

Registered number: 09148479 (England and Wales)

Attwood Academies

(A company limited by guarantee)

Annual report and financial statements

For the year ended 31 August 2016

Attwood Academies
(A company limited by guarantee)

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Reference and administrative details of the Academy Trust, its members / directors and advisers
For the year ended 31 August 2016

Members

T R Attwood
S M Attwood
The Attwood Academies Foundation

Directors

T R Attwood, Chair of Board of Directors^{1,2,3}
S M Attwood¹
D J Coslett (resigned 14 September 2016)^{1,3}
J D Lovering^{1,2}
R J Munton^{1,2}
J P Sale^{1,2}
C H Sale, Principal and Accounting Officer^{1,2,3}
Baroness D Stedman-Scott¹

¹ Member of Trust Board

² Member of Finance Committee

³ Member of Education Committee

Company registered number

09148479

Company name

Attwood Academies

Registered office

Manor House
Slip Mill Road
Hawkhurst
Cranbrook
Kent
TN18 5AE

Company secretary

S Foley

Senior leadership team

C H Sale, Principal of Bexhill High Academy
V Norris-Wright, Senior Vice Principal of Bexhill High Academy
E Gordon, Vice Principal of Bexhill High Academy
P Mendela, Vice Principal of Bexhill High Academy
N Yeo, Head of Skills Centre of Bexhill High Academy
J P Sale, Business Director

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Reference and administrative details of the Academy Trust, its directors and advisers
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Advisers (continued)

Independent auditors

Kreston Reeves LLP
Statutory Auditor
Chartered Accountants
37 St Margaret's Street
Canterbury
Kent
CT1 2TU

Bankers

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Member Schools

Bexhill High Academy

Other addresses

Bexhill High Academy
Gunters Lane
Bexhill-on-Sea
TN39 4BY

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Directors' report
For the year ended 31 August 2016

The directors (who are also trustees of the charity for the purposes of the Charities Act) present their annual report together with the audited financial statements and Auditors' report of Attwood Academies (the Academy Trust) for the period ended 31 August 2016. The directors confirm that the Annual report and financial statements of the Academy Trust comply with the current statutory requirements, the requirements of the Academy Trust's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Attwood Trust were appointed as the sponsors of Bexhill Academy on 1 December 2014.

The Academy Trust operates an academy for pupils aged 11-16 serving the catchment area of Bexhill on Sea and the surrounding parishes. It has a pupil capacity of 1,650 and a roll of 1,115 in the October 2015 school census.

The Attwood Trust inherited an Ofsted categorisation of 'inadequate'. Ofsted recognised the very rapid changes being made by the new Principal and Senior Leadership Team and removed the school from the Special Measures categorisation in April 2015, less than six months after the Attwood Trust took control. A subsequent Ofsted monitoring visit in September 2015 has identified the vision, strength and purpose of the Academy, determining that further monitoring inspections are not required until 2017.

In September 2015, the HMI Ofsted Inspector commented:

"New sponsors took over the governance of the academy in December 2014, from which point progress has begun to accelerate much more securely". "Trustees (The Attwood Trust) are influential and knowledgeable. They understand what makes for successful learning."

As part of its commitment to seeing Bexhill Academy become the school of first choice in the local community, the Attwood Trust secured £6,450,000 additional funding to improve and enhance learning facilities and resources, and while the majority of this funding was recognised through the financial statements in 2014/15, the bulk of the improvement work has been carried out and completed in 2015/16.

Structure, governance and management

Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are its primary governing documents. The governors of the Charitable Company are also the directors for the purposes of company law. The terms trustee, director and governor are interchangeable. The Charitable Company is known as Attwood Academies.

Details of the directors who served throughout the year are included in the Reference and Administrative details section 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.

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Directors' report (continued)
For the year ended 31 August 2016

Directors' and officers' indemnities

The Academy Trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects directors 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 directors and officers indemnity element from the overall cost of the RPA scheme.

Appointment of Board Members

The Members/Directors/Trustees/Governors are referred to as 'directors' and together form the 'Board'. There are different classes of board members as described below:

Members: New members of the Academy Trust are appointed by existing members in accordance with the Memorandum and Articles of Association.

Governors: 2 Governors are appointed by the members

Co-opted Governors: 5 Co-opted Governors appointed by the Board.

The Principal : Ex officio by virtue of office held.

All board members are appointed for a fixed term of four years.

Policies and procedures adopted for the induction and training of directors

New directors attend a training program. The induction program would involve a tour of the school, meetings with students and staff and provision of policy and procedures documents that are appropriate to the role they undertake as directors with particular emphasis on the committee work that they will undertake.

Organisational structure

The governance of the Academy Trust is defined in the Memorandum and Articles of Association together with the funding agreement with the Department of Education.

The full board, meets at least once per term and is responsible for the strategic direction of the Academy Trust. Sub-committees looking at Teaching & Learning, Safeguarding, Finance and facilities also meet termly.

The board reviews progress towards educational objectives and results. They also approve major expenditure requests, set the budget for the following year, set the organisational staffing structure, and agree/review the performance objectives of the Principal.

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Directors' report (continued)
For the year ended 31 August 2016

The Principal is the designated Accounting Officer of the Academy Trust and has overall responsibility for the day to day financial management of the Charitable Company. The Principal, where appropriate, has delegated Financial management responsibilities to the Business Director and responsibilities are further delegated for low values of expenditure to specific budget holders who are each responsible for managing their own departments within the constraints of their allocated budgets. A system of financial controls is in place to manage this process.

The Principal manages the Academy Trust on a daily basis supported by a Senior Leadership Team (SLT). The Principal and SLT meet frequently to discuss emerging matters and develop strategies for future development. Each member of the SLT has specific responsibilities to assist the Principal to manage certain aspects of the Academy Trust.

The members meet at least once each year to hold an Annual General Meeting.

Arrangements for setting pay and remuneration of key management personnel

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of a reporting entity, directly or indirectly, including any director. The key, paid, management personnel within the organisation are members of the Senior Leadership Team. Annual remuneration reviews are carried out for the Principal and the Business Director by the Chair of the Academy Trust, as part of the annual performance management process. Recommendations are taken for approval to the pay review committee, made up of three Board members. Annual remuneration reviews are carried out for other SLT members by their senior line managers (normally the Principal). Recommendations are taken for approval to the pay review committee. Any annual remuneration awards are linked directly to performance targets.

