



Plummer Parsons
Chartered Accountants

Charity Registration No. 307021

Company Registration No. 00907923 (England and Wales)

THE TALKING TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

THE TALKING TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Ms S Doherty	(Appointed 1 September 2017)
	Ms S Wickens	
	Ms J Haigh	(Appointed 8 March 2019)
	Ms V Oliver	(Appointed 24 April 2019)
	Ms J Muggleton	(Appointed 24 April 2019)
Charity number	307021	
Company number	00907923	
Principal address	St Mary's Special School and College Wrestwood Road Bexhill-on-Sea East Sussex TN40 2LU	
Registered office	St Mary's Special School and College Wrestwood Road Bexhill-on-Sea East Sussex TN40 2LU	
Auditor	Plummer Parsons 18 Hyde Gardens Eastbourne East Sussex BN21 4PT	
Bankers	HSBC Bank plc 2 Devonshire Road Bexhill-On-Sea East Sussex TN40 1AT	

THE TALKING TRUST

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THE TALKING TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) FOR THE YEAR ENDED 31 JULY 2018

The Trustees, who are also Company Directors, of The Talking Trust present their annual report and financial statements for the year ended 31 July 2018, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charitable company's Memorandum and Articles of Association, the Companies Act 2006 and "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)" (as amended for accounting periods commencing from 1 January 2016).

Objectives and activities

The Trust works to support children and young people with severe speech, language and communication difficulties.

The objects of the Trust as set out in the articles of association are:

- a. to advance education for the public benefit in particular but without prejudice to the generality of the foregoing by maintaining and managing the school; and
- b. to assist in the education, treatment and care of pupils with mental or physical illness or disability of any description, or in need of rehabilitation or care as a result of illness or disability.

Our vision is to:

- a. To improve the life chances of pupils by providing the best possible educational opportunities for our learners, allowing them to work towards independence and to achieve well over time;
- b. To continually strive to improve standards in every aspect of Trust provision; and
- c. By providing consistently high quality educational experiences across all phases of their education, we aim to raise aspirations for children and young people, enabling them to be confident and successful in their next step in education or training and in their preparation for adulthood.

The principal activity is the management and operation of St Mary's School and 6th Form College. The purpose of the Trust is to provide integrated specialist education, therapy and care for pupils with speech, language, communication and other associated complex needs.

In setting our objectives and planning our activities we have given careful consideration to the Charity Commission's general guidance on public benefit and in particular its supplementary public benefit guidance on advancing education and fee charging.

We are a non-maintained special school based on the south coast of England in Bexhill, East Sussex and we currently cater for both residential and day pupils aged 7 to 19. Since 1922, it has been our mission to ensure that children with Speech, Language and Communication needs and additional special difficulties receive the integrated support they need to enable them to achieve their potential and take their place in the community. Many of our pupils have autism, PDA and a range of additional needs.

St Mary's uses a range of approaches that enable our pupils to succeed in their development of their communication skills. Our staff, including those in non-child facing roles, are trained in sign-supported English. Our staff provide assistance for parents who wish to learn to sign in order that they can support their child in the home. In addition, we value and proactively invest in communication and learning technologies.

Our on-site and offsite residential houses offer a 'homely' and supportive environment for pupils to live and learn for up to 38 weeks a year. There is an emphasis on providing a normalised residential experience at the school and pupils given every opportunity to do things for themselves wherever possible.

In addition to supporting Speech, Language and Communication needs the school and college offers a personalised plan for each child to access a broad and balanced curriculum with integrated physiotherapy and occupational therapy, social, emotional and mental health support and opportunities to develop independence and life skills. Our facilities offer excellent opportunities to support individual needs and include a swimming pool, library, sports hall, Food Tech and Science rooms, physiotherapy and sensory integration facilities and therapy support rooms.

THE TALKING TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

Our swimming pool is available for hire by groups. Our vocational centre provides opportunities for young people to participate in vocational activities. The café and hairdresser are open to the public.

Our purpose is to provide the highest quality education, therapy and care for our pupils to allow them to achieve their potential and to be equipped to live happy and successful adult lives.

As well as the Governors who volunteer their time and support, there are currently three volunteers who give their time and support to staff and pupils in different areas of the School and College. These volunteers are subject to the same recruitment checks, including DBS checks, references and identity verification, and child protection training as Governors and members of staff.

We are always extremely grateful for all of the help that these volunteers give to the School.

Strategic report

The description under the headings "Achievements and performance" and "Financial review" meet the company law requirements for the trustees to present a strategic report.

Achievements and performance

Achievement and Performance during the year 2017/18

A combined care and education Ofsted Inspection in January 2018 identified that St Mary's was Good in all areas. This is a significant improvement from the previous inspection in February 2016 when the school was identified as Requires Improvement and was placed in special measures.

During this year the Vocational Centre continues to offer students opportunities to experience work in the café, hairdressers, shop and car washing facility. A printing outlet has also now been developed.

A total communication environment across the school has been developed.

For the first time in many years the school started the academic year in September 2017 with more pupils than in the preceding July.

The previous Board of Trustees felt that during the academic year 2017/18 good pupil progress was demonstrated in the core subjects, with an improvement in English and science compared to 2016/17.

The Headteacher resigned from St Mary's with effect from the end of August 2018 and the Governing Board appointed an interim principal from September 2018. He was supported by an interim Headteacher.

Achievement and Performance since July 2018

St Mary's opened a educational and residential provision for young people with communication difficulties aged 19-25 in Autumn 2018. It opened with 4 students and a further student joined in Spring 2019.

