
KEYSTONE ACADEMY TRUST

(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS

Members	A Thorpe (appointed 1 September 2019) C Wesley (appointed 1 September 2019) E Nicholson (appointed 1 September 2019) J Wooley (appointed 1 September 2019, resigned 22 September 2020) W Phelan (appointed 1 September 2019)
Trustees	J Pignatiello, Chair of Trustees (appointed 1 September 2019) J MacPhee (appointed 1 September 2019) N Smith (appointed 1 September 2019) S Sharpe (appointed 1 September 2019) J Harrison R Immink (reigned 20 October 2020) R Monkhouse (appointed 1 September 2019) M Rainbow (resigned 20 October 2020) G Palmer (appointed 1 September 2019)
Company registered number	07788995
Company name	Keystone Academy Trust
Principal and registered office	Westbourne Park Bourne Lincs PE10 9QS
Company secretary	K Bryant
Accounting officer	E Radley

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REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

**Senior executive
team**

E Radley, Chief Executive Officer and Accounting Officer
S Taylor, Chief Financial Officer

Independent auditors

Streets Audit LLP
Windsor House
A1 Business Park at
Long Bennington
Notts
NG23 5JR

Bankers

Lloyds Bank Plc
Business Centre
PO Box 1000
Spalding

Solicitors

Browne Jacobsen
Mowbray House
Castle Meadow Road
Nottingham
NG2 1BJ

KEYSTONE ACADEMY TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2020

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year 1 September 2019 to 31 August 2020. The annual report serves the purposes of both a Trustees' report and a directors' report under company law.

Keystone Academy Trust (KAT) was originally Bourne Westfield Primary Academy. On 1st September 2019 Tower Road Primary Academy came together with Bourne Westfield Primary Academy to become a multi-academy trust. Keystone Academy Trust (KAT) was established to provide primary education across South Lincolnshire. At this point the Executive Team changed to reflect the change in the organisation. During the year the trust operated four academies for pupils aged 3 to 11. Long Sutton County Primary School joined KAT on 1 November 2019 and Thurlby Community Primary School joined on 1 January 2020. In the school census in October 2020 the four schools had a combined pupil capacity of 1,942 and had a roll of 1,847.

Structure, governance and management

Constitution

The academy is a charitable company limited by guarantee and an exempt charity.

The charitable company's Memorandum of Association is the primary governing document of the academy.

The Trustees of Keystone Academy Trust are also the directors of the charitable company for the purposes of company law.

The charitable company is known as Keystone Academy Trust.

Details of the Trustees who served during the year, and to the date these accounts are approved 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, for the debts and liabilities contracted before they ceased to be a member.

Trustees' indemnities

Subject to the provisions of the Companies Acts, every trustee or other officer of the MAT shall be indemnified out of the assets of the MAT against any liability incurred by them in that capacity in defending any proceedings, whether civil or criminal, in which judgement is given in favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default breach of trust in relation to the affairs of the MAT.

In addition, Keystone Academy Trust belongs to the Risk Protection Arrangement (RPA) with the Department of Education. The RPA includes Trustees' liability cover. This qualified as third party indemnity insurance as defined by Section 236 of the Companies Act 2006.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Structure, governance and management (continued)

Method of recruitment and appointment or election of Trustees

The Articles of Association require the Members to appoint at least three and up to nine trustees. As at 31 August 2020 there were nine trustees on the board.

Members of the trust and trustees are appointed as set out in the Articles of Association.

Policies adopted for the induction and training of Trustees

The induction and training of all new Members/Trustees will depend on their existing experience. Where necessary, induction will provide training on charity, educational, legal and financial matters. Subject to Covid 19 restrictions, all new Members and Trustees will be given the opportunity to tour the schools with a chance to meet stakeholders. All Trustees are provided with documents allowing them to undertake their role. The Chair and Chief Executive Officer have responsibility for induction and training. The MAT has joined the National Governance Association to help access appropriate support.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Structure, governance and management (continued)

Organisational structure

The structure of the Trust consists of four levels of governance: The Members, the Board of Trustees (Governing Body), Senior Leadership Team and Local Governing Bodies. The aim of this management structure is to distribute responsibility and accountability and to encourage the involvement in decision making at all levels so that the Trust nurtures the talents of its entire staff to support continual improvement, excellence and the sharing of best practice across the whole Trust.

The members have overall responsibility and ultimate decision-making authority for the trust and are responsible for setting the constitution of the MAT and for appointing trustees.

The Governing Body retains overall responsibility for exercising oversight of the government and management of the Trust. This includes strategic planning and setting the general policies, making major decisions about the direction of the academies, capital expenditure and senior staff appointments.

The Governing Body is responsible for setting Trust-wide policies, adopting each academy's School Improvement Plan and budget, monitoring performance against those plans and making major decisions about the direction of the trust including its curriculum, and the achievement and welfare of pupils and staff.

Trustees are appointed/elected/co-opted for a period of four years. The chair and vice-chair are elected annually. The trustees appoint a Chief Executive Officer to take responsibility of the day-to-day management of the constituent academies. The trustees appoint a clerk who takes on the role of calling and recording meetings of the Board of Trustees. The total number of trustees is nine.

The overall responsibility for holding school leaders to account and driving forward improvements in performance, attainment and progress in each academy is delegated to Local Governing Bodies, with their impact and effectiveness overseen, monitored and challenged by the Governing Body. Local Governing Bodies discharge their functions in line with the Scheme of Delegation and Terms of Reference.

There are nine trustees that monitor, evaluate and challenge the performance of KAT. They have, as a body, skills in the following aspects: Health and safety, Human resources, Finance, Legal, Estates and Premises, School performance, Risk Audit and Safeguarding. The Governing Board has established three sub-committees. Each sub-committee has its own terms of reference detailing the responsibilities discharged to the sub-committee. The three sub-committees are the Trustee Standards Committee, the Finance and Resources Committee and the Audit, Risk and Remuneration Committee.

The terms of reference and meeting frequency for each sub-committee is reviewed and approved by the Governing Body annually. The Governing Body has approved finance policies and procedures that detail each Academy's authorised spending limits.

Through these committees and the board as a whole the board of trustees will deliver the core functions:

1. ensuring clarity of vision, ethos and strategic direction of the MAT
2. holding the CEO to account for the educational performance of the MAT and its pupils, and the performance management of staff
3. the performance management of the CEO and head teachers of each academy
4. overseeing the financial performance of the MAT and making sure its money is well spent.

The trustees will also ensure compliance with company and charity law and with the trust's funding agreement with the Secretary of State.

The Chief Executive Officer (CEO) is the Trust's Accounting Officer. The role provides the point of accountability and management lead for the senior leaders in each of the academies. The role also provides

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Structure, governance and management (continued)

the strategic link between the Governing Board and the academies. An independent Internal Auditor has been appointed. The Scheme of Delegation provides full details of all delegated responsibilities.

The MAT maintains a centralised provision that includes at Executive level the Chief Executive Officer, the Chief Financial Officer, and the Performance Improvement Officer. Central services include school improvement and finance with plans to centralise human resources, asset management, information technology, purchasing and communications. Centralised staff are based across a range of locations including home-working.

Arrangements for setting pay and remuneration of key management personnel

The structure and pay ranges for the Executive and Senior Leadership Team are set by the Full Governing Body at the time of appointment. The pay ranges cover a five-point scale with the Head Teacher's salary established against the ISR. The ISR is recalculated annually by the Audit, Risk and Remuneration Committee. Any variations beyond this (for any members of the Senior Leadership Team) are made by the Governing Body following the recommendation by the Audit, Risk and Remuneration Committee. Recommendations for pay increases or salary regarding are made by the Head Teacher to the Audit, Risk and Remuneration Committee, following performance management, where a final decision will be made on whether to award the pay increase.