Connected organisations, including related party relationships

Owing to the nature of the Academy Trust's operations and the composition of the board of directors being drawn from a cross section of the local and wider community, transactions may take place with organisations in which a director has an interest. In the event of any transactions involving such connected organisations, interests are declared and transactions conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

Objectives and Activities

Principal activities

The Articles of Association of the Academy Trust Company specifically states the Academy Trust's object is: 'To advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum or educational institutions which are principally concerned with providing full-time or part-time education for children of compulsory school age who, by reason of illness, exclusion from school or otherwise, may not for any period receive suitable education unless alternative provision is made for them ("the alternative provision Academies") or 16 to 19 Academies offering a curriculum appropriate to the needs of its students ("the 16 to 19 Academies") or schools specially organised to make special educational provision for pupils with Special Educational Need ("the Special Academies")'.

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Directors' report (continued)
For the year ended 31 August 2016

Objects and aims

The principal object and aim of the Academy Trust is the operation of Bexhill Academy to provide free education and care for pupils of different abilities between the ages of 11 and 16.

Our vision of Bexhill Academy is to be the school of first choice within the local community. We aim to be a centre of excellence with the highest standards of achievement in all subjects and operate a care and guidance system which promotes personal growth. We are implementing strategies in our determination to improve recent examination results.

To achieve this vision we know that we will need to retain, recruit and train the best staff available. We try to create opportunities for everyone to make a contribution to the development and improvement of the school. We value relationships and strive to provide the best facilities and resources in these difficult financial times. The directors and senior staff work closely to ensure our resources are always used wisely.

Our curriculum is regularly reviewed and we aim to be innovative and supportive of our learners, particularly those with additional needs and we are proud of our strong community partnerships. We operate in an inclusive manner for all students within our community.

The staff offer an extensive extra-curricular programme to provide educational and sporting opportunities to all students.

Student participation and leadership are vital to the health of the school and we promote these opportunities through our house system and our student council.

Engaging parents and carers and keeping them informed of student progress is vital in order to give consistent messages to young people about our values and raising aspirations. Our regular newsletter 'The Beacon' provides an informative summary of everything that is happening in our busy school community.

We have a list of guiding principles that set out what we aim to achieve for our students, staff and local community. These are supported by a range of policies that govern how we put them into practice every day.

Bexhill Academy is committed to closing the progress gaps that historically exist between Pupil premium and non-Pupil Premium students. This commitment is reflected through an annual strategic action plan with improvement targets.

Objectives, strategies and activities

During the academic year 2015/16 the key objectives targeted were:

- 1) To make significant improvement to student learning outcomes, with those improvements measurable independently through KS4 GCSE results.
- 2) Implementing the transformation of open learning pods into individual classrooms for 30 students, and creating/completing new learning resource areas with minimal disruption to learning.
- 3) Improving on the use of resources to deliver best value in support of the principal learning outcome improvements

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Directors' report (continued)
For the year ended 31 August 2016

Strategies, activities and success measures

- 1) The Academy development plan set out strategies to improve learning outcomes and success was reflected in a 33% improvement in combined English and Maths A*-C passes, with a 13.5% increase in the pass rate.
- 2) Construction was planned carefully with out of learning hours work specified where excessive disruption might be caused. The works programme was designed to keep noise away from examination areas, and year 11 students were prioritised in class relocations. The project was completed on time and improved GCSE results evidenced that disruption to learning was minimised.
- 3) Contract renegotiations and a full support staff review led to significant annual savings of over £110,000 per annum.

The Academy continues to address the three Ofsted Action Points (April 2014):

- 1) Improve the quality of teaching to ensure that students' progress improves rapidly in all subjects, especially in science and design and technology, by: raising expectations of students' achievements, particularly the more able; ensuring that teachers' planning builds in a wider range of challenges to students, more appropriate to their needs, including applying the Academy Trust's approach to home study consistently well; developing a wider range of teaching and learning techniques, including capitalising on the advantages offered by the planned structural changes to classrooms.
- 2) Improve the effectiveness of middle leaders by: providing training to ensure that all directors of study and subject leaders are driving the rapid improvements required in the quality of teaching and learning in their areas; monitoring lessons and students' work to make sure that the plans in place to raise students' standards of literacy, especially students' ability to write at length, are delivered reliably by all teachers.
- 3) Improve students' behaviour and attitudes to learning by: developing their confidence and ability to question their own understanding; operating the good quality systems in place to respond to instances of poor behaviour consistently; providing better information to parents so that they are able to support the Academy Trust's approaches to improving achievement and attitudes to learning.

Public benefit

The directors believe that by working towards the objects and aims of the school as detailed above, they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission and defined as 'an entity whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.

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Directors' report (continued)
For the year ended 31 August 2016

Strategic report

The Trust Board's key financial responsibilities

- Maintaining a 3 year balanced budget, utilising annual income and, as applicable, brought forward reserves, to fund annual required expenditure.
- Ensuring best value is obtained in the procurement of resources, to ensure that these are used to the maximum possible benefit of student outcomes.
- Maintaining efficient staffing levels to meet both teaching and operational support staff requirements.

Achievements and performance

KS3 Results (Teacher Assessments only). Level 5 and above:

	2015/16	2014/15
English	92%	85%
Maths	90%	89%
Science	95%	89%

KS4 Results

Due to continued changes in some subject grade boundaries, and a move away from a national measure of 5 or more GCSE's A*-C to a progress 8 score, it is not possible to accurately bench mark all results from year to year. However, despite an increase in grade boundaries in both English and Maths (i.e. more marks are required to achieve a C grade or higher than in prior years) these are the key achievement grades to monitor.

	%	%
	2015/16	2014/15
Students achieving a A*-C GCSE in both English and Maths	53	40

In September 2015 the HMI Ofsted Inspector commented:

"Senior leaders and trustees are taking effective action to tackle the areas requiring improvement identified at the recent section 5 inspection in order to become a good school."

"...no time has been wasted. A comprehensive and well-judged development plan has been adjusted, where necessary, to address successfully the identified priorities from the last inspection report."