The number of pupils on roll at September 2018 was 62.

St Mary's underwent an Ofsted inspection of the residential provision in November 2018. The inspection raised a number of significant issues and the provision as rated as Inadequate.

The interim Principal and Interim Headteacher both left St Mary's before Christmas 2018. The Board of Governors appointed a new Interim Headteacher starting in January 2019. Unfortunately he went on long term sick leave in February 2019 and resigned with effect from March 2019. The substantive Deputy Headteacher became the Acting Headteacher from February 2019.

St Mary's underwent an Ofsted inspection of the education provision and a monitoring visit for the residential provision in February 2019. The school was rated as Inadequate and the residential monitoring report found a very similar position to that of November 2018.

THE TALKING TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

The Board of Governors accepted the proposed support from the Torfield and Saxon Mont Multi Academy Trust (TaSMAT) which had been brokered by East Sussex County Council and the Regional Schools Commissioner. TaSMAT is a multi academy trust formed of two good and outstanding special schools in the local area.

At this point, with the agreement of the Local Authority, the Regional Schools Commissioner and the Education and Skills Funding Agency, the majority of the Board of Governors, including the Chair, resigned.

A new Board of Trustees was established under the chairmanship of a Director of TaSMAT.

The Executive Headteacher/CEO of TaSMAT has provided Consultant Headteacher support since March 2019.

Financial review

The income of the Trust has fallen this year by £354,382, from £4,854,350 in 2017 to £4,499,968 in 2018. This has been met by a small reduction in expenditure during the year of £59,285, from £5,380,738 in 2017 to £5,321,453. Resulting in an overall operating deficit for the year of £821,485 (2017: £526,388)

The cash flow statement shows a reduction in cash during the year of £725,551 from £2,178,197 to £1,452,646.

In accordance with UK accounting standards, information for the defined benefit pension scheme has been incorporated into the accounts. Market conditions and changes in actuarial assumptions have resulted in an actuarial gain of £1,011,000 in the year (2017: gain of £355,000). The deficit on the final salary pension scheme is closely monitored by the governors and there continues to be ongoing and positive discussions with the Scheme trustees and their advisors.

The total net movement in funds for the year is a surplus of £189,515 (2017: deficit of £171,388).

The Board has established a reserves policy that aims to protect the Trust's activities from risk of disruption at short notice, whilst at the same time ensuring that the Trust does not retain income for longer than required. It determines an appropriate target level for 'free' reserves, taking into account the Trust's vulnerability to unplanned changes in its financial position, relating mainly to pupil numbers and the sourcing of income from LAs.

The Board regards the level of 'free' reserves, namely the general fund within unrestricted reserves, as crucial in allowing the Trust to serve its beneficiaries through temporary shortages in pupil numbers or local authority funding. The Board also wishes to be able to call on funds to seize opportunities to further develop the Trust. The general fund is a sub-category of unrestricted funds which are neither earmarked for either capital purposes (the capital fund) or for the defined benefit pension scheme.

The Board judges that the Trust should hold at least three months but not more than six months value of unrestricted expenditure in order to preserve its structure through periods of low income. Based on unrestricted expenditure of £5,262,511 for the year to 31 July 2018 (2017: £5,257,610), the minimum target for 'free' reserves is £1,315,000 (2017: £1,315,000). At 31 July 2018, the 'free' reserves were £1,434,319 (2017: £1,903,566) which is in line with reserves policy.

The total funds at 31 July 2018 were £6,185,211 (2017: £5,995,696), of which £5,931,628 (2017: £5,698,614) related to unrestricted funds, and £253,583 (2017: £297,082), related to restricted funds. The restricted funds are not available for the general purposes of the Trust and can only be used in accordance with conditions originally stipulated by the donor.

The trustees have assessed the major risks to which the charity is exposed, and are satisfied that systems are in place to mitigate exposure to the major risks.

THE TALKING TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

In April 2019 the Board reluctantly agreed that it was necessary to close the 19-25 provision on financial grounds and in light of the deficits in leadership and management of this area of operation.

The numbers of residential pupils has declined significantly over the past few years. In order to promote the well being of the young people and on efficiency grounds the Board has agreed to move all residential accommodation to the main site from September 2019. The two houses that will not be required in 2019/20 will be retained for the foreseeable future.

A number of measures to reduce costs are being put in place including a review of external contracts and a reconsideration of the staffing structure. Important maintenance and health and safety improvements will be prioritised for action in the coming year.

The Board is pleased to note a sizeable increase in referrals for potential new pupils from East Sussex County Council and is hopeful that the number of pupils on roll through the 2019/20 academic year will be higher than at present. These referrals are for day placements in the main and we will work proactively to promote the residential provision over the coming year with more distant local authorities.

Considerable planning and action is being undertaken to address the issues raised by Ofsted in relation to the quality of teaching and learning, assessment (including accreditation) and the curriculum.

Discussions are on going with the Regional Schools Commissioner and the Department for Education in relation to the status of St Mary's as a non-maintained special school. Any proposed changes to the status will be subject to the necessary consultation.

Structure, governance and management

The Talking Trust (the 'Trust') was incorporated as St Mary's Wreastwood Children's trust on 7 June 1967 and changed its name to The Talking Trust on 26 November 2012. It is a charitable company limited by guarantee. The Board of Trustees ('Board') governs the Trust in accordance with the Memorandum and Articles of Association. St Mary's School and College (the 'School' or 'St Mary's') as part of the Trust, is registered as a Non-maintained Special School. The School provides specialist education, therapy and care for young people aged 7-19 with speech, language and communication needs.