No trustees receive any remuneration for undertaking their roles for the Trust.

Engagement with employees (including disabled persons)

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

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

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy

In accordance with the academy's equal opportunities policy, the academy has long-established fair employment practices in the recruitment, selection, retention and training of disabled staff.

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

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Objectives and activities

Objects and aims

The principal object and activity of the charitable company is the operation of Keystone Academy Trust to provide education for pupils of different abilities between the ages of three and eleven with emphasis on particular specialisms. In accordance with the Articles of Association the charitable company has adopted a "Scheme of Government" approved by the Secretary of State for Education and Skills. The Scheme of the Government specifies, amongst other things, the basis for admitting students to the Academies, and that the curriculum should comply with the substance of the national curriculum.

Objectives, strategies and activities

The main objectives of the MAT during the year ended 31 August 2020 are summarised below:

- Our academies aim to be centres of excellence in teaching and learning where every child makes outstanding progress and is ready for the next stage in their education and lives. Our staff feel valued and can access opportunities for professional and career development and are able to share their skills and expertise across the Trust and with other schools.
- Our academies will work together to develop systems and structures to share and develop excellent teaching and learning.
- Our schools provide safe, stimulating and aspirational environments where children and staff have access to the best resources.
- Our accountability and decision-making frameworks maximise value for money for the benefit of children and their families.
- MAT Stability and Future Growth through increasing the number of schools within the MAT.

Public benefit

The MAT provides educational services catering to children aged three to eleven in South Lincolnshire. The trustees confirm that they have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the guidance on public benefit published by the Charity Commission.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Strategic report

Achievements and performance

The MAT's achievement and performance in the year is summarised below:

The Trustees are very proud of the achievements and recognise the tremendous hard work and commitment put in by the Executive Team, Senior Leadership Team, all teaching and support staff over the past year. The academic year included the formation of the multi-academy trust, integrating four schools, and dealing with the challenges of the Covid-19 pandemic.

Key Performance Indicators

- All school leaders have been supported to develop their unique curriculum offers, bespoke to their communities, that deepen children's knowledge and develop cultural capital
- A programme of external support and verification has been embedded to ensure that all schools within the Trust have systems and practices in place to ensure that they are supported to achieve their ambitious targets
- A Trust model has been developed and delivered that meets the professional development needs of all staff within the Trust Develop opportunities for school to school support allowing staff to share expertise and skills across the Trust
- The support of Keystone Teaching School has been integrated within the Trust in order to support raising standards
- Compliance with the Master Funding Agreement and Financial Handbook was recognised in the ESFA visit
- Processes and options to improve financial efficiency of the Trust have been investigated and Sage accounting has been put in place
- Success with all seven CIF applications resulting in new Fire Systems, Roofing and a new classroom build
- A programme of training has been developed and delivered to meet the professional development needs of Local Governors
- The Trust has developed the management capacity to deliver sustained improvement and potential growth.
- Two new schools were brought into the trust one of which was a sponsored academy
- The sponsored academy received an Ofsted monitoring visit in November that praised the leadership and progress 'senior leaders manage change well. They have prioritised plans for improvement so that actions are not unwieldy or burdensome for staff. They communicate these actions well so that staff engage effectively with the changes that are made. Senior leaders provide effective support for teachers. Teachers have raised their expectations of what pupils can achieve. Senior leaders hold teachers to account for the quality of education that pupils receive.'

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 Accounting Policies note of the financial statements.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Financial review

Reserves policy

The Trust's 'free' reserves are its funds available after excluding restricted funds. 'Reserves' are therefore the resources that the Trust has or can make available to spend for any or all of the Trust's purposes once it has met its commitments and covered its planned expenditure. More specifically 'free reserves' represent income to the Trust which is to be spent at the Trustees' discretion in furtherance of any of the Trust's objects but which is not yet spent committed or designated.

The trustees review the reserves levels of the Trust annually. The review encompasses the nature of the income and expenditure streams. The trustees have determined that the appropriate level of free reserves should be equivalent to two months of Generalised Annual Grant in each academy. The reasons for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. Two months of free reserves would equate to £989,366 and so the trust is in line with its policy.

At 31 August 2020, free reserves held amounted to £912,625 (including £91,927 unrestricted fixed assets) and restricted general funds amount to £855,470.

The amount which can only be realised by disposing of tangible fixed assets amounts to £15,060,744.

The pension fund is in deficit by £3,423,000.

Total funds at 31 August 2020 amount to £13,405,839, and the balance on restricted general funds plus unrestricted general funds at 31 August 2020 results in a net surplus of £1,768,095.

Financial review

Most of the Trust's income is obtained from the ESFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2020 and the associated expenditure are show as restricted funds in the statement of financial activities.

During the year ended 31 August 2020, total restricted revenue expenditure, excluding the pension fund, of £7,660,401 was less than recurrent restricted grant funding from the ESFA together with other restricted incoming resources. The excess of income over expenditure for the period was £141,765.

The main financial performance indicator is the level of reserves held at the Balance Sheet date. There is no restriction on the amount of carry forward on the General Annual Grant (GAG). In the period under review there was £223,538 of GAG carried forward. Another key financial performance indicator is staffing costs as a percentage of recurrent income. For 2019/20 this was 90.6% and this will be monitored for future periods.

The Trust's non-teaching staff are entitled to membership of the Local Governing Pension Scheme. The Trust's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the Trust balance sheet shows a net liability of £3,423,000.

Investment policy

The Trust aims to manage its cash balances for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, the Trust aims to invest surplus cash funds to optimise returns while ensuring the investment instruments are such that there is no material risk to the loss of these cash funds.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Principal risks and uncertainties

The Trust has a comprehensive Risk Register, which is used in conjunction with regular financial reporting to monitor the operational and financial performance of the Trust. Based on the strategic plan, the governing body undertakes a comprehensive review of the risks to which the Trust is exposed. The governing body identifies systems and procedures, including specific preventable actions, which should mitigate any potential negative impact on the Trust.

A thorough appraisal is undertaken in the subsequent year of the existing risks and any emerging risks, for example, those arising from changes to national funding policy and/or local circumstances. In addition to the annual review, the governing body will also consider any risks that arise during the year, for example, as a result of a new area of work being undertaken by the Trust.

An Internal Auditor performs thorough testing of the financial and compliance systems and reports back annually to the governing body with recommendations. The Internal Auditor is independent of the External Auditor. A Risk Register, covering low, medium, and high level risks, is maintained at Trust level. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Trust and the actions being taken to reduce and mitigate the risks. Risks are prioritised as low, medium and high using a consistent scoring system.

The Trust's approach to risk management is supported by a risk management training programme that raised awareness of risk throughout the Trust. In addition, the Executive Team and the Senior Leadership Team incorporate risk management in their self-assessment reports and quality improvement plans.

