first loan received was for £204,173 to cover the deficit at the conversion date, this loan carries an interest rate of 4.81%. This loan is unsecured and repayable by instalments.

The second loan is a single status loan in the sum of £7,228, this loan carries an interest rate of 4.98%. This loan is unsecured and repayable by instalments.

The third loan is a second single status loan in the sum of £8,485, this loan carries an interest rate of 4.85%. This loan is unsecured and repayable by instalments.

20. STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
General funds						
General Funds	<u>52,304</u>	<u>151,040</u>	<u>(82,602)</u>	<u>23,631</u>	<u>-</u>	<u>144,373</u>

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

20. STATEMENT OF FUNDS - CURRENT YEAR (continued)

Restricted general funds

General Annual Grant (GAG)	-	3,654,537	(3,654,537)	-	-	-
Pupil Premium	-	212,783	(212,783)	-	-	-
Other DfE / ESFA revenue grants	-	24,814	(24,814)	-	-	-
Local Authority revenue grants	-	79,608	(79,608)	-	-	-
Other Government revenue grants	-	82,708	(82,708)	-	-	-
Other activities	-	155,980	(155,980)	-	-	-
Pension reserve	(1,099,000)	-	(51,000)	-	175,000	(975,000)
	<u>(1,099,000)</u>	<u>4,210,430</u>	<u>(4,261,430)</u>	<u>-</u>	<u>175,000</u>	<u>(975,000)</u>

Restricted fixed asset funds

Net Book Value of owned Fixed Assets	10,963,595	-	(169,114)	3,010,693	-	13,805,174
DfE / ESFA capital grants	336,413	3,522,528	-	(3,030,036)	-	828,905
Local Authority capital grants	-	12,500	-	(12,500)	-	-
Loans inherited on conversion	(160,455)	-	-	8,212	-	(152,243)
	<u>11,139,553</u>	<u>3,535,028</u>	<u>(169,114)</u>	<u>(23,631)</u>	<u>-</u>	<u>14,481,836</u>
Total restricted funds	<u>10,040,553</u>	<u>7,745,458</u>	<u>(4,430,544)</u>	<u>(23,631)</u>	<u>175,000</u>	<u>13,506,836</u>
Total of funds	<u>10,092,857</u>	<u>7,896,498</u>	<u>(4,513,146)</u>	<u>-</u>	<u>175,000</u>	<u>13,651,209</u>

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

20. STATEMENT OF FUNDS - CURRENT YEAR (continued)

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

The Unrestricted General Fund has been created to recognise the income and expenditure in respect of activities undertaken by the Trust.

The General Annual Grant (GAG) represents the core funding for the educational activities of the school that has been provided to the Trust via the Education and Skills Funding Agency (ESFA) by the Department for Education (DfE). The GAG fund has been set up because the GAG must be used for the normal educational running costs of the Trust.

The Pupil Premium fund has been established to recognise the restricted funding from the Education and Skills Funding Agency to raise the attainment of disadvantaged pupils and close the gap between them and their peers.

The Pension reserve fund represents the pension deficit inherited from the Local Authority upon conversion to Academy status, and through which all the pension scheme movements are recognised. The fund is in deficit, but given the nature of the liability this is not payable immediately. Plans are in place to meet the deficit.

The NBV of owned Fixed Assets fund has been set up to recognise the tangible assets held by the Trust and is equivalent to the net book value of tangible fixed assets. Depreciation of tangible fixed assets is allocated to this fund. During the year, a transfer of £3,030,036 and £12,500 was made from the DfE/ESFA Capital grants and Local Authority capital grants fund for capital purchases made using these funds.

The Local Authority revenue grants fund has been set up to recognise the income received from [Insert Council] as a contribution towards the cost of the Trust's revenue expenditure. Funding received for Special Educational Needs is also recognised within Local Authority Grants. These funds are to assist with the costs incurred providing disadvantaged students with the additional educational resources that they require.

The DfE/ESFA Capital grants and Local Authority capital grants fund has been created to recognise capital grants received for the purpose of the acquisition of tangible fixed assets. As tangible fixed assets are purchased, a transfer is made to the NBV of owned Fixed Assets fund. Capital grants received and receivable but not yet spent on fixed assets are held as current assets in the restricted fixed asset fund. During the year transfers of £3,030,036 and £12,500 were made to the NBV of owned Fixed Assets fund for capital purchases.

The Other DfE/ESFA Grants fund has been created to recognise the restricted funding received from the DfE/ESFA which fall outside the scope of core funding.

The Other Government Grants fund has been set up to recognise the restricted funding received from all other Government bodies which fall outside the scope of core funding.

The Other activities fund has been established to recognise all other restricted funding that cannot be classified above but fall outside the scope of its core activities.