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Mr A Hodson	(Resigned 3 October 2018)
Mrs M Briggs	(Resigned 11 March 2019)
Mr S Alford	(Resigned 28 February 2019)
Ms S Arrowsmith	(Resigned 23 February 2019)
Ms C Baart	(Resigned 27 March 2019)
Mr G J Cooper	(Resigned 1 March 2019)
Ms A L Croft-Pearman	(Resigned 13 March 2019)
Ms S Doherty	(Appointed 1 September 2017)
Ms S Wickens	
Ms J Haigh	(Appointed 8 March 2019)
Ms V Oliver	(Appointed 24 April 2019)
Ms J Muggleton	(Appointed 24 April 2019)

The Trustees aim to maintain a Board in accordance with statute and with the range of expertise, experience and perspectives needed to provide effective direction and oversight. All Governors are inducted by the Board and provided with all relevant Trust information. Governors are given training to support them in their ability to monitor effectively, particularly in key areas such as safeguarding.

New Trustees are appointed by the Board and are subject to application forms, references and DBS clearance. Trustees are provided with training in line with the Charity Commission's guidance on governance.

THE TALKING TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

The new Board of Trustees, which was formed following the resignation of the majority of the previous Governing Board, has agreed to separate the functions of Trusteeship and school governance. To that end the Trustees delegated their governance responsibilities in full to an Interim Executive Board (IEB) consisting of experienced professionals and chaired by the Chair of Trustees.

The IEB members were selected by the Trustees on the basis of their professional expertise and experience and were subject to application form, references and DBS clearance.

It is intended that the IEB will remain in place until the situation of St Mary's changes and it moves out of an Ofsted category. The IEB has full responsibility for the governance of the school.

The IEB has established a Parents Consultative Group that meets termly (6 times per year) and consists of 13 volunteer parents with both day and residential pupils. The notes of these meetings and any other documentation arising from it are shared with the whole parent body and key stakeholders..

Local authorities fund the majority of pupil placements, with a small number of placements being privately funded. There is also a small amount of fundraised income.

The day to day management of the school is undertaken by the Acting Headteacher, Susan Cheshire, with the support and guidance of the Consultant Headteacher, Richard Preece, and additional consultancy support with particular regard to teaching, learning, assessment and curriculum from Lindsey Diamond who is an Independent Education Consultant and member of the IEB.

None of the trustees has any beneficial interest in the company. All of the trustees are members of the company and guarantee to contribute £1 in the event of a winding up.

Auditor

Plummer Parsons were appointed as auditor to the company and a resolution proposing that they be re-appointed will be put at a General Meeting.

Going concern

These accounts are prepared on the going concern basis. The trustees have a reasonable expectation that the charity will continue in operational existence for the foreseeable future, however, they are aware of material uncertainties which may cast doubt on the charity's ability to continue as a going concern. These material uncertainties exist as a result of the recent poor Ofsted report that the Trust received and the potential uncertainties surround children's placement at the school as a result of this Ofsted report.

The Trustees believe that, based upon predicted future income streams as negotiated with Local Authorities together with achieved and further planned cost cutting together with the continuing assistance from TaSMAT that the trust will remain a going concern.

The trustees are confident that the measures undertaken since April 2019 will mean that they will continue to receive the support of the Local Authority and parents of pupils. In the unlikely event that this proved not to be the case then the assets that have currently been included on a historical cost basis would have to be included on a forced sale basis which may be less than the depreciated historical cost value. In addition the defined benefit pension deficit would be subject to change and would almost certainly be higher than on the going concern basis'

THE TALKING TRUST

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The trustees' report, including the strategic report, was approved by the Board of Trustees.



Ms J Haigh

Trustee

Dated: 23 July 2019

THE TALKING TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 JULY 2018

The trustees, who are also the directors of The Talking Trust for the purpose of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE TALKING TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE TALKING TRUST

Opinion

We have audited the financial statements of The Talking Trust (the 'charity') for the year ended 31 July 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2018 and of its incoming resources and application of resources, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements, which indicates material uncertainties related to going concern. These going concern uncertainties are as a result of the recent poor Ofsted report that the Trust received, and the potential uncertainties surround children's placement at the school as a result of this Ofsted report. As stated in note 1.2, these events along with other matters set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' Report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

THE TALKING TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TALKING TRUST

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the trustees are responsible for assessing the charity'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

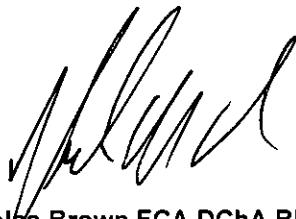
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

THE TALKING TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TALKING TRUST

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicholas Brown FCA DChA BFP (Senior Statutory Auditor)
for and on behalf of Plummer Parsons