Outlined below is a description of the principal risk factors that may affect the Trust. However, not all factors are within the Trust's control and other factors besides those listed may also adversely affect the Trust:

- **Funding Levels:** Unfunded increases to salaries and pension contributions, alongside increased inflation and regulatory requirements continues to place the academies at a higher risk of having a deficit budget and needing to make redundancies on the current funding levels.
- **Pandemic:** A continuation of the pandemic situation will increase the risk of cost pressures, reduced income, performance and general well-being of pupils and staff.
- **Government Funding:** The Trust is fundamentally reliant on continued government funding through the Education Funding and Skills Agency (EFSA) and the Local Authority. The risk has and will continue to be mitigated in a number of ways:
 - Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
 - Ensuring that the Trust is focused on those priority sectors that will continue to benefit from public funding.
 - Contingency planning and prudence embedded into the Trust budget process.
- **The Local Government Pension Scheme (LGPS) deficit** presents a financial risk and a pension reserve has been created within the statutory accounts. At the end of August 2020 the scheme deficit on the Trust's balance sheet had increased from £1,172,000 to £3,423,000. £1,818,000 of this increase is attributable to the three new schools joining Bourne Westfield Primary Academy within the MAT. The financial statements report the share of the LGPS deficit on the Trust's balance sheet in line with the requirements of FRS102. The Trust takes professional advice on this position, including guidance from Lincolnshire County Council, and makes appropriate contributions based on that advice to ensure that the deficit does not become unmanageable.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Fundraising

The MAT carries out a limited amount of fundraising, mindful of the communities within which it operates. The Trust is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and legal rules.

The MAT's fundraising activity is limited to events held at the respective school and is organised either by the PTA or by the leadership team at that school. These events typically involve staff, students, parents and carers, and members of the local community in raising funds for the school fund, school equipment or in support of another designate charity.

The academy trust does not use any external fundraisers. All activities are agreed and monitored by the Senior Leadership Team in compliance with relevant legal rules. The Trustees monitored all fundraising undertaken during the year.

Plans for future periods

The vision for the MAT is to continue to grow and expand to ensure the benefits of a MAT are fully realised. The trust plans to continue to build on its strategy and activities in the following key areas:

- To achieve good or outstanding when academy schools are next Ofsted inspected
- To grow the number of schools within the MAT through schools joining
- To provide school improvement support to all schools
- To ensure that the MAT's operations are cost effective, value for money, and properly funded, ensuring best value for the MAT and the taxpayer.

One local authority primary school has been confirmed as joining the MAT in the 2020/21 academic year as part of a sponsored academisation. Two local authority schools have requested to join the MAT later in the 2020/21 academic year, with discussions being held with a fourth primary school.

Funds held as custodian on behalf of others

Neither the MAT nor any of its trustees are acting as custodians trustees on behalf of others.

Disclosure of information to auditors

Insofar as the Trustees are aware:

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

The Trustees' report was approved by order of the Board of Trustees, as the company directors, on 13 January 2021 and signed on its behalf by:

.....
J Pignatiello
Chair of Trustees

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GOVERNANCE STATEMENT

Scope of responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that Keystone Academy 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.

As Trustees, we have reviewed and taken account of the guidance in DfE's Governance Handbook and competency framework for governance.

The board of Trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Keystone Academy 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.

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GOVERNANCE STATEMENT (CONTINUED)

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. The Finance Committee and Chair of the Governing Body maintain oversight of the academy financial position through monitoring monthly out-turn statements and regular financial monitoring visits.

Attendance during the year at meetings of the board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
J Pignatiello, Chair of Trustees	5	5
J MacPhee	4	5
N Smith	4	5
S Sharpe	5	5
J Harrison	4	5
R Immink	4	5
R Monkhouse	5	5
M Rainbow	5	5
G Palmer	4	5

The trustees individually and collectively are very competent, motivated and committed with a wide range of complementary skills and personalities. The Governing Board works dynamically and strategically with the Senior Leadership Team. The Board now has responsibility for four schools and is expecting and scaling for further growth.

The Governing Body routinely evaluates and refines its practice. It receives numerous data reports that reflect the full range of available data sets. These include schools versus national attainment and progress data produced by, amongst others, Ofsted data, attendance data and a full range of financial reports. The data that the Governing Body considers allows it to fully evaluate the school's effectiveness and ensure it is providing good value for money.

With the growing pace and ambition of the MAT, a comprehensive independent third-party internal audit review was commissioned and performed during the year by Forrester Boyd. The Internal Auditor reviewed Governance, management accounts, website compliance, declarations of trust, financial policy, and tested salary and payroll controls.

Recommendations were received and an action plan was subsequently developed and delivered despite Covid-19 restrictions. In addition, a SRMA review was performed during the year with extremely successful results. These reviews help ensure that the MAT has a governance structure in place that meets the future requirements of a growing MAT.

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GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

The Finance and Audit Committee is a sub-committee of the Trustees. Its purpose is to:

- Assist the decision making of the Governing Body by enabling more detailed consideration to be given to the best means of fulfilling the Governing Body's responsibility to ensure sound management of the Academy's finance and resources, including proper planning, monitoring and probity.
- To make appropriate comments and recommendations on such matters to the Governing Body on a regular basis.
- Review and monitor procedures for Health & Safety.
- Responsible for internal audit
- Major issues will be referred to the full Governing Body for ratification, these included:
 - Immediate funding and budgetary constraints
 - Three-year financial planning
 - Development of a multi academy trust
 - Staffing issues, particularly in relation to higher needs pupils.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
R Monkhouse	4	4
M Rainbow	4	4
G Palmer	4	4
R Immink	3	4
S Sharpe	4	4

Review of value for money

As accounting officer, the Chief Executive Officer has responsibility for ensuring that the academy 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 academy'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 has delivered improved value for money during the year by:

- Comprehensive review of all contracts across the MAT to ensure best price is utilised.
- Use of MAT structure to enable volume discounts
- Shared resourcing across the MAT, in particular around SEN
- Moving towards an increasingly centralised Finance and Operational provision
- Furloughing of applicable staff to reduce impact of Covid-19 on core funding pressures
- Adapting service delivery by the Teaching School to achieve remote training during Covid-19 lockdown
- Focus on ensuring eligible pupils receive the support they need through additional funding rather than taking funding from other pupils to meet need.

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GOVERNANCE STATEMENT (CONTINUED)

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 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 Keystone Academy Trust for the year 1 September 2019 to 31 August 2020 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 is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks that has been in place for the year 1 September 2019 to 31 August 2020 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's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of Trustees
- regular reviews by the Finance 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
- identification and management of risks

The Board of Trustees has decided to employ Forrester Boyd as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. Checks on all procedures within the Trust are tested on a rotational basis.

On a termly basis, the internal auditor reports to the board of Trustees through the finance and audit committee on the operation of the systems of control and on the discharge of the Trustees' financial responsibilities.

The internal auditor was able to deliver part of their schedule of work despite the impact of Covid during the year. Issues raised have been investigated and addressed.

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GOVERNANCE STATEMENT (CONTINUED)

Review of effectiveness

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

- on discharge of the Board of Trustees financial decisions to help the committee consider actions and assess year on year progress
- the work of the internal auditor;
- the work of the external auditors;
- the work of the executive managers within the academy who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the finance and audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees and signed on their behalf by:

.....
J Pignatiello
Chair of Trustees

.....
E Radley
Accounting Officer

Date: 13 January 2021

KEYSTONE ACADEMY TRUST
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of Keystone Academy Trust I have considered my responsibility to notify the academy 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 academy, under the funding agreement in place between the academy 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 2019.

I confirm that I and the academy board of Trustees are able to identify any material irregular or improper use of all funds by the academy, or material non-compliance with the terms and conditions of funding under the academy's funding agreement and the Academies Financial Handbook 2019.

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.