"Staff at all levels recognise that there is no room for complacency despite the fact that the academy is no longer in a category of concern. A palpable sense of 'optimistic' urgency permeates the academy, much of which is underpinned by the Principal's powerful vision for success coupled with sensible and uncomplicated systems to support teachers to teach well and students to achieve their best"

"At the time of this visit, renovation work was well underway, with some classrooms, such as in science, already fully functioning and to good effect. During my visits to science classes, I was able to see students benefiting well from the opportunity to enjoy their learning and concentrate without interruption, in the new smaller purpose-built laboratories."

"During this visit, students presented as smart and purposeful. Early indications suggest that their attitudes to learning are improving in response to the improvements to the environment and to the quality of teaching."

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Directors' report (continued)
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Going concern

After making appropriate enquiries, the Trust Board 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.

Key Performance Indicators

Financial KPI's

The directors are of the opinion that the following are key financial performance indicators for the Academy Trust:

- Percentage of income received from Education Funding Agency (EFA) spent on teaching staff and total staff costs and;
- Pupil numbers which leads directly to EFA funding.

Pupil numbers

	15/16	14/15
Year 7	222	225
Year 8	220	182
Year 9	185	236
Year 10	239	269
Year 11	260	251
Total	1126	1163

Revenue grants and staffing cost

	2015/16	2014/15
	12 months activity	9 months activity
	£	£
DfE/EFA revenue grants	6,641,027	5,326,489
Teaching staff costs	4,253,267	3,149,633
All staff costs	5,136,598	3,882,792
Teaching staff costs % of DfE/EFA revenue	64%	59%
All staff costs % of DfE/EFA revenue	77%	73%

Financial review

The prior year results represent 9 months of activity since Attwood Academies were appointed as the sponsors of Bexhill Academy on 1 December 2014 compared to a full 12 months activity in the current year.

The main source of revenue funding for the Academy Trust is the General Annual Grant (GAG) and other grants that it receives from the EFA. For the period ended 31 August 2016 the Academy Trust received £6,817,830 in revenue funding from the EFA. A high percentage of this funding (77%) is spent on wages and salaries and support costs to deliver the Academy Trust's primary objective of the provision of education. During the period the Academy Trust had an overall in-year surplus of £568,296 excluding depreciation and FRS102 pension adjustments. The directors recognise this surplus will be used over the next two years to support the curriculum as a fall in revenue income is managed.

The Academy Trust received additional income during 2015/16 of:

- £110,915 of start-up funding, the balance of funds awarded to enable essential IT procurement.
- £146,473 insurance settlement, in excess of expenditure in 2015/16, related to expenditure from prior years.

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Directors' report (continued)
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Reserves policy

The directors are aware of the requirement to balance current and future needs. The directors always aim to set a balanced budget with annual income balancing annual expenditure, but due to the lagged funding model, the policy to use brought forward reserves to balance future annual budgets (on a temporary and sustainable basis) is adopted. There were no reserves carried forward from the predecessor Trust when Attwood Academies Trust took over on 1 December 2014. The level of unrestricted reserves at 31 August 2016 was £263,088 and the amount of cash reserves held by the Academy is £1,436,280.

Due to the accounting rules for the Local Government Pension Scheme under FRS102, the Academy Trust is recognising a significant pension fund deficit of £1,969,000. The pension obligation will be met by increased contributions payable in future years. Future pension fund valuations may see a decrease in this liability through improved investment performance.

Investment policy

The Trust Board invests funds in such a way as to maximise the Academy Trust's income but with minimal risk. Cash flow demands during 2015/16 required funds available to be kept liquid. The investment policy is reviewed by the Trust Board Finance Committee.

Principal risks and uncertainties

The directors maintain a risk register identifying the major risks to which the Academy Trust is exposed, and identifying actions and procedures to mitigate those risks. A formal review of the risk management process is undertaken on an annual basis and the exposure to these risks is monitored on behalf of the directors by the Finance Committee. The principal risks facing the Academy Trust are outlined below. Those facing the Academy Trust at an operational level are addressed by its systems and controls which are tested and reported on through annual independent internal and external audit checks.

The directors report that the Academy Trust's financial and internal controls conform to guidelines issued by the EFA.

As an Academy school, the level of financial risk is highest with regard to either a) long term fixed costs (e.g. staffing, operating leases) or b) expenditure increases set by third parties (e.g. pay increases, employer payroll contribution) as matching in revenue cannot be relied upon.

Revenue and expenditure cash flows can be reliably forecast, monitored and reported on an annual basis. Staff costs make up the majority of expenditure and reporting systems on future staffing commitments are considered robust. Contingencies are in place to cover costs related to sickness and maternity absence.

The Trust Board assesses the risks and uncertainties facing the Academy Trust as follows:

Operating to a balanced budget

Pressures on income and expenditure require the Trust Board to carefully monitor budgets and oversee strategies required to see any savings required, while ensuring that the provision of required learning resources remains sufficient to see student outcomes maximized. A five year plan is prepared using current information from principal feeder primary schools. Historical recruitment percentages are used to forecast future year intakes which determine future funding values.

Decreases in income

Excluding one off income, revenue is predicted to fall in 16/17, and further still in 2017/18. This is due to lower year 7 rolls in 2015 and 2016 which are funded in subsequent years. Larger year 11 cohorts leaving the Academy mean there are net decreases to student numbers 37 and 53 in each respective year.

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Directors' report (continued)
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Increases in Expenditure

Inflationary increases in staffing and other costs are not being matched by revenue income increases. There is particular pressure on staffing costs through both the cost of living rises negotiated at national level and increases in both teacher and support staff employer pension contributions. The Trust Board monitors the strategies being followed to provide economies in Academy operations which do not affect student outcomes detrimentally.

Staff retention and recruitment

Staff retention is improving due to the work of the new Principal. There is good staff morale and significant improvements in the physical learning environment are overcoming the prior issues that teachers faced when attempting to educate groups of up to 90 students in one room. There are, however, recruitment challenges in certain teaching departments, with a national shortage of teachers providing additional recruitment challenge above that of attracting staff to work in the area. Newly qualified teachers are typically more attracted to areas with greater social opportunities.

Reputational

Bexhill Academy, while under control of Attwood Academies, has been improving the reputation it holds in the community rapidly through its positive and proactive improvements. Strong leadership by the Principal and Senior Team is defining the Academy as a very different school within the community. This is measurable by the number of first choice applications for places in 2017, which have increased by more than 50% against 2016 applications. The 30% improvement in English and Maths GCSE grades A*-C has demonstrated to the community that very positive changes are in hand. Now that the building improvement works instigated by the Attwood Trust have been completed, the prior concern within the community regarding learning facilities has been addressed.