24 July 2019

Chartered Accountants
Statutory Auditor

18 Hyde Gardens
Eastbourne
East Sussex
BN21 4PT

THE TALKING TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2018

		Unrestricted funds general 2018 £	Unrestricted funds designated 2018 £	Restricted funds 2018 £	Total 2018 £	Total 2017 £
	Notes					
Income and endowments from:						
Donations and legacies	3	17,533	-	15,443	32,976	29,624
Charitable activities	4	4,366,688	-	-	4,366,688	4,338,150
Other trading activities	5	96,628	-	-	96,628	99,493
Investments	6	3,676	-	-	3,676	3,643
Other income	7	-	-	-	-	383,440
Total income		4,484,525	-	15,443	4,499,968	4,854,350
Expenditure on:						
Raising funds	8	22,503	-	-	22,503	29,391
Charitable activities	9	5,240,008	-	58,942	5,298,950	5,351,347
Total resources expended		5,262,511	-	58,942	5,321,453	5,380,738
Net outgoing resources before transfers		(777,986)	-	(43,499)	(821,485)	(526,388)
Gross transfers between funds		308,739	(308,739)	-	-	-
Net expenditure for the year/ Net outgoing resources		(469,247)	(308,739)	(43,499)	(821,485)	(526,388)
Other recognised gains and losses						
Actuarial (loss)/gain on defined benefit pension schemes		-	1,011,000	-	1,011,000	355,000
Net movement in funds		(469,247)	702,261	(43,499)	189,515	(171,388)
Fund balances at 1 August 2017		1,903,566	3,795,048	297,082	5,995,696	6,167,084
Fund balances at 31 July 2018		1,434,319	4,497,309	253,583	6,185,211	5,995,696

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

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

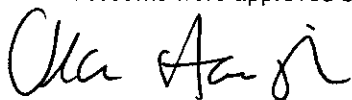
THE TALKING TRUST

BALANCE SHEET

AS AT 31 JULY 2018

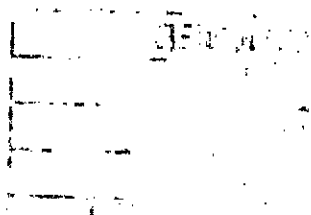
	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	13	7,281,722		7,441,472	
Investments	14		1		1
		<u>7,281,723</u>		<u>7,441,473</u>	
Current assets					
Debtors	16	227,724		206,726	
Cash at bank and in hand		1,452,646		2,178,197	
		<u>1,680,370</u>		<u>2,384,923</u>	
Creditors: amounts falling due within one year	17	<u>(324,882)</u>		<u>(367,700)</u>	
Net current assets			1,355,488		2,017,223
Total assets less current liabilities			<u>8,637,211</u>		<u>9,458,696</u>
Provisions for liabilities	18	<u>(2,452,000)</u>		<u>(3,463,000)</u>	
Net assets			<u><u>6,185,211</u></u>		<u><u>5,995,696</u></u>
Income funds					
Restricted funds	21	253,583		297,082	
<u>Unrestricted funds:</u>					
Designated funds	22	4,497,309		3,795,048	
General unrestricted funds		1,434,319		1,903,566	
		<u>6,185,211</u>		<u>5,995,696</u>	

The accounts were approved by the Board of Trustees on 23 July 2019



Jean Haigh
Trustee

Company Registration No. 00907923



THE TALKING TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash absorbed by operations	27		(684,088)		(631,449)
Investing activities					
Purchase of tangible fixed assets		(45,139)		(369,072)	
Proceeds on disposal of tangible fixed assets		-		528,559	
Interest received		3,676		3,643	
Net cash (used in)/generated from investing activities			(41,463)		163,130
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(725,551)		(468,319)
Cash and cash equivalents at beginning of year			2,178,197		2,646,516
Cash and cash equivalents at end of year			1,452,646		2,178,197

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

1 Accounting policies

Charity information

The Talking Trust is a charitable company limited by guarantee and incorporated in England and Wales under company number 00907923. It is registered with the Charity Commission under charity number 307021. The registered office is St Mary's Special School and College, Wrestwood Road, Bexhill-on-Sea, East Sussex, TN40 2LU.

1.1 Accounting convention

The accounts have been prepared in accordance with the charitable company's Memorandum and Articles of Association, the Companies Act 2006 and "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)" (as amended for accounting periods commencing from 1 January 2016). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

These accounts are prepared on the going concern basis. The trustees have a reasonable expectation that the charity will continue in operational existence for the foreseeable future, however, they are aware of material uncertainties which may cast doubt on the charity's ability to continue as a going concern. These material uncertainties exist as a result of the recent poor Ofsted report that the Trust received and the potential uncertainties surround children's placement at the school as a result of this Ofsted report.

The Trustees believe that, based upon predicted future income streams as negotiated with Local Authorities together with achieved and further planned cost cutting together with the continuing assistance from TaSMAT that the trust will remain a going concern.

The trustees are confident that the measures undertaken since April 2019 will mean that they will continue to receive the support of the Local Authority and parents of pupils. In the unlikely event that this proved not to be the case then the assets that have currently been included on a historical cost basis would have to be included on a forced sale basis which may be less than the depreciated historical cost value. In addition the defined benefit pension deficit would be subject to change and would almost certainly be higher than on the going concern basis.

1.3 Charitable funds

Donations received for the general purposes of the school are credited to unrestricted funds except insofar as they are incapable of financial measurement. These funds are available to spend on activities that further any of the purposes of the charity.

Restricted funds are donations which the donor has specified are to be solely used for the particular areas of the charity's work, or for specific projects undertaken by the charity. The purposes and uses of the restricted funds are set out in the notes to the accounts.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activity when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. Gifts in kind are included at valuation and recognised as income when received. No amounts are included in the financial statements for services donated by volunteers.

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

1 Accounting policies

(Continued)

School fees receivable and charges for services and use of premises are accounted for in the period to which the service is provided. Fees received in advance of education to be provided in future years are held as liabilities until either taken into income in the term when used or else refunded. The amounts are net of discounts, VAT and other sales related taxes where appropriate.

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

The Turnover of the charity for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

Income relates to pupils' fees that are paid for by Local Authorities. The fees are raised in advance for the coming term and are recognised on an accruals basis. Other miscellaneous grants may be received to which performance conditions are attached. These grants are recognised in the Statement of Financial Activities when the conditions have been met. Where the conditions for recognition have not been met at the year end, the amounts are carried forward as deferred income.