.....
E Radley
Accounting Officer

Date: 13 January 2021

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2020

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 Academies Accounts Direction published by the Education and 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 2019 and the Academies Accounts Direction 2019 to 2020;
- 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 and signed on its behalf by:

.....
J Pignatiello
Chair of Trustees

Date: 13 January 2021

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
KEYSTONE ACADEMY TRUST**

Opinion

We have audited the financial statements of Keystone Academy Trust (the 'academy') for the year ended 31 August 2020 which comprise the Statement of financial activities, 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 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2020 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 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and 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 academy 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 academy'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.

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
KEYSTONE ACADEMY TRUST (CONTINUED)**

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. Other information includes the Reference and administrative details, the Trustees' report including the Strategic report, and the Governance statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
KEYSTONE ACADEMY TRUST (CONTINUED)**

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 academy'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 academy or to cease operations, or have no realistic alternative but to do so.

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 academy'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 academy'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 academy and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Bradshaw (Senior statutory auditor)

for and on behalf of

Streets Audit LLP

Windsor House

A1 Business Park at

Long Bennington

Notts

NG23 5JR

14 January 2021

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO KEYSTONE ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 21 May 2019 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2019 to 2020, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Keystone Academy Trust during the year 1 September 2019 to 31 August 2020 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 Keystone Academy Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Keystone Academy Trust and 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 Keystone Academy Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Keystone Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Keystone Academy Trust's funding agreement with the Secretary of State for Education dated 28 August 2019 and the Academies Financial Handbook, extant from 1 September 2019, 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 2019 to 2020. 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 2019 to 31 August 2020 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 2019 to 2020 issued by 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 academy's income and expenditure.

Our audit work involved:

- a review of the Academy systems and controls and confirmation of their operation and effectiveness during the year;
- a detailed review of purchase transactions confirming the purpose, value for money and that appropriate tendering or quotation procedures had been followed in line with the Trust finance policy; and
- a review of the Internal Audit reports.

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

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

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2019 to 31 August 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mark Bradshaw (Senior statutory auditor)
Streets Audit LLP

Windsor House
A1 Business Park at
Long Bennington
Notts
NG23 5JR

Date: 14 January 2021

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2020**

	Note	Unrestricted funds 2020 £	Restricted funds 2020 £	Restricted fixed asset funds 2020 £	Total funds 2020 £	Total funds 2019 £
Income from:						
Donations and capital grants:	3					
Transfer from Local Authority on conversion		156,330	(651,000)	5,233,220	4,738,550	-
Transfer of existing academy into the trust		434,827	(1,167,000)	4,961,922	4,229,749	-
Other donations and capital grants		15,530	4,645	364,996	385,171	75,534
Charitable activities	4	138,117	7,445,909	-	7,584,026	2,951,033
Teaching schools	30	-	351,612	-	351,612	436,545
Other trading activities	5	128,387	-	-	128,387	160,432
Investments	6	1,425	-	-	1,425	1,646
Total income		874,616	5,984,166	10,560,138	17,418,920	3,625,190
Expenditure on:						
Raising funds		2,761	-	-	2,761	7,156
Charitable activities		191,022	7,835,422	405,868	8,432,312	3,140,271
Teaching schools	30	-	285,979	-	285,979	375,136
Total expenditure		193,783	8,121,401	405,868	8,721,052	3,522,563
Net income/ (expenditure)		680,833	(2,137,235)	10,154,270	8,697,868	102,627
Transfers between funds	18	(124,144)	123,446	698	-	-
Net movement in funds before other recognised gains/(losses) carried forward		556,689	(2,013,789)	10,154,968	8,697,868	102,627

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
(CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Note	Unrestricted funds 2020 £	Restricted funds 2020 £	Restricted fixed asset funds 2020 £	Total funds 2020 £	Total funds 2019 £
Net movement in funds before other recognised gains/(losses) brought forward	556,689	(2,013,789)	10,154,968	8,697,868	102,627
Other recognised gains/(losses):					
Actuarial gains/(losses) on defined benefit pension schemes	25 -	28,000	-	28,000	(404,000)
Net movement in funds	556,689	(1,985,789)	10,154,968	8,725,868	(301,373)
Reconciliation of funds:					
Total funds brought forward	355,936	(581,741)	4,905,776	4,679,971	4,981,344
Net movement in funds	556,689	(1,985,789)	10,154,968	8,725,868	(301,373)
Total funds carried forward	912,625	(2,567,530)	15,060,744	13,405,839	4,679,971

The Statement of financial activities includes all gains and losses recognised in the year.

The notes on pages 29 to 65 form part of these financial statements.

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 07788995

BALANCE SHEET
AS AT 31 AUGUST 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	14	15,140,814	4,985,124
		<u>15,140,814</u>	<u>4,985,124</u>
Current assets			
Stocks	15	29,788	10,466
Debtors	16	594,568	258,588
Cash at bank and in hand		2,117,886	887,188
		<u>2,742,242</u>	<u>1,156,242</u>
Creditors: amounts falling due within one year	17	(1,054,217)	(289,395)
Net current assets		1,688,025	866,847
Total assets less current liabilities		16,828,839	5,851,971
Net assets excluding pension liability		16,828,839	5,851,971
Defined benefit pension scheme liability	25	(3,423,000)	(1,172,000)
Total net assets		13,405,839	4,679,971

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 07788995

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2020

	Note	2020 £	2019 £
Funds of the academy			
Restricted funds:			
Fixed asset funds	18	15,060,744	4,905,776
Restricted income funds	18	855,470	590,259
		<u>15,916,214</u>	<u>5,496,035</u>
Restricted funds excluding pension asset	18	15,916,214	5,496,035
Pension reserve	18	(3,423,000)	(1,172,000)
		<u>12,493,214</u>	<u>4,324,035</u>
Total restricted funds	18	12,493,214	4,324,035
Unrestricted income funds	18	912,625	355,936
		<u>13,405,839</u>	<u>4,679,971</u>
Total funds		13,405,839	4,679,971

The financial statements on pages 24 to 65 were approved and authorised for issue by the Trustees and are signed on their behalf, by:

.....
J Pignatiello
Chair of Trustees

Date: 13 January 2021

The notes on pages 29 to 65 form part of these financial statements.

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Net cash provided by operating activities	20	679,335	278,542
Cash flows from investing activities	21	551,363	32,212
Change in cash and cash equivalents in the year		1,230,698	310,754
Cash and cash equivalents at the beginning of the year		887,188	576,434
Cash and cash equivalents at the end of the year	22, 23	<u>2,117,886</u>	<u>887,188</u>

The notes on pages 29 to 65 form part of these financial statements

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

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 academy, which is a public benefit entity under FRS 102, have been prepared under the historic 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 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Keystone Academy Trust meets the definition of a public benefit entity under FRS 102.

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 academy to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.3 Income

All incoming resources are recognised when the academy has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

• **Grants**

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 not 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 year is deducted from income and recognised as a liability.

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

• **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

• **Other income**

Other income, including the hire of facilities, is recognised in the year it is receivable and to the extent the academy has provided the goods or services.

• **Transfer on conversion**

Where assets and liabilities are received by the academy on conversion to an academy, the transferred assets are measured at fair value and recognised in the Balance sheet at the point when the risks and rewards of ownership pass to the academy. An equal amount of income is recognised as a transfer on conversion within 'Income from Donations and Capital Grants' to the net assets received.

• **Transfer of existing academies into the academy**

Where assets and liabilities are received on the transfer of an existing academy into the academy, the transferred assets are measured at fair value and recognised in the Balance sheet at the point when the risks and rewards of ownership pass to the academy. An equal amount of income is recognised for the transfer of an existing academy into the academy within 'Income from Donations and Capital Grants' to the net assets acquired.