Safeguarding and child protection

The directors continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline.

Plans for future periods

Future developments

The Academy Trust will continue striving to improve the levels of performance of its students at all levels, and will actively promote the Academy Trust to maximise the recruitment of students.

The Trust Board will continue to enhance and expand facilities throughout 2016/17 in pursuance of the Academy Trust's commitment to provide excellent learning facilities.

Disclosure of information to auditors

Insofar as the directors are aware:

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

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Directors' report (continued)
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Auditors

The auditors, Kreston Reeves LLP are willing to continue in office and a resolution to re-appoint them was passed at a members meeting on 2 December 2016.

This report, incorporating the Strategic report, was approved by order of the Trust Board, as the company directors, on 2 December 2016 and signed on the board's behalf by:

T R Attwood
Chair of Board of Directors

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Governance Statement

Scope of Responsibility

As directors, we acknowledge we have overall responsibility for ensuring that the 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.

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

Governance

The information on governance included here supplements that described in the Directors' report and in the Statement of directors' responsibilities. The Trust Board has formally met 4 times during the year. Attendance during the year at meetings of the Trust Board was as follows:

Director	Meetings attended	Out of a possible
T R Attwood, Chair of Board of Directors	4	4
S M Attwood	4	4
D J Coslett	2	4
J D Lovering	4	4
R J Munton	4	4
J P Sale	4	4
C H Sale	4	4
Baroness D Stedman-Scott	3	4

The Finance Committee is a sub-committee of the main Trust Board. The purpose of the Finance Committee is to set, monitor and review the use of resources of the Academy, ensuring that income due from grants is received, income generation is promoted and expenditure achieves best value in terms of student outcomes. During the year the principal focuses have been:

- Reviewing the contract arrangements inherited from the predecessor trust to reduce costs and improve services.
- Reviewing staffing levels to ensure operational efficiencies (resulting in staffing reductions through a support staff restructure).
- managing and monitoring Academy build improvement works funded by a special EFA grant of £6,000,000.

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
T R Attwood	6	6
R J Munton	6	6
J P Sale	6	6
C H Sale, Principal	6	6
J D Lovering	3	6

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Governance Statement (continued)

The Education Committee is a sub-committee of the main Trust Board. The purpose of the committee is to set monitor and review the educational policies adopted by the Academy to secure the best possible student improvement and attainment results.

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
T R Attwood	4	4
D J Coslett	4	4
C H Sale	4	4

Review of Value for money

As accounting officer, the Principal has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the Academy Trust's use of its resources has provided good value for money during each academic year, and reports to the board of directors where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the Academy Trust has delivered improved value for money during the year by:

- Reviewing all contracts expiring in the year. The reprographics leasing contract was re-tendered and savings of approximately £30,000 p.a. were achieved.
- Reviewed support staffing levels to ensure best use of resources. A staffing re-structure proposal was adopted reducing annual staff cost by approximately £110,000.
- Introducing and running an in house letting of facilities program that brought in an additional £21,000 of income to the Academy.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Attwood Academies for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Trust Board has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Trust Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks, that has been in place for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Trust Board.

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Governance Statement (continued)

The Risk and Control Framework

The Academy Trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

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

The Trust Board has considered the need for a specific internal audit function and has decided to appoint Kreston Reeves LLP as internal auditor.

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

- testing of payroll systems
- testing of purchase systems
- testing of income systems
- testing of bank reconciliations
- testing of control account reconciliations

On an annual basis, the internal auditor reported to the Trust Board on the operation of the systems of control and on the discharge of the Trust Board's financial responsibilities.

The internal auditor has delivered their schedule of work as planned, no issues arose from the reports issued during the financial period to 31 August 2016.

Review of Effectiveness

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

- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance Committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the Trust Board on 2 December 2016 and signed on its behalf, by:

T R Attwood
Chair of Board of Directors

C H Sale, Principal
Accounting officer

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Statement on Regularity, Propriety and Compliance

As accounting officer of Attwood Academies I have considered my responsibility to notify the Academy Trust Board and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the Academy Trust Trust Board are able to identify any material, irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2015.

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 Trust Board and EFA.

C H Sale, Principal
Accounting officer

Date: 2 December 2016

Attwood Academies
(A company limited by guarantee)

Statement of directors' responsibilities
For the year ended 31 August 2016

The directors (who act as governors of Attwood Academies and are also the trustees of the charitable company for the purposes of charity law) are responsible for preparing the Directors' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the 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 directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from EFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the Trust Board on 2 December 2016 and signed on its behalf by:

T R Attwood
Chair of Board of Directors

Attwood Academies
(A company limited by guarantee)

Independent auditors' report on the financial statements to the members of Attwood Academies

We have audited the financial statements of Attwood Academies for the year ended 31 August 2016 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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 its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities, the directors (who are also the trustees of the Academy Trust for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Academy Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Attwood Academies
(A company limited by guarantee)

Independent auditors' report on the financial statements to the members of Attwood Academies

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter Manser FCA DChA (Senior statutory auditor)

for and on behalf of

Kreston Reeves LLP

Statutory Auditor
Chartered Accountants

Canterbury
2 December 2016

Attwood Academies
(A company limited by guarantee)

Independent reporting accountants' assurance report on regularity to Attwood Academies and the Education Funding Agency

In accordance with the terms of our engagement letter dated 18 September 2015 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Attwood Academies during the year 1 September 2015 to 31 August 2016 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 Attwood Academies and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Attwood Academies and the EFA 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 Attwood Academies and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Attwood Academies's and the reporting accountant

The is responsible, under the requirements of Attwood Academies's funding agreement with the Secretary of State for Education dated 1 December 2014, and the Academies Financial Handbook extant from 1 September 2015, 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 2015 to 2016. 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 2015 to 31 August 2016 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 2015 to 2016 issued by the EFA. 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 Trust's income and expenditure.