1.5 Resources expended

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Raising funds. This comprises marketing and is the cost of attracting students to the school.
- Charitable activities. This includes the direct costs of salaries, and other educational activities undertaken to further the purposes of the charity as well as associated support costs.
- Support costs. These comprises administrative costs associated with delivering the educational activities as well as the costs of governance. Governance costs comprise the costs of strategic management of the charity as well as compliance costs such as audit fees. Support and governance costs have been allocated equally across the 4 charitable activities.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land & buildings	2% Straight line
Fixtures, fittings & equipment	10% Straight line
Motor vehicles	25% Reducing balance

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

Items are capitalised as fixed assets on the balance sheet if their individual value exceeds £1,000.

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

1 Accounting policies

(Continued)

1.7 Fixed asset investments

Fixed asset investments comprise investments held in the dormant subsidiaries. These investments are stated at cost less provision for diminution in value.

A subsidiary is an entity controlled by the charity. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.9 Cash and cash equivalents

Cash at bank and in hand includes cash and short-term interest accounts. The trustees seek to use short and medium term deposits where possible to maximise the return on monies held at the bank and to manage cash flow. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

1 Accounting policies

(Continued)

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

The school operates 3 defined contribution schemes for staff. The schemes comprise the salary exchange and money purchase schemes (both closed to new members) and the NOW pension scheme which was set up as a result of auto-enrolment. The assets of the schemes are held separately from those of the school in independently administered funds.

The teaching staff of the school are members of the Teachers' Pension Scheme. This is a National defined benefits scheme where it is not possible to identify separately the assets and liabilities of the scheme in respect of staff at individual schools. As such it is accounted for as a defined contribution scheme in accordance with FRS 102.

Payments to defined contribution retirement benefit schemes, including the Teachers' Pension Scheme, are charged as an expense as they fall due.

The school also operates a separate defined benefit retirement scheme, 'The St Mary's Wrestwood Children's Trust Pension Scheme' which was closed to new members on 31 July 2009. The scheme has been accounted for in the financial statements in accordance with FRS 102 and full provision has been made in these accounts for its associated liability.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income/(expenditure) for the year.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other recognised gains and losses in the period in which they occur and are not reclassified to income/(expenditure) in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

1.13 Leases

Rentals payable in respect of assets held under operating leases are charged to the Statement of Financial Activities as they fall due, on a straight line basis over the term of the relevant lease.

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Donations and legacies

	Unrestricted funds general 2018 £	Restricted funds 2018 £	Total 2018 £	Total 2017 £
Donations and gifts	17,533	15,443	32,976	29,624
For the year ended 31 July 2017	3,706	25,918		29,624

4 Charitable activities

	Charitable Income 2018 £	Charitable Income 2017 £
Fee income receivable	4,315,229	4,278,392
Grant funding	51,459	59,758
	4,366,688	4,338,150
Performance related grants		
EFA Standards funding	51,459	59,758
Other	-	-
	51,459	59,758

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2018

5 Other trading activities

	Unrestricted funds general 2018 £	Total 2017 £
Swimming income	83,627	79,455
Catering income	471	1,166
Fundraising events	-	6,414
Assessment fees	9,400	11,150
Letting income	3,130	1,308
	<u>96,628</u>	<u>99,493</u>
Other trading activities		

6 Investments

	Unrestricted funds general 2018 £	Total 2017 £
Interest receivable	3,676	3,643

7 Other income

	Unrestricted funds general 2018 £	Total 2017 £
Net gain on disposal of tangible fixed assets	-	383,440

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

8 Raising funds

	Unrestricted funds general 2018 £	Total 2017 £
<u>Fundraising and publicity</u>		
Advertising	13,303	26,394
Other fundraising costs	9,200	2,997
	<u>22,503</u>	<u>29,391</u>
Fundraising and publicity	22,503	29,391
	<u>22,503</u>	<u>29,391</u>

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2018

9 Charitable activities

	Education	Therapy & wellbeing	Residential care	Facilities	19+ provision	Total 2018	Total 2017
	2018	2018	2018	2018	2018	£	£
Staff costs	1,463,894	595,918	1,025,356	98,564	-	3,183,732	3,307,945
Depreciation and impairment	42,288	9,876	150,322	2,400	-	204,886	207,780
Training	11,742	2,188	14,766	-	-	28,696	57,378
Utilities & insurance	-	-	-	220,369	-	220,369	223,982
Repairs	89,110	9,935	127,919	334,790	-	561,754	357,287
Bad debts	25,197	-	-	-	-	25,197	51,623
Transport costs	-	-	-	124,951	-	124,951	122,146
Other costs	102,624	4,734	97,921	-	-	205,279	305,048
Set up costs	-	-	-	-	3,572	3,572	-
Share of support costs (see note 10)	1,734,855	622,651	1,416,284	781,074	3,572	4,558,436	4,633,189
Share of governance costs (see note 10)	182,653	182,652	182,652	182,652	2,700	733,309	710,202
	1,801	1,801	1,801	1,802	-	7,205	7,956
Analysis by fund							
Unrestricted funds - general	1,919,309	807,104	1,600,737	965,528	6,272	5,298,950	5,351,347
Restricted funds	1,860,367	807,104	1,600,737	965,528	6,272	5,240,008	5,228,219
	58,942	-	-	-	-	58,942	123,128
	1,919,309	807,104	1,600,737	965,528	6,272	5,298,950	5,351,347
For the year ended 31 July 2017							
Unrestricted funds - general	1,791,233	837,465	1,788,742	810,779	-		5,228,219
Restricted funds	109,495	-	13,633	-	-		123,128
	1,900,728	837,465	1,802,375	810,779	-		5,351,347