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.4 Expenditure

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

- **Expenditure on raising funds**

This includes all expenditure incurred by the academy to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Interest receivable

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

1.6 Tangible fixed assets

Assets costing £2,000 or more are capitalised as tangible fixed assets 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, depreciation on such assets is charged to the unrestricted 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 each asset on a straight-line basis over its expected useful life, as follows:

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Depreciation is provided on the following bases:

Freehold property	- 5% on cost on improvements, 2% on cost on buildings, land not depreciated
Long-term leasehold property	- 5% on cost on improvements, 2% on cost on buildings, land not depreciated
Furniture and equipment	- 25% on cost
Computer equipment	- 33% on cost

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

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. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

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.

1.10 Liabilities

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

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.11 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 16. Prepayments are not financial instruments. Amounts due to the academy's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

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 cost as detailed in note 17. 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. Amounts due to the academy's wholly owned subsidiary are held at face value less any impairment.

1.12 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the academy 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.

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.13 Conversion to an academy trust

The conversion from a state maintained school to an academy involved the transfer of identifiable assets and liabilities and the operation of the school for £NIL consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Long Sutton County Primary School and Thurlby Community Primary School to the academy have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate Balance sheet categories, with a corresponding amount recognised in Income from Donations and Capital Grants in the Statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 24.

1.14 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the 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.

KEYSTONE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or 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 2019 has been used by the actuary in valuing the pensions liability at 31 August 2020. 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.

Critical areas of judgment:

There have been no judgements that the trustees have made in the process of applying the entity's accounting policies that have made a significant effect on the amounts recognised in the financial statements.

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FOR THE YEAR ENDED 31 AUGUST 2020

3. Income from donations and capital grants

	Unrestricted funds 2020 £	Restricted funds 2020 £	Restricted fixed asset funds 2020 £	Total funds 2020 £
Transfers				
Transfer from Local Authority on conversion	156,330	(651,000)	5,233,220	4,738,550
Transfer of existing academy into the trust	434,827	(1,167,000)	4,961,922	4,229,749
Subtotal	591,157	(1,818,000)	10,195,142	8,968,299
Donations	15,530	4,645	-	20,175
Capital Grants	-	-	364,996	364,996
Subtotal	15,530	4,645	364,996	385,171
	606,687	(1,813,355)	10,560,138	9,353,470
	9,383	7,205	58,946	75,534
	9,383	7,205	58,946	75,534

	<i>Unrestricted funds 2019 £</i>	<i>Restricted funds 2019 £</i>	<i>Restricted fixed asset funds 2019 £</i>	<i>Total funds 2019 £</i>
Donations	9,383	7,205	-	16,588
Capital Grants	-	-	58,946	58,946
	9,383	7,205	58,946	75,534
	9,383	7,205	58,946	75,534

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

4. Funding for the academy's educational operations

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £
General Annual Grant (GAG)	-	5,936,196	5,936,196
Other DfE / ESFA Revenue grants	-	1,029,129	1,029,129
Local Authority funding	-	344,327	344,327
Catering income	77,082	-	77,082
Other income	61,035	121,456	182,491
Coronavirus Job Retention Scheme grant	-	14,801	14,801
	<u>138,117</u>	<u>7,445,909</u>	<u>7,584,026</u>
	<u><u>138,117</u></u>	<u><u>7,445,909</u></u>	<u><u>7,584,026</u></u>
	<i>Unrestricted funds 2019 £</i>	<i>Restricted funds 2019 £</i>	<i>Total funds 2019 £</i>
General Annual Grant (GAG)	-	2,089,871	2,089,871
Other DfE / ESFA Revenue grants	-	480,278	480,278
Local Authority funding	-	180,483	180,483
Catering income	59,145	-	59,145
Other income	139,356	1,900	141,256
	<u>198,501</u>	<u>2,752,532</u>	<u>2,951,033</u>
	<u><u>198,501</u></u>	<u><u>2,752,532</u></u>	<u><u>2,951,033</u></u>

The academy trust has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak. The funding received is shown above.

The academy furloughed some of its staff under the government's CJRS. The funding received of £14,801 relates to staff costs in respect of the above staff which are included within note 10 below as appropriate.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

5. Income from other trading activities

	Unrestricted funds 2020 £	Total funds 2020 £
Hire of facilities	1,236	1,236
Nursery and after school club	127,151	127,151
	128,387	128,387

	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
Hire of facilities	1,110	1,110
Nursery and after school club	159,322	159,322
	160,432	160,432

6. Investment income

	Unrestricted funds 2020 £	Total funds 2020 £
Bank interest	1,425	1,425

	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
Bank interest	1,646	1,646

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NOTES TO THE FINANCIAL STATEMENTS
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7. Expenditure

	Staff Costs 2020 £	Premises 2020 £	Other 2020 £	Total 2020 £
Expenditure on raising voluntary income:				
Direct costs	-	-	2,761	2,761
Educational Operations:				
Direct costs	5,567,759	-	707,538	6,275,297
Allocated support costs	1,334,445	300,236	522,334	2,157,015
Teaching school	59,701	-	226,278	285,979
Total 2020	6,961,905	300,236	1,458,911	8,721,052

	<i>Staff Costs 2019 £</i>	<i>Premises 2019 £</i>	<i>Other 2019 £</i>	<i>Total 2019 £</i>
Expenditure on raising voluntary income:				
Direct costs	-	-	7,156	7,156
Educational Operations:				
Direct costs	1,891,708	-	299,921	2,191,629
Allocated support costs	460,222	100,207	388,213	948,642
Teaching school	210,801	-	164,335	375,136
<i>Total 2019</i>	<i>2,562,731</i>	<i>100,207</i>	<i>859,625</i>	<i>3,522,563</i>

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FOR THE YEAR ENDED 31 AUGUST 2020

8. Analysis of expenditure by activities

	Activities undertaken directly 2020 £	Support costs 2020 £	Total funds 2020 £
Educational Operations	6,275,297	2,157,015	8,432,312

	<i>Activities undertaken directly 2019 £</i>	<i>Support costs 2019 £</i>	<i>Total funds 2019 £</i>
Educational Operations	2,191,629	948,642	3,140,271

Analysis of support costs

	Educational Operations 2020 £	Total funds 2020 £
Staff costs	1,334,445	1,334,445
Technology costs	78,854	78,854
Premises costs	300,236	300,236
Other costs	415,883	415,883
Governance costs	24,074	24,074
Legal fees	3,523	3,523
	2,157,015	2,157,015

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

8. Analysis of expenditure by activities (continued)

Analysis of support costs (continued)

	<i>Educational Operations 2019 £</i>	<i>Total funds 2019 £</i>
Staff costs	460,222	460,222
Technology costs	18,191	18,191
Premises costs	100,207	100,207
Other costs	350,128	350,128
Governance costs	19,894	19,894
	<u>948,642</u>	<u>948,642</u>

9. Net income/(expenditure)

Net income/(expenditure) for the year includes:

	2020 £	2019 £
Operating lease rentals	54,973	8,129
Depreciation of tangible fixed assets	407,911	134,844
Fees paid to auditors for:		
- audit	6,250	4,250
- other services	2,500	1,475
	<u>471,634</u>	<u>144,702</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

10. Staff

a. Staff costs

Staff costs during the year were as follows:

	2020	2019
	£	£
Wages and salaries	5,005,275	1,936,577
Social security costs	403,844	204,271
Pension costs	1,512,625	402,548
	6,921,744	2,543,396
Agency staff costs	40,161	19,335
	6,961,905	2,562,731

Staff costs have changed significantly since the prior year due to moving from being one academy to four academies.

b. Staff numbers

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

	2020	2019
	No.	No.
Teachers	110	43
Admin and support	225	85
Management	2	1
	337	129

Staff numbers have changed significantly since the prior year due to moving from being one academy to four academies.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

10. Staff (continued)

b. Staff numbers (continued)

The average headcount expressed as full-time equivalents was:

	2020	<i>2019</i>
	No.	<i>No.</i>
Teachers	88	33
Admin and support	95	33
Management	2	1
	<hr/> 185 <hr/>	<hr/> 67 <hr/>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

10. Staff (continued)

c. Higher paid staff

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

	2020	<i>2019</i>
	No.	<i>No.</i>
In the band £60,001 - £70,000	2	<i>1</i>
In the band £70,001 - £80,000	1	<i>-</i>
In the band £90,001 - £100,000	1	<i>1</i>
	=====	=====

Higher paid staff has changed significantly since the prior year due to moving from being one academy to four academies.

d. Key management personnel

The key management personnel of the academy comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy was £196,611 (2019 £342,668).