Attwood Academies
(A company limited by guarantee)

Independent reporting accountants' assurance report on regularity to Attwood Academies and the Education Funding Agency (continued)

Work undertaken

The work undertaken to draw to our conclusion includes:

- Reviewed the evidence used to support the Accounting Officer's sign off of the regularity statement
- Reviewed expenditure against specific terms of grant funding within the funding agreement
- Reviewed that grants have been applied for the purposes intended
- Confirmed that internal control procedures exist relating to expenditure incurred of cash and credit cards
- Confirmed items claimed on cash and credit cards are not for personal benefit
- Reviewed expenditure and considered whether any supplies are from related parties
- Reviewed minutes of Board minutes for declaration of interests
- Considered whether other income activities are permitted within the Academy Trust's charitable objects
- Considered if borrowing agreements, including leases, have been made in accordance with the Academies Financial Handbook
- Confirmed that procurement and tendering procedures exist relating to expenditure and have been complied with.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Kreston Reeves LLP

Reporting Accountant
Chartered Accountants

Canterbury

2 December 2016

Attwood Academies
(A company limited by guarantee)

Statement of financial activities incorporating income and expenditure account
For the year ended 31 August 2016

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Income from:						
Donations & capital grants:						
Fixed assets inherited from other academy trusts	2	-	-	-	-	19,454,233
LGPS pension liabilities inherited from other academy trusts	2	-	-	-	-	(984,000)
Cash inherited from other academy trusts	2	-	-	-	-	13,859
Other donations and capital grants	2	-	-	23,558	23,558	6,031,431
Charitable activities	3	-	6,817,830	-	6,817,830	5,617,377
Other trading activities	4	257,604	-	-	257,604	50,800
Investments	5	4,708	-	-	4,708	1,173
Total income		262,312	6,817,830	23,558	7,103,700	30,184,873
Expenditure on:						
Charitable activities	6	47,875	6,376,694	598,211	7,022,780	5,457,634
Total expenditure	7	47,875	6,376,694	598,211	7,022,780	5,457,634
Net income / (expenditure) before other recognised gains and losses						
		214,437	441,136	(574,653)	80,920	24,727,239
Actuarial losses on defined benefit pension schemes	22	-	(831,000)	-	(831,000)	(28,000)
Net movement in funds		214,437	(389,864)	(574,653)	(750,080)	24,699,239
Reconciliation of funds:						
Total funds brought forward		48,651	(562,152)	25,212,740	24,699,239	-
Total funds carried forward		263,088	(952,016)	24,638,087	23,949,159	24,699,239

Attwood Academies
(A company limited by guarantee)
Registered number: 09148479

Balance sheet
As at 31 August 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	14		24,636,875		21,526,675
Current assets					
Debtors	15	651,653		2,150,534	
Cash at bank and in hand		1,436,280		3,446,636	
			<u>2,087,933</u>	<u>5,597,170</u>	
Creditors: amounts falling due within one year	16	(806,649)		(1,342,606)	
Net current assets			<u>1,281,284</u>		<u>4,254,564</u>
Total assets less current liabilities			<u>25,918,159</u>		<u>25,781,239</u>
Defined benefit pension scheme liability	22		<u>(1,969,000)</u>		<u>(1,082,000)</u>
Net assets including pension scheme liabilities			<u><u>23,949,159</u></u>		<u><u>24,699,239</u></u>
Funds of the academy					
Restricted income funds:					
Restricted income funds	17	1,016,984		519,848	
Restricted fixed asset funds	17	24,638,087		25,212,740	
			<u>25,655,071</u>	<u>25,732,588</u>	
Restricted income funds excluding pension liability			<u>(1,969,000)</u>	<u>(1,082,000)</u>	
Pension reserve					
Total restricted income funds			<u>23,686,071</u>		<u>24,650,588</u>
Unrestricted income funds	17		<u>263,088</u>		<u>48,651</u>
Total funds			<u><u>23,949,159</u></u>		<u><u>24,699,239</u></u>

The financial statements were approved by the directors, and authorised for issue, on 2 December 2016 and are signed on their behalf, by:

T R Attwood
Chair of Board of Directors

C H Sale, Principal
Accounting Officer

The notes on pages 25 to 46 form part of these financial statements.

Attwood Academies
(A company limited by guarantee)

Statement of cash flows
For the year ended 31 August 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	19	<u>1,558,954</u>	<u>(248,285)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		4,708	1,173
Purchase of tangible fixed assets		(3,597,576)	(2,331,683)
Capital grants from DfE/EFA		23,558	6,025,431
Net cash (used in)/provided by investing activities		<u>(3,569,310)</u>	<u>3,694,921</u>
Change in cash and cash equivalents in the year		(2,010,356)	3,446,636
Cash and cash equivalents brought forward		<u>3,446,636</u>	-
Cash and cash equivalents carried forward	20	<u><u>1,436,280</u></u>	<u><u>3,446,636</u></u>

Attwood Academies
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies

Attwood Academies is a charitable company limited by guarantee and an exempt charity incorporated in England and Wales. The registered office is Manor House, Slip Mill Road, Hawkhurst, Cranbrook, Kent, TN18 5AE. The principal activity of the Academy Trust is to provide a secondary education for pupils that satisfies the requirements of the Education Act 2002.

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

1.1 Basis of preparation of financial statements

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Attwood Academies constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of Attwood Academies prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Attwood Academies for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102 and SORP 2015. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Reconciliations to previous UK GAAP for the comparative figures are included in note 27.

1.2 Going concern

The directors 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 Trust to continue as a going concern. The directors 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 Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Attwood Academies
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.3 Fund accounting

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

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

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

1.4 Income

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

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

General Annual Grant is recognised in full in the Statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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

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

1.5 Expenditure

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

Charitable activities and Governance costs are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

Attwood Academies
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.6 Tangible fixed assets and depreciation

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. The related grants are credited to a restricted fixed asset fund in the Statement of financial activities and are carried forward in the Balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

All assets costing more than £200 as well as having a useful economic life of greater than or equal to 3 years are capitalised.

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.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	Over 50 years straight line
Motor vehicles	-	Over 2 - 4 years straight line
Fixtures and fittings	-	Over 4 - 10 years straight line
Computer equipment	-	Over 3 - 6 years straight line

1.7 Operating leases

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.8 Interest receivable

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

1.9 Taxation

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

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.10 Debtors

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

1.11 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.

1.12 Liabilities and provisions

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 Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.13 Financial instruments

The Academy Trust enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.14 Pensions

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the Academy Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of financial activities incorporating income and expenditure account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

1.15 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

The 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.