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

10 Support costs

	Support costs	Governance costs	2018	2017
	£	£	£	£
Staff costs	404,036	-	404,036	314,469
Office costs	27,403	-	27,403	33,785
Training	905	-	905	2,097
Bank charges	126	-	126	106
Professional fees	225,005	-	225,005	312,289
Sundries	75,834	-	75,834	47,456
Audit fees	-	7,205	7,205	7,518
Trustees' travel	-	-	-	438
	<u>733,309</u>	<u>7,205</u>	<u>740,514</u>	<u>718,158</u>
Analysed between				
Charitable activities	<u>733,309</u>	<u>7,205</u>	<u>740,514</u>	<u>718,158</u>

Governance costs includes payments to the auditors of £7,205 (2017- £7,518) for audit fees, £3,600 (2017- £818) for other assurance engagements, and £6,422 (2017- £2,855) for non-audit services.

11 Trustees

One of the Governing Board received remuneration and benefits from the charity during the year. Sarah Doherty was appointed as a staff governor on 1 September 2017. The remuneration paid to her under an employment contract for teaching work was £20,059, the associated employers national insurance cost was £1,839, and the charity also made employer pension contributions of £3,306. The governing document specifies that there must be at least one staff trustee on the board of governors. This trustee remuneration is therefore permitted.

Travelling expenses of £313 were reimbursed to 2 members of the Governing Board (2017: Travelling expenses of £438 reimbursed to 4 members).

2 of the Governing Board have children who attended St Mary's School and College during the year (2017: 2 of the Governing Board). However, the fees are on an arms length basis and are paid by Local Authorities.

During the year the charity received aggregate donations from Trustees totalling £562.

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

12 Employees

Number of employees

The average monthly number of employees during the year was:

	2018 Number	2017 Number
Education	33	52
Residential Care Staff	64	72
Health Staff	43	29
Other Staff	28	49
	<u>168</u>	<u>202</u>

Employment costs

	2018 £	2017 £
Wages and salaries	3,120,568	3,152,626
Social security costs	162,002	183,340
Other pension costs	305,198	286,448
	<u>3,587,768</u>	<u>3,622,414</u>

The Talking Trust considers its key management personnel to be the Interim Management Board and the Senior Management Team. The amount paid to key management personnel during the year was £100,124 (2017: £243,098).

Within the school and college, and in key areas, there is a need for the Talking Trust to use agency staff when required. The amount spent on agency staff across the Trust in 2018 was £228,771 (2017: £307,060).

Staff costs include redundancy fees paid of £132,700 (2017: £38,165). Included within the termination payments figure are ex-gratia payments of £14,857 (2017: £nil). These payments were made in addition to the statutory redundancies paid by the charity to 14 staff members which the Trustees believed they had a moral obligation to pay.

The number of employees whose annual remuneration was £60,000 or more were:

	2018 Number	2017 Number
£80,000 to £90,000	<u>1</u>	<u>-</u>

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

13 Tangible fixed assets

	Freehold land & buildings	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 August 2017	9,131,550	1,019,536	14,052	10,165,138
Additions	39,463	5,676	-	45,139
At 31 July 2018	9,171,013	1,025,212	14,052	10,210,277
Depreciation and impairment				
At 1 August 2017	1,995,882	723,338	4,449	2,723,669
Depreciation charged in the year	163,859	38,627	2,400	204,886
At 31 July 2018	2,159,741	761,965	6,849	2,928,555
Carrying amount				
At 31 July 2018	7,011,272	263,247	7,203	7,281,722
At 31 July 2017	7,144,954	286,915	9,603	7,441,472

FRS102 requires the separation of freehold land from the freehold buildings. It has been determined by the trustees that the fair value of the land equates to 40% of the original cost. The remaining 60% is deemed to be the value of the buildings at purchase and is being depreciated on a straight line basis at 2%. The carrying value of the land included in land and buildings is as follows:

	2018 £	2017 £
Freehold	1,923,748	1,923,748

14 Fixed asset investments

		Other investments
Cost or valuation		
At 1 August 2017 & 31 July 2018		1
Carrying amount		
At 31 July 2018		1
At 31 July 2017		1
Other investments comprise:	Notes	2018 £
Investments in subsidiaries	26	1
		2017 £
		1

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

15	Financial instruments		2018	2017
			£	£
	Carrying amount of financial assets			
	Debt instruments measured at amortised cost		162,895	151,882
	Carrying amount of financial liabilities			
	Measured at amortised cost		242,481	283,413
16	Debtors		2018	2017
			£	£
	Amounts falling due within one year:			
	Trade debtors		162,895	151,566
	Other debtors		-	316
	Prepayments and accrued income		64,829	54,844
			227,724	206,726
17	Creditors: amounts falling due within one year		2018	2017
		Notes	£	£
	Other taxation and social security		70,834	71,388
	Deferred income	19	11,567	12,899
	Trade creditors		147,486	92,610
	Accruals and deferred income		94,995	190,803
			324,882	367,700

At the start of the year, the charity had £12,899 of deferred income. Deferred income relates to grant income received to which performance conditions are attached. Until these performance conditions have been met, the income is not recognised in the Statement of Financial Activities. Of the £12,899 of deferred income brought forward, all the performance conditions were met in the year and these monies have been fully released in the year. There were additional grants and fees received in the year of £11,567 to which performance conditions were attached and this income has been deferred until next year, when the conditions will be met.