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NOTES TO THE FINANCIAL STATEMENTS
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11. Central services

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

- Trust leadership salaries
- Insurance costs
- Legal and finance costs
- School improvement
- Subsidised access to Teaching School activities
- Regulatory costs
- Other trust costs as they arise

The academy charges for these services on the following basis:

4% of GAG income for sponsored schools, 3.5% of GAG income for all other schools

The actual amounts charged during the year were as follows:

	2020	<i>2019</i>
	£	£
Bourne Westfield Primary Academy	76,115	-
Tower Road Primary Academy	73,745	-
Long Sutton County Primary School	40,681	-
Thurlby Community Primary School	19,001	-
Total	209,542	-

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NOTES TO THE FINANCIAL STATEMENTS
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12. Trustees' remuneration and expenses

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy. The principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment. The value of Trustees' remuneration and other benefits was as follows:

		2020	<i>2019</i>
		£	£
E Radley, Head Teacher and Accounting Officer (resigned as trustee 31 August 2019)	Remuneration	nil	<i>90,000 - 95,000</i>
	Pension contributions paid	nil	<i>15,000 - 20,000</i>
S Medina, Staff Trustee (resigned 31 August 2019)	Remuneration	nil	<i>20,000 - 25,000</i>
	Pension contributions paid	nil	<i>0 - 5,000</i>
G Goodwin, Staff Trustee (resigned 31 August 2019)	Remuneration	nil	<i>45,000 - 50,000</i>
	Pension contributions paid	nil	<i>5,000 - 10,000</i>

During the year ended 31 August 2020, no Trustee expenses have been incurred (*2019 - £700*).

13. Trustees' and Officers' insurance

The academy has opted into the Department of 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 membership.

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NOTES TO THE FINANCIAL STATEMENTS
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14. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Assets under construction £	Furniture and equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 September 2019	5,584,132	-	-	63,205	137,954	5,785,291
Additions	6,373	-	333,595	13,632	16,921	370,521
Transfer from another trust	6,226,589	-	-	91,605	160,537	6,478,731
Transfer on conversion	3,175,000	2,045,000	-	817	12,403	5,233,220
At 31 August 2020	<u>14,992,094</u>	<u>2,045,000</u>	<u>333,595</u>	<u>169,259</u>	<u>327,815</u>	<u>17,867,763</u>
Depreciation						
At 1 September 2019	648,886	-	-	47,204	104,077	800,167
Charge for the year	320,010	23,533	-	17,335	47,033	407,911
Transfer from another trust	1,351,416	-	-	45,533	121,922	1,518,871
At 31 August 2020	<u>2,320,312</u>	<u>23,533</u>	<u>-</u>	<u>110,072</u>	<u>273,032</u>	<u>2,726,949</u>

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NOTES TO THE FINANCIAL STATEMENTS
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14. Tangible fixed assets (continued)

	Freehold property £	Long-term leasehold property £	Assets under construction £	Furniture and equipment £	Computer equipment £	Total £
Net book value						
At 31 August 2020	12,671,782	2,021,467	333,595	59,187	54,783	15,140,814
At 31 August 2019	4,935,246	-	-	16,001	33,877	4,985,124

Included in freehold and leasehold property is land amounting to £2,361,533 which is not depreciated.

The trust's transactions relating to land and buildings included:

- Taking on the freehold of Long Sutton County Primary School upon conversion at a value of £3,175,000 based on a professional valuation;
- Taking on a 125 year lease from Lincolnshire County Council at Thurlby Community Primary School upon conversion at a value of £2,045,000 based on a professional valuation;
- Acquiring the freehold of Tower Road Primary Academy upon transfer into the trust at a net book value of £4,875,173;
- Nursery improvements at Long Sutton County Primary School amounting to £6,373;
- Assets under construction include:
 - Fire safety works at Bourne Westfield Primary Academy (£87,145), Tower Road Primary Academy (£125,975) and Thurlby Community Primary School (£4,129);
 - Nursery works at Bourne Westfield Primary Academy at a value of £5,193;
 - Roofing works at Thurlby Community Primary Academy at a value of £111,153.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

15. Stocks

	2020 £	2019 £
Uniform and stationery stocks	29,788	10,466

16. Debtors

	2020 £	2019 £
Due within one year		
Trade debtors	51,748	127,537
Other debtors	226,934	74,130
Prepayments and accrued income	315,886	56,921
	594,568	258,588

17. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	451,978	48,829
Other taxation and social security	181,666	39,282
Other creditors	42,463	70,402
Accruals and deferred income	378,110	130,882
	1,054,217	289,395
	2020 £	2019 £
Deferred income at 1 September 2019	94,101	90,709
Resources deferred during the year	338,041	94,101
Amounts released from previous periods	(94,101)	(90,709)
	338,041	94,101

Deferred income relates to UIFSM income, rates relief income, teaching school support income, donations and other curriculum income relating to the 2020/21 academic year.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

18. Statement of funds

	Balance at 1 September 2019 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2020 £
Unrestricted funds						
Unrestricted funds	261,966	874,616	(191,740)	(124,144)	-	820,698
Unrestricted fixed assets	93,970	-	(2,043)	-	-	91,927
	<u>355,936</u>	<u>874,616</u>	<u>(193,783)</u>	<u>(124,144)</u>	<u>-</u>	<u>912,625</u>
Restricted general funds						
General Annual Grant (GAG)	341,258	5,936,196	(5,836,104)	123,446	-	564,796
Other DfE/ESFA grants	63,860	1,043,930	(1,067,888)	-	-	39,902
Other government grants	-	154,570	(154,570)	-	-	-
Teaching school	185,141	351,612	(285,981)	-	-	250,772
Other income	-	315,858	(315,858)	-	-	-
Pension reserve	(1,172,000)	(1,818,000)	(461,000)	-	28,000	(3,423,000)
	<u>(581,741)</u>	<u>5,984,166</u>	<u>(8,121,401)</u>	<u>123,446</u>	<u>28,000</u>	<u>(2,567,530)</u>
Restricted fixed asset funds						
DfE/ESFA capital grants	1,002,672	408,671	(44,730)	-	-	1,366,613
Capital expenditure from GAG	202,751	400,710	(84,298)	698	-	519,861
Capital expenditure from other income	3,700,353	9,750,757	(276,840)	-	-	13,174,270

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

	Balance at 1 September 2019 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2020 £
	4,905,776	10,560,138	(405,868)	698	-	15,060,744
Total Restricted funds	4,324,035	16,544,304	(8,527,269)	124,144	28,000	12,493,214
Total funds	4,679,971	17,418,920	(8,721,052)	-	28,000	13,405,839

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

Unrestricted funds

Unrestricted funds represent both those resources, as well as funds transferred to the Academy from the Local Authority upon conversion, which may be used towards meeting any of the objects of the Academy at the discretion of the Trustees. These are not currently designated for particular purposes.

