

**HEARTS ACADEMY TRUST**

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 AUGUST 2016**

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

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**HEARTS ACADEMY TRUST**  
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS, TRUSTEES AND  
ADVISERS  
FOR THE YEAR ENDED 31 AUGUST 2016**

<b>Members</b>	Mr M Maguire Mrs J Attridge The Chelmsford Diocese Educational Trust (represented by Mrs G Hopkins) Mr D Faulkner
<b>Directors/Trustees</b>	Mr T Elbourne (resigned 18 May 2016) Mrs D Rogan OBE Mr D Faulkner, Chair of Trustees (appointed 1 September 2015) Mr R Godfrey (appointed 1 September 2015) Miss E Cockerton (appointed 1 September 2015) Mr V Collier (appointed 1 September 2015) Mrs G Hopkins (appointed 18 May 2016) Mrs R Welch (resigned 1 April 2016)
<b>Company secretary</b>	Miss K Scripps
<b>Executive Head (Principal and Accounting Officer)</b>	Mrs D Rogan OBE
<b>Senior Leadership Team</b>	Mrs D Rogan OBE, Executive Headteacher and CEO Mrs R Welch, Executive Headteacher, Waterman & Stambridge (until April 2016) Mrs L Johnson-Burke, Head of School, Wickford Mrs E Barnett, Head of School, Briscoe Mr L Faris, Executive Headteacher, Waterman & Stambridge (from April 2016) Mr S Clark, Chief Financial Officer
<b>Company name</b>	Hearts Academy Trust
<b>Registered and Principal office</b>	Mount Road Wickford Essex SS11 8HE
<b>Company registered number</b>	07851097
<b>Independent Auditors</b>	Price Bailey LLP Chartered Accountants Statutory Auditors Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

The Directors present their Annual Report together with the financial statement and Auditor's Report of HEARTS Academy Trust (the Trust, the Charitable Company or the Academy) for the year ending 31 August 2016. The Annual Report serves the purposes of both a Trustees' Report and a Directors' Report under company law.

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

**Constitution**

The HEARTS Academy Trust is a multi academy trust, operating the following four Schools (the Academies or the Schools) in Essex:

- (1) The Wickford Church of England School ("Wickford"), which became an academy in December 2011.
- (2) Briscoe Primary School & Nursery ("Briscoe"), which joined the Trust in September 2012).
- (3) Stambridge Primary School ("Stambridge"), which joined the Trust in February 2015, and.
- (4) Waterman Primary School ("Waterman"), which joined the Trust in February 2015.

The Trust is a company limited by guarantee and an exempt charity governed by memorandum and articles of association. The Trustees of the Charitable Company are also its Directors for the purposes of company law (and in this report the two terms are interchangeable). See the Reference and Administrative Details section for details of Directors who served throughout the year.

**Members' liability**

Each Member of the Trust 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, an amount not exceeding £10 for debts and liabilities incurred before they ceased to be a Member.

**Trustees' 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 Trustees, Governors and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business, and provides cover up to £10,000,000. It is not possible to quantify the Trustees indemnity element from the overall cost of the RPA scheme.

**Method of recruitment, appointment or election of Directors**

Directors are appointed by the Members for a fixed term. Members for the accounting period were Julia Attridge, Michael Maguire, David Faulkner and Gill Hopkins. All appointments are subject to the agreement of the Members (by majority if necessary). The Executive Headteacher is an ex officio Director.

**Policies and procedures for the induction and training of Directors**

In the accounting period the following new Directors were appointed: Emma Cockerton and Richard Godfrey, while Tim Elbourne was replaced by Gill Hopkins. New Directors' induction includes a tour of the Schools, meetings with pupils and staff and briefing on key policy and procedural documents.

**Organisational structure and Governance Self Assessment**

The strategic direction of the Trust is overseen by the Members and Board of Directors. The Board delegates some operational functions to three Local Governing Bodies (LGB's) serving (1) Wickford, (2) Briscoe and (3) Waterman & Stambridge. Throughout the Report the terms Director or Trustee relates to a member of the Board, the term Governor relates to a member of an LGB.

The Trust continues to keep its governance structure and Scheme of Delegation under review, in line with government advice. As noted in last year's report, in September 2015 the size of the Board of Directors was increased.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

At executive level, the Senior Leadership Team (SLT) throughout the year comprised Debbie Rogan OBE (Executive Headteacher and CEO), Rachel Welch and subsequently Lee Farris (Executive Headteacher of Waterman and Stambridge) Louise Johnson-Burke (Head of School at Wickford) and Erica Barnett (Head of School at Briscoe). Chair of the Board for the period was David Faulkner. Accounting Officer was Debbie Rogan, who has overall responsibility for the day to day financial management of the Trust. Financial Regulations regulate expenditure and set a consistent framework for effective internal controls across the Trust.