Provisions for liabilities		2018	2017
	Notes	£	£
Retirement benefit obligations	20	2,452,000	3,463,000
		2,452,000	3,463,000

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

19 Deferred income

	2018 £	2017 £
Other deferred income	11,567	12,899

20 Retirement benefit schemes

Defined contribution schemes

The Teachers' Pension Scheme

The charity participates in the Teachers' Pension Scheme (England and Wales) ("the TPS") for its teaching staff. The TPS is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' Pensions Regulations 2010 and the Teachers' Pension Scheme Regulations 2014. It is not possible to identify the assets and liabilities of the TPS which are attributable to the charity and so the charity accounts for the scheme as if it were a defined contribution scheme, in accordance with FRS102. Members contribute on a "pay as you go" basis with contributions from members and employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament. The charity's contributions, which are in accordance with the Government Actuary, are charged in the period in which the salaries to which they relate are payable.

The employer contribution rate is set following scheme valuations undertaken by the Government Actuary Department. The latest valuation report in respect of the TPS was prepared at 31 March 2012 and was published in June 2014. This report confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2016 and which has remained unchanged since.

The Department of Education has also devolved the scheme administration costs to scheme employers in the form of an administrative charge of 0.08% of the employer's salary costs which has resulted in a total employer payment rate of 16.48%.

The next revision of the employer contribution rate is not expected to take effect until 1 April 2019. This will follow on from publication of the next actuarial valuation which was undertaken at 31 March 2016.

The charge to the profit and loss in respect of the TPS was £84,906 (2017 - £67,906).

Defined contribution schemes

The charity also operates 3 defined contribution pension schemes for qualifying employees who are neither teaching staff nor contributing to the charity's own defined benefit scheme (see below). The schemes comprise the salary exchange and money purchase schemes (both closed to new members) and the NOW pension scheme which was set up as a result of auto-enrolment. All 3 schemes are run by Aegon and the assets of the defined contribution schemes are held separately from those of the charity in independently administered funds.

The charge to the profit and loss in respect of the defined contribution scheme was £38,923 (2017 - £42,174).

The liability and contributions to both defined contribution schemes have been allocated wholly to unrestricted funds and to the activities in accordance with the staff involved in each activity.

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

20 Retirement benefit schemes

(Continued)

Defined benefit schemes

The Trust also operates a defined benefit pension scheme, The St Mary's Wrestwood Children's Trust Pension Scheme. The scheme was closed to new members on 31 July 2009. This is a separate trustee-administered fund holding the pension scheme assets to meet long term pension liabilities.

The charge to the profit and loss in respect of the defined benefit scheme was £181,368 (2017 - £176,367).

Valuation

An actuarial valuation was carried out based on data as at 31 March 2017 and updated to 31 July 2018 by a qualified actuary. The major assumptions used by the actuary are shown below.

Funding policy

The Trust currently pays contributions at the rates set out in the Schedule of Contributions prepared following the 31 March 2014 scheme funding valuation. Under this Schedule of Contributions, the Trust has to pay contributions over a period of 12 years 2 months from 1 April 2015 starting from £141,000 and increasing by 3.5% per annum. In addition, and in accordance with the actuarial valuation, the Trust has agreed with the trustees that it will contribute £2,417 per month as an allowance to cover administration, actuarial and consultancy costs. Any other expenses of the scheme, including levies to the Pension Protection Fund, will be met by the Trust. At the date of preparing this statement, the Trust and Scheme Trustees were negotiating a revised Schedule of Contributions.

Key assumptions

	2018 %	2017 %
Discount rate	2.8	2.6
Expected rate of increase of pensions in payment	3.5	3.5
Revaluation rate of pensions in deferment capped at 5%	3.5	3.5
Inflation (RPI)	3.5	3.5

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2018 Years	2017 Years
Retiring today		
- Males	22	22.4
- Females	23.8	24.4
Retiring in 20 years		
- Males	23.1	23.7
- Females	25.1	25.9

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2018

20 Retirement benefit schemes

(Continued)

a) Amounts recognised in the profit and loss account:

	2018 £	2017 £
Net interest on defined benefit liability/(asset)	87,000	91,000
Other costs and income	112,000	43,000
Total costs	199,000	134,000

b) Amounts taken to other comprehensive income:

	2018 £	2017 £
Actual return on scheme assets	(338,000)	(674,000)
Less: calculated interest element	146,000	119,000
Return on scheme assets excluding interest income	(192,000)	(555,000)
Actuarial changes related to obligations	(837,000)	200,000
Total costs/(income)	(1,029,000)	(355,000)

The amounts included in the balance sheet arising from the charity's obligations in respect of defined benefit plans are as follows:

	2018 £	2017 £
Present value of defined benefit obligations	8,342,000	9,117,000
Fair value of plan assets	(5,890,000)	(5,654,000)
Deficit in scheme	2,452,000	3,463,000

Movements in the present value of defined benefit obligations:

	2018 £
Liabilities at 1 August 2017	9,117,000
Benefits paid	(283,000)
Actuarial gains and losses	(837,000)
Interest cost	233,000
Other	112,000
At 31 July 2018	8,342,000

The defined benefit obligations arise from plans which are wholly or partly funded.