Restricted Fixed Asset funds

Transfer from Local Authority on conversion represents the assets transferred to the Academy from the Local Authority upon conversion.

Capital expenditure from GAG represents fixed asset expenditure transferred from other restricted income.

Restricted Revenue funds

General Annual Grant (GAG) is made up of a number of different funding streams, all of which are used to cover the running costs of the Academy.

Other ESFA Grants, other government grants and other restricted funds represent monies received for specific purposes.

Pension Reserve represents the current deficit balance of the Local Government Pension Scheme (LGPS).

Summary

The balance on restricted general funds plus unrestricted general funds at 31 August 2020 results in a net surplus of £1,768,095.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG it could carry forward at 31 August 2020.

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

Total funds analysis by academy

Fund balances at 31 August 2020 were allocated as follows:

	2020 £	2019 £
Bourne Westfield Primary Academy	906,127	697,194
Tower Road Primary Academy	457,411	-
Long Sutton County Primary School	37,502	-
Thurlby Community Primary School	55,782	-
Teaching School	250,772	185,141
Central Services	60,501	63,860
	<hr/>	<hr/>
Total before fixed asset funds and pension reserve	1,768,095	946,195
Restricted fixed asset fund	15,060,744	4,905,776
Pension reserve	(3,423,000)	(1,172,000)
	<hr/>	<hr/>
Total	13,405,839	4,679,971
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

18. Statement of funds (continued)

Total cost analysis by academy

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2020 £
Bourne Westfield Primary Academy	2,069,853	315,287	70,252	581,741	3,037,133
Tower Road Primary Academy	1,866,333	312,396	55,023	437,559	2,671,311
Long Sutton County Primary School	1,170,163	185,660	28,941	201,578	1,586,342
Thurlby Community Primary School	387,544	57,602	10,833	65,305	521,284
Teaching School	49,012	10,689	-	226,276	285,977
Central services	58,411	59,499	-	95,227	213,137
Academy	5,601,316	941,133	165,049	1,607,686	8,315,184

Comparative information in respect of the preceding year is as follows:

	<i>Teaching and educational support staff costs £</i>	<i>Other support staff costs £</i>	<i>Educational supplies £</i>	<i>Other costs excluding depreciation £</i>	<i>Total 2019 £</i>
Bourne Westfield Primary Academy	1,876,531	335,524	72,142	580,891	2,865,088
Teaching School	183,890	26,911	-	164,335	375,136
Central services	13,649	18,298	-	117,591	149,538
Academy	2,074,070	380,733	72,142	862,817	3,389,762

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

18. Statement of funds (continued)

Comparative information in respect of the preceding year is as follows:

	<i>Balance at 1 September 2018 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 August 2019 £</i>
Unrestricted funds						
Unrestricted funds	159,815	369,962	(267,811)	-	-	261,966
Unrestricted fixed assets	96,013	-	(2,043)	-	-	93,970
	<u>255,828</u>	<u>369,962</u>	<u>(269,854)</u>	<u>-</u>	<u>-</u>	<u>355,936</u>
Restricted general funds						
General Annual Grant (GAG)	227,209	2,089,871	(1,991,766)	15,944	-	341,258
Other DfE/ESFA grants	-	480,278	(416,418)	-	-	63,860
Other government grants	-	25,203	(25,203)	-	-	-
Teaching school	123,732	436,545	(375,136)	-	-	185,141
Other income	-	164,385	(164,385)	-	-	-
Pension reserve	(621,000)	-	(147,000)	-	(404,000)	(1,172,000)
	<u>(270,059)</u>	<u>3,196,282</u>	<u>(3,119,908)</u>	<u>15,944</u>	<u>(404,000)</u>	<u>(581,741)</u>
Restricted fixed asset funds						
DfE/ESFA capital grants	1,005,050	49,846	(36,280)	(15,944)	-	1,002,672
Capital expenditure from GAG	233,907	-	(31,156)	-	-	202,751

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

	<i>Balance at 1 September 2018</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 August 2019</i>
	£	£	£	£	£	£
Capital expenditure from other income	3,756,618	9,100	(65,365)	-	-	3,700,353
	<u>4,995,575</u>	<u>58,946</u>	<u>(132,801)</u>	<u>(15,944)</u>	<u>-</u>	<u>4,905,776</u>
Total Restricted funds	<u>4,725,516</u>	<u>3,255,228</u>	<u>(3,252,709)</u>	<u>-</u>	<u>(404,000)</u>	<u>4,324,035</u>
Total funds	<u><u>4,981,344</u></u>	<u><u>3,625,190</u></u>	<u><u>(3,522,563)</u></u>	<u><u>-</u></u>	<u><u>(404,000)</u></u>	<u><u>4,679,971</u></u>

19. Analysis of net assets between funds

Analysis of net assets between funds - current period

	Unrestricted funds 2020	Restricted funds 2020	Restricted fixed asset funds 2020	Total funds 2020
	£	£	£	£
Tangible fixed assets	91,927	-	15,048,887	15,140,814
Current assets	820,698	1,846,205	75,339	2,742,242
Creditors due within one year	-	(990,735)	(63,482)	(1,054,217)
Provisions for liabilities and charges	-	(3,423,000)	-	(3,423,000)
Total	<u><u>912,625</u></u>	<u><u>(2,567,530)</u></u>	<u><u>15,060,744</u></u>	<u><u>13,405,839</u></u>

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19. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior period

	<i>Unrestricted funds 2019 £</i>	<i>Restricted funds 2019 £</i>	<i>Restricted fixed asset funds 2019 £</i>	<i>Total funds 2019 £</i>
Tangible fixed assets	93,970	-	4,891,154	4,985,124
Current assets	266,918	874,702	14,622	1,156,242
Creditors due within one year	(4,952)	(284,443)	-	(289,395)
Provisions for liabilities and charges	-	(1,172,000)	-	(1,172,000)
Total	355,936	(581,741)	4,905,776	4,679,971

20. Reconciliation of net income to net cash flow from operating activities

	2020 £	2019 £
Net income for the period (as per Statement of financial activities)	8,697,868	102,627
Adjustments for:		
Depreciation	407,911	134,844
Capital grants from DfE and other capital income	(364,996)	(58,946)
Defined benefit pension scheme obligation inherited	(1,425)	(1,646)
Defined benefit pension scheme cost less contributions payable	404,000	128,000
Defined benefit pension scheme finance cost	57,000	19,000
Increase in stocks	(19,322)	(175)
Increase in debtors	(335,980)	(100,941)
Increase in creditors	764,822	55,779
Net (loss)/gain on assets and liabilities from Local Authority on conversion	(4,700,794)	-
Net (loss)/gain on assets and liabilities upon transfer from another trust	(4,229,749)	-
Net cash provided by operating activities	679,335	278,542

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21. Cash flows from investing activities

	2020	2019
	£	£
Dividends, interest and rents from investments	1,425	1,646
Purchase of tangible fixed assets	(370,521)	(28,380)
Capital grants from DfE group	364,996	49,846
Capital funding received from sponsors and others	-	9,100
Cash transferred on conversion to an academy trust	94,285	-
Cash transferred upon transfer from another trust	461,178	-
Net cash provided by investing activities	551,363	32,212

22. Analysis of cash and cash equivalents

	2020	2019
	£	£
Cash in hand	2,117,886	887,188
Total cash and cash equivalents	2,117,886	887,188

23. Analysis of changes in net debt

	At 1 September 2019	Cash flows	At 31 August 2020
	£	£	£
Cash at bank and in hand	887,188	1,230,698	2,117,886
	887,188	1,230,698	2,117,886

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24. Conversion to an academy trust

On 1 November 2019 Long Sutton County Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Keystone Academy Trust from Lincolnshire County Council for £NIL consideration.