Multi-employer defined benefit pension scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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.

Tangible fixed assets

The Academy Trust has recognised tangible fixed assets with a carrying value of £24,636,875 at the reporting date (see note 14). These assets are stated at their cost less provision for depreciation and impairment. The Academy Trust's accounting policy sets out the approach to calculating depreciation for immaterial assets acquired. For material assets such as land and buildings the Academy Trust determines at acquisition reliable estimates for the useful life of the asset, its residual value and decommissioning costs. These estimates are based upon such factors as the expected use of the acquired asset and market conditions. At subsequent reporting dates the governors consider whether there are any factors such as technological advancements or changes in market conditions that indicate a need to reconsider the estimates used.

Where there are indicators that the carrying value of tangible assets may be impaired the Academy Trust undertakes tests to determine the recoverable amount of assets. These tests require estimates of the fair value of assets less cost to sell and of their value in use. Wherever possible the estimate of the fair value of assets is based upon observable market prices less incremental cost for disposing of the asset. The value in use calculation is based upon a discounted cash flow model, based upon the Academy Trust's forecasts for the foreseeable future which do not include any restructuring activities that the Academy Trust is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well expected future cash flows and the growth rate used for extrapolation purposes.

Attwood Academies
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

1. Accounting policies (continued)

Critical areas of judgement:

Lease commitments

The Academy Trust has entered into a range of lease commitments in respect of property, plant and equipment. The classification of these leases as either financial or operating leases requires the directors to consider whether the terms and conditions of each lease are such that the Academy Trust has acquired the risks and rewards associated with the ownership of the underlying assets.

Multi-employer defined benefit pension scheme

Certain employees participate in the Teachers Pension Scheme, a multi-employer defined benefit pension scheme, with other Academy Trusts in the region. In the judgement of the directors, the Academy Trust does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note 22 for further details.

Exemptions on transition to FRS102

The Academy Trust has elected to use the previous UK GAAP valuation of certain items of land and buildings as the deemed cost on transition to FRS102.

1.16 Financial reporting periods

The results for the year ended 31 August 2016 records 12 months activity of Bexhill Academy. The 2015 comparative period records 9 months activity of Bexhill Academy from the date of sponsorship of 1 December 2014.

Attwood Academies
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 August 2016

2. Income from donations and capital grants

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Fixed assets inherited from other academy trusts	-	-	-	-	19,454,233
LGPS pension liabilities inherited from other academy trusts	-	-	-	-	(984,000)
Cash inherited from other academy trusts	-	-	-	-	13,859
	<hr/>	<hr/>	<hr/>	<hr/>	
Donations	-	-	-	-	6,000
Capital Grants	-	-	23,558	23,558	6,025,431
	<hr/>	<hr/>	<hr/>	<hr/>	
Subtotal	-	-	23,558	23,558	6,031,431
	<hr/>	<hr/>	<hr/>	<hr/>	
Total donations and capital grants	-	-	23,558	23,558	24,515,523
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In 2015, of the total income from donations and capital grants, £ *NIL* was to unrestricted funds and £24,515,523 was to restricted funds

3. Funding for Academy's educational operations

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
DfE/EFA grants				
General Annual Grant (GAG)	-	6,083,139	6,083,139	4,847,139
Start up grants	-	176,803	176,803	290,888
Other DfE/EFA grants	-	557,888	557,888	479,350
	<hr/>	<hr/>	<hr/>	<hr/>
	-	6,817,830	6,817,830	5,617,377
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In 2015, of the total income from charitable activities, £ *NIL* was to unrestricted funds and £5,617,377 was to restricted funds.

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4. Other trading activities

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Trip income	48,114	-	48,114	13,784
School lettings	21,386	-	21,386	1,537
Catering income	10,000	-	10,000	453
Charity income	4,357	-	4,357	3,443
Consultancy income	5,970	-	5,970	214
Income contributions	760	-	760	1,170
Other income	167,017	-	167,017	30,199
	<u>257,604</u>	<u>-</u>	<u>257,604</u>	<u>50,800</u>

In 2015, of the total income from other trading activities, £50,800 was to unrestricted funds and £ NIL was to restricted funds.

5. Investment income

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Interest received	4,708	-	4,708	1,173
	<u>4,708</u>	<u>-</u>	<u>4,708</u>	<u>1,173</u>

In 2015, of the total investment income, £1,173 was to unrestricted funds and £ NIL was to restricted funds.

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For the year ended 31 August 2016

6. Charitable activities

	Total funds 2016 £	Total funds 2015 £
Direct costs - educational operations		
Wages and salaries	3,241,865	2,359,881
National insurance	303,004	195,209
Pension cost	490,361	325,319
Agency staff	218,037	269,224
Books, stationery & materials	241,286	118,375
Exam fees	126,864	90,882
Staff development & other staff costs	62,346	111,384
	<hr/>	<hr/>
	4,683,763	3,470,274
Support costs - educational operations		
Wages and salaries	713,579	532,164
National insurance	43,204	24,722
Pension cost	126,548	176,273
Depreciation	487,376	259,240
Pension finance income	40,000	37,000
Maintenance of premises & equipment	100,537	98,957
Cleaning	137,749	103,115
Rates	85,537	50,924
Insurance	34,573	63,173
Computer costs	60,891	62,426
Catering costs	106,525	100,167
Water & sewerage	16,421	11,159
Energy costs	175,283	187,761
Health & safety costs	7,143	7,172
Staff recruitment costs	20,769	20,732
Motor expenses	3,889	5,028
Furniture & equipment	4,251	16,819
Reprographics costs	31,571	47,488
Telephone & broadband	13,713	10,071
Intervention & enrichment costs	10,206	23,652
Sundry admin costs	59,391	36,740
Legal and professional	59,861	112,577
	<hr/>	<hr/>
	2,339,017	1,987,360
	<hr/>	<hr/>
	7,022,780	5,457,634
	<hr/>	<hr/>

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Notes to the financial statements
For the year ended 31 August 2016

7. Expenditure

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Activities:					
Direct costs	4,313,267	-	370,496	4,683,763	3,470,274
Support costs	883,331	515,527	940,159	2,339,017	1,987,360
	<u>5,196,598</u>	<u>515,527</u>	<u>1,310,655</u>	<u>7,022,780</u>	<u>5,457,634</u>

In 2016, of the total expenditure, £47,875 (2015 - £48,651) was to unrestricted funds and £6,974,905 (2015 - £5,408,983) was to restricted funds.