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.

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

20. STATEMENT OF FUNDS - CURRENT YEAR (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2017 £
General funds						
General Funds	-	366,043	(36,750)	(276,989)	-	52,304
Restricted general funds						
General Annual Grant (GAG)	-	3,676,229	(3,862,995)	186,766	-	-
Pupil Premium	-	221,401	(221,401)	-	-	-
Other DfE / ESFA revenue grants	-	24,078	(24,078)	-	-	-
Local Authority revenue grants	-	128,094	(128,094)	-	-	-
Other Government revenue grants	-	78,929	(78,929)	-	-	-
Other activities	-	159,959	(159,959)	-	-	-
Pension reserve	-	(1,087,000)	(53,000)	-	41,000	(1,099,000)
	-	3,201,690	(4,528,456)	186,766	41,000	(1,099,000)
Restricted fixed asset funds						
Net Book Value of owned Fixed Assets	-	11,048,910	(187,846)	102,531	-	10,963,595
DfE / ESFA capital grants	-	394,781	-	(58,368)	-	336,413
Local Authority capital grants	-	13,371	-	(13,371)	-	-
Loans inherited on conversion	-	(219,886)	-	59,431	-	(160,455)
	-	11,237,176	(187,846)	90,223	-	11,139,553
Total restricted funds	-	14,438,866	(4,716,302)	276,989	41,000	10,040,553
Total of funds	-	14,804,909	(4,753,052)	-	41,000	10,092,857

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

A CURRENT YEAR 12 MONTHS AND PRIOR YEAR 12 MONTHS COMBINED POSITION IS AS FOLLOWS:

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
General funds						
General Funds	-	517,083	(119,352)	(253,358)	-	144,373
Restricted general funds						
General Annual Grant (GAG)	-	7,330,766	(7,517,532)	186,766	-	-
Pupil Premium	-	434,184	(434,184)	-	-	-
Other DfE / ESFA revenue grants	-	48,892	(48,892)	-	-	-
Local Authority revenue grants	-	207,702	(207,702)	-	-	-
Other Government revenue grants	-	161,637	(161,637)	-	-	-
Other activities	-	315,939	(315,939)	-	-	-
Pension reserve	-	(1,087,000)	(104,000)	-	216,000	(975,000)
	-	7,412,120	(8,789,886)	186,766	216,000	(975,000)
Restricted fixed asset funds						
Net Book Value of owned Fixed Assets	-	11,048,910	(356,960)	3,113,224	-	13,805,174
DfE / ESFA capital grants	-	3,917,309	-	(3,088,404)	-	828,905
Local Authority capital grants	-	25,871	-	(25,871)	-	-
Loans inherited on conversion	-	(219,886)	-	67,643	-	(152,243)
	-	14,772,204	(356,960)	66,592	-	14,481,836
	-	22,184,324	(9,146,846)	253,358	216,000	13,506,836
Total of funds	-	22,701,407	(9,266,198)	-	216,000	13,651,209

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

21. ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Unrestricted funds 2018 £	Restricted general funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
Tangible fixed assets	-	-	13,805,174	13,805,174
Current assets	2,171,153	-	676,662	2,847,815
Creditors due within one year	(1,943,318)	-	-	(1,943,318)
Creditors due in more than one year	(83,462)	-	-	(83,462)
Defined benefit pension scheme liability	-	(975,000)	-	(975,000)
	<u>144,373</u>	<u>(975,000)</u>	<u>14,481,836</u>	<u>13,651,209</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2017 £	Restricted general funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	10,963,595	10,963,595
Current assets	52,304	317,070	336,413	705,787
Creditors due within one year	-	(317,070)	(68,781)	(385,851)
Creditors due in more than one year	-	-	(91,674)	(91,674)
Defined benefit pension scheme liability	-	(1,099,000)	-	(1,099,000)
	<u>52,304</u>	<u>(1,099,000)</u>	<u>11,139,553</u>	<u>10,092,857</u>

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

	2018 £	2017 £
Net income for the year (as per Statement of Financial Activities)	3,383,352	10,051,857
Adjustment for:		
Depreciation charges	169,114	187,846
Investment income	(650)	(189)
Decrease/(increase) in stocks	1,282	(14,125)
Increase in debtors	(553,639)	(170,351)
Increase in creditors	1,549,255	477,525
Capital grants from DfE and other capital income	(3,535,028)	(408,152)
Defined benefit pension scheme obligation inherited	-	1,087,000
Defined benefit pension scheme cost less contributions payable	18,000	32,000
Defined benefit pension scheme finance cost	33,000	21,000
Net assets transferred on conversion	(105,824)	(11,048,910)
Net cash provided by operating activities	<u>958,862</u>	<u>215,501</u>

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

23. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash at bank and in hand	256,099	521,311
Notice deposits (less than 3 months)	1,854,883	-
Total	<u>2,110,982</u>	<u>521,311</u>

24. CAPITAL COMMITMENTS

At 31 August 2018 the Trust had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	<u>399,633</u>	<u>-</u>

25. 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 London Borough of Waltham Forest 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.