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

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

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
Freehold land and buildings	-	-	3,175,000	3,175,000
Other tangible fixed assets	-	-	11,579	11,579
Current assets				
Cash - representing budget surplus on LA funds	104,268	-	-	104,268
Cash - representing budget surplus on other school funds	37,778	-	-	37,778
Non-current liabilities				
LGPS pension (deficit)	-	(565,000)	-	(565,000)
Net assets/(liabilities)	<u>142,046</u>	<u>(565,000)</u>	<u>3,186,579</u>	<u>2,763,625</u>

On 1 January 2020 Thurlby Community Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Keystone Academy Trust from Lincolnshire County Council for £NIL consideration.

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

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

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24. Conversion to an academy trust (continued)

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
Leasehold land and buildings	-	-	2,045,000	2,045,000
Other tangible fixed assets	-	-	1,641	1,641
Current assets				
Cash - representing budget surplus on other school funds	14,284	-	-	14,284
Non-current liabilities				
LGPS pension (deficit)	-	(86,000)	-	(86,000)
Net assets/(liabilities)	<u>14,284</u>	<u>(86,000)</u>	<u>2,046,641</u>	<u>1,974,925</u>

25. Pension commitments

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lincolnshire County Council. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2019.

Contributions amounting to £11,143 were payable to the schemes at 31 August 2020 (2019 - £ -) and are included within creditors.

Teachers' Pension Scheme

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. All teachers have the option to opt-out of the TPS following enrolment.

The TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary - these contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

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25. Pension commitments (continued)

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 every 4 years. 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 2016. The valuation report was published by the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% administration levy)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million, giving a notional past service deficit of £22,000 million
- the SCAPE rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 2.4% above the rate of CPI, assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return including earnings growth is 4.45%.

The next valuation result is due to be implemented from 1 April 2023.

The employer's pension costs paid to TPS in the year amounted to £730,681 (2019 - £204,694).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2020 was £464,000 (2019 - £160,000), of which employer's contributions totalled £368,000 (2019 - £124,000) and employees' contributions totalled £ 96,000 (2019 - £36,000). The agreed contribution rates for future years are 19.5 per cent for employers and various per cent for employees.

As described in note 24 the LGPS obligation relates to the employees of the academy, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy at the balance sheet date.

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.

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25. Pension commitments (continued)

Principal actuarial assumptions

	2020	<i>2019</i>
	%	%
Rate of increase in salaries	2.7	2.7
Rate of increase for pensions in payment/inflation	2.3	2.3
Discount rate for scheme liabilities	1.9	1.9
Inflation assumption (CPI)	2.3	2.3
Commutation of pensions to lump sums	50	50

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

	2020	<i>2019</i>
	Years	Years
<i>Retiring today</i>		
Males	21.2	21.2
Females	23.5	23.5
<i>Retiring in 20 years</i>		
Males	22.5	22.5
Females	25.2	25.2

Sensitivity analysis

	2020	<i>2019</i>
	£000	£000
Discount rate -0.1%	204	79
Mortality assumption - 1 year increase	319	119

Share of scheme assets

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

	2020	<i>2019</i>
	£	£
Equities	3,144,000	1,321,000
Corporate bonds	911,000	290,000
Property	456,000	181,000
Cash and other liquid assets	45,000	18,000
Total market value of assets	4,556,000	1,810,000

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25. Pension commitments (continued)

The actual return on scheme assets was £(144,000) (2019 - £99,000).

The amounts recognised in the Statement of financial activities are as follows:

	2020	<i>2019</i>
	£	£
Current service cost	(772,000)	<i>(237,000)</i>
Past service cost	-	<i>(15,000)</i>
Interest income	83,000	<i>46,000</i>
Interest cost	(140,000)	<i>(65,000)</i>
Total amount recognised in the Statement of financial activities	<u>(829,000)</u>	<i><u>(271,000)</u></i>

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

	2020	<i>2019</i>
	£	£
At 1 September	2,982,000	<i>2,181,000</i>
Conversion of academy trusts	1,434,000	-
Transferred in on existing academies joining the trust	2,851,000	-
Current service cost	772,000	<i>237,000</i>
Interest cost	140,000	<i>65,000</i>
Employee contributions	96,000	<i>36,000</i>
Actuarial (gains)/losses	(255,000)	<i>457,000</i>
Benefits paid	(41,000)	<i>(9,000)</i>
Past service costs	-	<i>15,000</i>
At 31 August	<u>7,979,000</u>	<i><u>2,982,000</u></i>

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25. Pension commitments (continued)

Changes in the fair value of the academy's share of scheme assets were as follows:

	2020 £	2019 £
At 1 September	1,810,000	1,560,000
Conversion of academy trusts	783,000	-
Transferred in on existing academies joining the trust	1,684,000	-
Interest income	83,000	46,000
Actuarial (losses)/gains	(227,000)	53,000
Employer contributions	368,000	124,000
Employee contributions	96,000	36,000
Benefits paid	(41,000)	(9,000)
At 31 August	4,556,000	1,810,000

26. Operating lease commitments

At 31 August 2020 the academy had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	39,357	30,341
Later than 1 year and not later than 5 years	118,846	110,276
Later than 5 years	328,209	355,279
	486,412	495,896

27. Members' liability

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

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NOTES TO THE FINANCIAL STATEMENTS
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28. Related party transactions

Owing to the nature of the academy 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 trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the academy's financial regulations and normal procurement procedures relating to connected and related party transactions.

No related party transactions took place in the period of account, other than certain trustees' remuneration and expenses already disclosed in note 12.

29. Transfer of existing academies into the academy

Tower Road Academy (Primary)

	Value reported by transferring trust £	Transfer in recognised £
Tangible fixed assets		
Freehold property	4,875,173	4,875,173
Furniture and equipment	46,072	46,072
Computer equipment	38,615	38,615
Current assets		
Debtors due within one year	110,951	110,951
Cash at bank and in hand	461,178	461,178
Liabilities		
Creditors due within one year	(135,240)	(135,240)
Pensions		
Pensions - pension scheme assets	1,684,000	1,684,000
Pensions - pension scheme liabilities	(2,851,000)	(2,851,000)
Net assets	<u>4,229,749</u>	<u>4,229,749</u>

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30. Teaching school trading account

	2020	2020	2019	2019
	£	£	£	£
Income				
Direct income				
Other income	351,612		436,545	
Total income		351,612		436,545
Expenditure				
Direct expenditure				
Direct staff costs	49,012		183,890	
Other direct costs	224,473		156,609	
Total direct expenditure	273,485		340,499	
Other expenditure				
Other staff costs	10,689		26,911	
Other support costs	1,805		7,726	
Total other expenditure	12,494		34,637	
Total expenditure		285,979		375,136
Surplus from all sources		65,633		61,409
Teaching school balances at 1 September 2019		185,141		123,732
Teaching school balances at 31 August 2020		250,774		185,141