8. Net incoming resources/(resources expended)

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the charity	487,376	259,240
Auditors' remuneration - audit	11,250	9,000
Auditors' remuneration - other services	4,665	4,110
	<u>503,291</u>	<u>272,350</u>

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9. Staff costs

Staff costs were as follows:

	2016	2015
	£	£
Wages and salaries	3,921,231	2,892,045
Social security costs	346,208	219,931
Operating costs of defined benefit pension schemes	616,909	501,592
	<u>4,884,348</u>	<u>3,613,568</u>
Supply teacher costs	218,037	269,223
Staff restructuring costs	34,213	-
Capitalised salary costs	60,000	60,000
	<u><u>5,196,598</u></u>	<u><u>3,942,791</u></u>

Staff restructuring costs comprise:

	2016	2015
	£	£
Redundancy payments	32,963	-
Severance payments	1,250	-
	<u>34,213</u>	<u>-</u>

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

	2016	2015
	No.	No.
Teachers	60	61
Administration and support	69	71
Management	11	11
	<u>140</u>	<u>143</u>

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

	2016	2015
	No.	No.
In the band £60,001 - £70,000	2	3
In the band £70,001 - £80,000	1	0
In the band £80,001 - £90,000	1	1
In the band £120,001 - £130,000	1	1

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9. Staff costs (continued)

Four of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2016, pension contributions for these employees amounted to £53,133 (2015: £33,415). One of the above employees participated in the Local Government Pension Scheme, pension contributions amounted to £16,884 (2015: £12,420).

Included in support costs are non-statutory / non-contractual severance payments totalling £1,250 (2015: £Nil). Individually, the payments were: £1,250.

The key management personnel of the Academy Trust comprise the senior leadership team. The total amounts of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £865,524 (2015: 594,461).

10. Central services

No central services were provided by the Academy Trust to its academies during the year and no central charges arose.

11. Directors' remuneration and expenses

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

	2016	2015
	£	£
Remuneration	125,000-130,000	120,000-125,000
Pension contributions paid	20,000-25,000	10,000-15,000
Remuneration	80,000-85,000	80,000-85,000
Pension contributions paid	15,000-20,000	10,000-15,000

During the year, no directors received any benefits in kind (2015 - £NIL).

During the year, no directors received any reimbursement of expenses (2015 - £NIL).

12. Directors' and Officers' Insurance

The Academy Trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects directors 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 directors and officers indemnity element from the overall cost of the RPA scheme.

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13. Other finance income

	2016 £	2015 £
Interest income on pension scheme assets	107,000	94,000
Interest on pension scheme liabilities	(147,000)	(131,000)
	<u>(40,000)</u>	<u>(37,000)</u>

14. Tangible fixed assets

	Long-term leasehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 September 2015	21,552,910	7,500	47,613	177,893	21,785,916
Additions	3,392,103	-	51,212	154,261	3,597,576
At 31 August 2016	<u>24,945,013</u>	<u>7,500</u>	<u>98,825</u>	<u>332,154</u>	<u>25,383,492</u>
Depreciation					
At 1 September 2015	223,737	1,876	7,328	26,300	259,241
Charge for the year	431,008	2,812	6,398	47,158	487,376
At 31 August 2016	<u>654,745</u>	<u>4,688</u>	<u>13,726</u>	<u>73,458</u>	<u>746,617</u>
Net book value					
At 31 August 2016	<u>24,290,268</u>	<u>2,812</u>	<u>85,099</u>	<u>258,696</u>	<u>24,636,875</u>
At 31 August 2015	<u>21,329,173</u>	<u>5,624</u>	<u>40,285</u>	<u>151,593</u>	<u>21,526,675</u>

Included in land and buildings is leasehold land at valuation of £2,789,000 which is not depreciated.

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15. Debtors

	2016	2015
	£	£
Trade debtors	33,276	2,286
Other debtors	351,528	526,867
Prepayments and accrued income	266,849	1,621,381
	<u>651,653</u>	<u>2,150,534</u>

16. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	367,114	948,414
Other taxation and social security	100,939	89,500
Other creditors	197,966	73,650
Accruals and deferred income	140,630	231,042
	<u>806,649</u>	<u>1,342,606</u>

	2016	2015
	£	£
Deferred income		
Deferred income at 1 September 2015	15,195	-
Resources deferred during the year	6,073	15,195
Amounts released from previous years	(15,195)	-
Deferred income at 31 August 2016	<u>6,073</u>	<u>15,195</u>

The deferred income above relates to money received in advance of the period to which it relates from students in respect of future trips.

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Notes to the financial statements
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17. Statement of funds

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General Funds - all funds	48,651	262,312	(47,875)	-	-	263,088
Restricted funds						
General Annual Grant (GAG)	519,848	6,083,139	(5,366,003)	(220,000)	-	1,016,984
Start Up Grant	-	176,803	(176,803)	-	-	-
Other DfE/EFA grants	-	557,888	(557,888)	-	-	-
Pension reserve	(1,082,000)	-	(276,000)	220,000	(831,000)	(1,969,000)
	<u>(562,152)</u>	<u>6,817,830</u>	<u>(6,376,694)</u>	<u>-</u>	<u>(831,000)</u>	<u>(952,016)</u>
Restricted fixed asset funds						
Fixed Asset Fund	19,210,905	-	(404,988)	-	-	18,805,917
Capital Fund	6,001,835	23,558	(193,223)	-	-	5,832,170
	<u>25,212,740</u>	<u>23,558</u>	<u>(598,211)</u>	<u>-</u>	<u>-</u>	<u>24,638,087</u>
Total restricted funds	<u>24,650,588</u>	<u>6,841,388</u>	<u>(6,974,905)</u>	<u>-</u>	<u>(831,000)</u>	<u>23,686,071</u>
Total of funds	<u><u>24,699,239</u></u>	<u><u>7,103,700</u></u>	<u><u>(7,022,780)</u></u>	<u><u>-</u></u>	<u><u>(831,000)</u></u>	<u><u>23,949,159</u></u>

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

GAG represents funds to be used to cover the normal running costs of the academy.

Other DfE/EFA grants represents grants provided for specific purposes, such as pupil premium which is used to support disadvantaged pupils and assist them in decreasing the attainment gap between them and their peers.