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2018

20 Retirement benefit schemes

(Continued)

Movements in the fair value of plan assets:

	2018 £
Fair value of assets at 1 August 2017	5,654,000
Interest income	146,000
Return on plan assets (excluding amounts included in net interest)	192,000
Benefits paid	(283,000)
Contributions by the employer	181,000
At 31 July 2018	5,890,000

The fair value of plan assets at the reporting period end was as follows:

	2018 £	2017 £
Equity instruments	4,111,000	3,174,000
Debt instruments	1,735,000	1,461,000
Property	-	511,000
Diversified growth assets (DGA)	-	462,000
Cash	44,000	46,000
	5,890,000	5,654,000

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

21 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Movement in funds			
	Balance at 1 August 2017	Incoming resources	Resources expended	Balance at 31 July 2018
	£	£	£	£
Phase 3 building fund	113,272	-	(3,912)	109,360
Library improvement fund	7,425	-	(264)	7,161
Theatre fund	22,769	-	(322)	22,447
Residential improvements	1,744	-	-	1,744
Other small funds	58,483	14,114	(8,662)	63,935
Vocational Centre	42,154	-	(26,803)	15,351
Garfield Weston Foundation	32,404	-	(16,389)	16,015
Vocational Centre Car Wash	8,968	1,329	(1,032)	9,265
Print room	9,863	-	(1,558)	8,305
	<u>297,082</u>	<u>15,443</u>	<u>(58,942)</u>	<u>253,583</u>

The Theatre fund represents funding raised in the past for a theatre which could not be built. The trustees are seeking advice as to how the funds can be used alternatively.

The Residential Improvements, Phase 3 Building fund, Library Improvement and Vocational Centre funds represent funding received for the School's building developments and improvements. The amortisation on these buildings is being charged to the funds to reduce them in line with the write down of the assets over their useful economic lives.

The Garfield Weston Foundation provided funds during 15/16. The majority of these funds were utilised in 16/17 to improve the total communication environment of the school. This included: extra members of staff to teach signing; the production of instructional signing videos; student friendly directional and informational signs across the site; Pictorial Exchange System training and Sign Language training for staff. Additionally, funds were provided in 15/16 and utilised in 16/17 for the Vocational Centre Car Wash. The amortisation on this facility is being charged to the fund in line with the write down of the asset over its useful economic life.

The Vocational Centre Print Room houses computer and printing facilities that were acquired using funds specifically provided by lottery funding. The amortisation on this the equipment in this facility is being charged to the fund in line with the write down of the asset over its useful economic life.

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

22 Designated funds

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes:

	Balance at 1 August 2017	Transfers	Revaluations, gains and losses	Balance at 31 July 2018
	£	£	£	£
Capital fund	7,258,048	(308,739)	-	6,949,309
Pension fund	(3,463,000)	-	1,011,000	(2,452,000)
	<u>3,795,048</u>	<u>(308,739)</u>	<u>1,011,000</u>	<u>4,497,309</u>

The designated funds comprise a Capital fund and the charity's Pension fund. The Capital fund represents the charity's fixed assets which are used to carry out its charitable objects and are therefore not readily realisable. The Pension fund represents the charity's obligation to provide future pensions for its staff and which will ultimately be realised from the assets of the charity. Further details on the charity's pension obligations are contained in note 19.

The transfer to the Capital Fund from the General Fund represents the additions on the fixed assets in the year. The transfer to the Pension Fund from the General Fund represents the excess of the employer's pension contributions paid into the scheme, over and above the costs of the scheme, including interest charged and other associated costs.

The balance of fixed assets not represented by the Capital fund are contained in Restricted funds (see note 21).

23 Analysis of net assets between funds

	Unrestricted £	Designated £	Restricted £	Total £
Fund balances at 31 July 2018 are represented by:				
Tangible assets	-	6,949,308	332,414	7,281,722
Investments	-	1	-	1
Current assets/(liabilities)	1,434,319	-	(78,831)	1,355,488
Provisions and pensions	-	(2,452,000)	-	(2,452,000)
	<u>1,434,319</u>	<u>4,497,309</u>	<u>253,583</u>	<u>6,185,211</u>

24 Operating lease commitments

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	7,116	9,488
Between two and five years	-	7,116

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

24 Operating lease commitments

(Continued)

7,116	16,604
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The amount of lease payments recognised as an expense during the year in the Statement of Financial Activities was £9,488 (2017: £10,892).

25 Related party transactions

Other than as described in note 11, there were no disclosable related party transactions during the year (2017 - none).

26 Subsidiaries

These financial statements are separate charity financial statements for The Talking Trust.

Details of the charity's subsidiaries at 31 July 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
The Glades Garage Forecourts Management Co. Ltd	England & Wales	Dormant	Ordinary £1	100.00	

The aggregate capital and reserves and the result for the year of subsidiaries excluded from consolidation was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
The Glades Garage Forecourts Management Co. Ltd	-	1

The investments in subsidiaries are all stated at cost.

The registered address of the subsidiary is:

The Talking Trust, St Mary's School & College, Wrestwood Road, Bexhill-on-Sea, East Sussex TN40 2LU

THE TALKING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2018

27 Cash generated from operations	2018 £	2017 £
Surplus/(deficit) for the year	(821,485)	(526,388)
Adjustments for:		
Investment income recognised in statement of financial activities	(3,676)	(3,643)
Gain on disposal of tangible fixed assets	-	(383,440)
Depreciation and impairment of tangible fixed assets	204,886	207,780
Difference between pension charge and cash contributions	-	(42,000)
Movements in working capital:		
(Increase)/decrease in debtors	(20,995)	89,763
(Decrease)/increase in creditors	(41,486)	39,523
(Decrease) in deferred income	(1,332)	(13,044)
Cash absorbed by operations	<u>(684,088)</u>	<u>(631,449)</u>