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

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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:

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

25. PENSION COMMITMENTS (continued)

- 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 £260,676 (2017 - £304,259).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate Trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £235,000 (2017 - £181,000), of which employer's contributions totalled £193,000 (2017 - £147,000) and employees' contributions totalled £42,000 (2017 - £34,000). The agreed contribution rates for future years are 28.1% for employers and 5.5% to 12.5% for employees.

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

Principal actuarial assumptions:

	2018	2017
Discount rate for scheme liabilities	2.90 %	2.50 %
Rate of increase in salaries	3.70 %	3.70 %
Rate of increase for pensions in payment / inflation	2.30 %	2.20 %
Inflation assumption (CPI)	2.20 %	2.20 %

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

25. PENSION COMMITMENTS (continued)

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	22.5	22.4
Females	25.5	25.4
Retiring in 20 years		
Males	24.7	24.6
Females	27.9	27.7

	At 31 August 2018 £'000	At 31 August 2017 £'000
Sensitivity analysis		
Discount rate +0.1%	(39)	(35)
Discount rate -0.1%	39	35
Mortality assumption - 1 year increase	25	23
Mortality assumption - 1 year decrease	(25)	(23)

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

	Fair value at 31 August 2018 £	Fair value at 31 August 2017 £
Equities	287,000	116,000
Other bonds	44,000	22,000
Property	39,000	16,000
Cash and other liquid assets	13,000	11,000
Other	52,000	18,000
Total market value of assets	435,000	183,000

The actual return on scheme assets was £26,000 (2017 - £8,000).

The amounts recognised in the Statement of Financial Activities are as follows:

	2018 £	2017 £
Current service cost	(211,000)	(174,000)
Interest income	-	2,000
Interest cost	(33,000)	(23,000)
Total	(244,000)	(195,000)

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

25. PENSION COMMITMENTS (continued)

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

	2018 £	2017 £
Opening defined benefit obligation	1,282,000	-
Upon conversion	-	1,087,000
Current service cost	211,000	174,000
Interest cost	33,000	23,000
Employee contributions	42,000	34,000
Actuarial gains	(155,000)	(36,000)
Benefits paid	(3,000)	-
Closing defined benefit obligation	<u>1,410,000</u>	<u>1,282,000</u>

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

	2018 £	2017 £
Opening fair value of scheme assets	183,000	-
Interest income	-	2,000
Actuarial gains	20,000	5,000
Employer contributions	193,000	142,000
Employee contributions	42,000	34,000
Benefits paid	(3,000)	-
Closing fair value of scheme assets	<u>435,000</u>	<u>183,000</u>

Reconciliation of opening to closing Defined Benefit Pension Scheme liability

	2018 £	2017 £
Upon conversion	-	1,087,000
Defined benefit pension scheme liability brought forward	1,099,000	-
Defined benefit pension scheme cost less contributions payable	18,000	32,000
Defined benefit pension scheme finance cost	33,000	21,000
Actuarial (gains)	(175,000)	(41,000)
Defined benefit pension scheme liability carried forward	<u>975,000</u>	<u>1,099,000</u>

THE EXCEPTIONAL EDUCATION TRUST
(A Company Limited by Guarantee)

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

The amounts recognised in the Balance Sheet are as follows:

	2018 £	2017 £
Present value of the defined benefit pension scheme obligation	(1,410,000)	(1,282,000)
Fair value of the defined benefit pension scheme assets	435,000	183,000
Total	<u>(975,000)</u>	<u>(1,099,000)</u>

26. 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.

27. RELATED PARTY TRANSACTIONS

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

Three of the Trust's Trustees, are also Directors of a training company Exceptional Education for All Ltd which is a training company for the Trust. It is a company limited by guarantee set up to be not for profit, and is in the process of being registered as a Charity. During the year the Trust received donations totalling £1,073 (2017 - £108,410) from Exceptional Education for All Ltd, with £5,000 (2017 - £NIL) being included in accrued income at the year end. The Trust also received income of £96,927 (2017 - £NIL) in management charges for staff time spent on Exceptional Education for All Ltd business. Separately the Trust also paid £54,500 (2017 - £NIL) in the year ended 31 August 2018 to Exceptional Education for All Ltd for training and consultancy services provided.

These transactions complied with the conditions of the Academies Financial Handbook and no amounts were outstanding at the year end.