The Restricted fixed asset fund represents tangible fixed assets which were donated from other Academy Trusts including depreciation to the balance sheet date.

DfE/EFA capital grants fund is to provide the academy with its own capital money to address improvements to buildings and other facilities. The balance on the fund represents the value of fixed assets purchased in the financial year including depreciation to the balance sheet date and unspent capital grant money to be spent in 2016/2017.

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

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Notes to the financial statements
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18. Analysis of net assets between funds

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
	-	-	-	-	21,526,676
Tangible fixed assets	-	-	24,636,875	24,636,875	-
Current assets	264,435	1,822,286	1,212	2,087,933	5,597,169
Creditors due within one year	(1,347)	(805,302)	-	(806,649)	(1,342,606)
Provisions for liabilities and charges	-	(1,969,000)	-	(1,969,000)	(1,082,000)
	<u>263,088</u>	<u>(952,016)</u>	<u>24,638,087</u>	<u>23,949,159</u>	<u>24,699,239</u>

19. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £	2015 £
Net income for the year (as per Statement of financial activities)	80,920	24,727,239
Adjustment for:		
Depreciation charges	487,376	259,240
Dividends, interest and rents from investments	(4,708)	(1,173)
Decrease/(increase) in debtors	1,498,880	(2,150,533)
(Decrease)/increase in creditors	(535,956)	1,342,606
Capital grants from DfE and other capital income	(23,558)	(6,025,431)
Defined benefit pension scheme obligation inherited	-	984,000
Defined benefit pension scheme cost less contributions payable	16,000	33,000
Defined benefit pension scheme finance cost	40,000	37,000
Assets inherited on conversion from local authority	-	(19,454,233)
Net cash provided by/(used in) operating activities	<u>1,558,954</u>	<u>(248,285)</u>

20. Analysis of cash and cash equivalents

	2016 £	2015 £
Cash in hand	1,436,280	3,446,636
Total	<u>1,436,280</u>	<u>3,446,636</u>

21. Capital commitments

At 31 August 2016 the Academy Trust had capital commitments as follows:

	2016 £	2015 £
Contracted for but not provided in these financial statements	-	2,910,552

Notes to the financial statements
For the year ended 31 August 2016

22. Pension commitments

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £70,558 were payable to the schemes at 31 August 2016 (2015 - £67,336) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge (currently 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £385,797 (2015 - £275,592).

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

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22. Pension commitments (continued)

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £306,000 (2015 - £268,000), of which employer's contributions totalled £220,000 (2015 - £210,000) and employees' contributions totalled £86,000 (2015 - £58,000). The agreed contribution rates for future years are 20.7% for employers and 5.5% to 12.5% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.00 %	3.70 %
Rate of increase in salaries	4.10 %	4.50 %
Rate of increase for pensions in payment / inflation	2.10 %	2.60 %

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

	2016	2015
Retiring today		
Males	22.2	22.2
Females	24.4	22.4
Retiring in 20 years		
Males	24.2	24.2
Females	26.7	26.7

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22. Pension commitments (continued)

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

	Fair value at 31 August 2016 £
Equities	2,528,000
Debt instruments	578,000
Property	361,000
Cash	145,000
	<hr/>
Total market value of assets	3,612,000
	<hr/> <hr/>

The actual return on scheme assets was £607,000 (2015 - £94,000).

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

	2016 £	2015 £
Current service cost (net of employee contributions)	(236,000)	(243,000)
Net interest cost	(40,000)	(37,000)
	<hr/>	<hr/>
Total	(276,000)	(280,000)
	<hr/> <hr/>	<hr/> <hr/>

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

	2016 £	2015 £
Opening defined benefit obligation	3,838,000	-
Current service cost	236,000	243,000
Interest cost	147,000	131,000
Contributions by employees	86,000	58,000
Actuarial losses	1,331,000	27,000
Inherited defined benefit obligation from other Academy Trust	-	3,433,000
Benefits paid	(57,000)	(54,000)
	<hr/>	<hr/>
Closing defined benefit obligation	5,581,000	3,838,000
	<hr/> <hr/>	<hr/> <hr/>

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22. Pension commitments (continued)

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

	2016 £	2015 £
Opening fair value of scheme assets	2,756,000	-
Interest income	107,000	94,000
Actuarial gains and (losses)	500,000	(1,000)
Contributions by employer	220,000	210,000
Contributions by employees	86,000	58,000
Inherited fair value of scheme assets from other Academy Trust	-	2,449,000
Benefits paid	(57,000)	(54,000)
	<u>3,612,000</u>	<u>2,756,000</u>
Closing fair value of scheme assets	<u>3,612,000</u>	<u>2,756,000</u>

23. Operating lease commitments

At 31 August 2016 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2016 £	2015 £
Amounts payable:		
Within 1 year	15,270	10,017
Between 1 and 5 years	46,458	4,526
	<u>61,728</u>	<u>14,543</u>
Total	<u>61,728</u>	<u>14,543</u>

24. Related party transactions

Owing to the nature of the Academy Trust's operations and the composition of the board of directors being drawn from a cross section of the local and wider community, transactions may take place with organisations in which a director has an interest. Any transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

During the year, Jordan Brown, the son of C H Sale and J P Sale (directors of the Academy Trust), was employed by the Academy Trust. The cost to the Academy Trust for his employment was £1,316 (2015: £Nil).

These transactions were conducted on normal commercial terms, at arm's length, without the exercise of any influence by the related party involved.

25. Controlling party

The Academy Trust is run by the management team on a day to day basis. Strategic decisions are made by the Board of Directors. There is no ultimate controlling party.

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26. Members' liability

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

27. First time adoption of FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 25 July 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

Reconciliation of total funds	Notes	1 September 2014 £	31 August 2015 £
Total funds under previous UK GAAP		-	24,699,239
Total funds reported under FRS 102		<u>-</u>	<u>24,699,239</u>

Reconciliation of net income	Notes	31 August 2015 £
Net income previously reported under UK GAAP		24,781,239
Change to recognition of LGPS interest cost		(54,000)
Net movement in funds reported under FRS 102		<u>24,727,239</u>

Explanation of changes to previously reported funds and net income/expenditure:

A Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expense by £54,000 and increase the credit in other recognised gains and losses in the Statement of financial activities by an equivalent amount.