**Connected organisations including related party relationships**

Some Directors and Governors are drawn from the local community, and from time to time it is possible that the Academies will enter into transactions with organisations in which a Director or Governor has an interest. All such transactions are reflected in Registers of Business Interests and are conducted at arm's length in accordance with the Academies Financial Handbook and the Trust's Financial Regulations.

**OBJECTIVES AND ACTIVITIES**

**Principal activity, objects and aims**

The Trust's principal activity is to provide for the public benefit a first class education to all pupils, in accordance with the Trust's funding agreement with the Secretary of State and its articles of association. Wickford is a faith school conducted in accordance with the principles of the Church of England. Briscoe, Stambridge and Waterman are mainstream schools without a specific religious character. All Schools share the same values.

The Trust's mission is to provide a happy, caring and safe learning environment for all the children in our Schools where they feel valued, grow in confidence and independence. This is exemplified in our HEARTS values:

The Trust promotes HAPPINESS through a creative, exciting and practical curriculum, which generates a love of, and interest in, learning.

Great value is placed on pupils' self ESTEEM which is developed through a well-motivated attitude to learning, a healthy lifestyle, good social skills, self-discipline and a positive self-image.

The Trust promotes the highest standards of ACHIEVEMENT in all areas of the curriculum and help all pupils to fulfil their potential regardless of gender, race or ability.

The Trust fosters RESPECT and RESPONSIBILITY for all by establishing good relations between the School and home, church and community. Pupils are taught respect for themselves, others and the environment. They are also taught to take full responsibility for their own choices and responsibility for themselves and their community.

The Trust encourages TRUTH and honesty in all aspects of school life – relationships, work and the curriculum.

Finally, the Trust develops SPIRITUALITY and SERVICE so that calm, quiet, reflective times, including prayer where appropriate, are part of school life and beauty is appreciated. We promote a service culture that reflects our duty to support the needs of all members of our community.

The detailed objectives of each Academy are set out in their annual School Improvement Plans. Within the framework of the HEARTS ethos and values all academies are committed to delivering the highest standards of teaching, learning and integrity, a wide-ranging, engaging curriculum, and excellent value for money.

**Public benefit**

The Directors are satisfied that they have complied with their duty to have due regard to the Charity Commission's guidance on public benefit.

**ACHIEVEMENTS AND PERFORMANCE**

**Achievements and performance**

Since March 2008 Wickford has been rated Ofsted Outstanding. Wickford's last Ofsted inspection was in November 2013. The Academy was rated Outstanding in all categories. Wickford is a designated National Support School and Debbie Rogan OBE is a National Leader in Education. In 2014/15 Wickford became one of the lead schools in the Wickford Teaching School Alliance.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

Before joining the Trust in September 2012, Briscoe was in Special Measures. Ofsted inspected Briscoe in July 2014 and rated the academy Good, with Outstanding leadership and management.

The Trust expanded further in February 2015, admitting Waterman and Stambridge. In March 2013 Ofsted rated Waterman a Good school. Stambridge is currently without an Ofsted designation but was in Special Measures immediately before joining the Trust with a falling school roll.

A full summary of the academies' principal achievements in the accounting year are set out in their respective School Improvement Plans for 2016/17.

**Key performance indicators**

Salary costs as a percentage of total income: 80%

GAG as a percentage of total income: 71%

Pupil numbers at 31 August 2016 were:

Briscoe:	248 (capacity 315)
Stambridge:	42 (capacity 84)
Waterman:	103 (capacity 105)
Wickford:	127 (capacity 135)

Taken as a whole, the Schools were operating at a capacity of 81% (520/639).

A further 123 children were attending one of the Trust's early years provisions.

**Going concern**

After making appropriate enquiries the Directors are confident that the Trust has adequate resources to continue in operational existence for the foreseeable future. It therefore continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

**FINANCIAL REVIEW**

**Financial Review**

The principal source of funding for the Academies is the General Annual Grant (GAG) funding and additional grants received from the Education Funding Agency (EFA) and other bodies. For the period ended 31 August 2016 the Academies received GAG funding of £2,540,669. All GAG and other restricted funds were spent on salaries and support costs during the year. Fund balances at the end of the year (before accounting for fixed assets and pension reserves) were £464,712 broken down as follows:

Central	£28,399
Wickford	£292,487
Briscoe	£40,362
Waterman	£99,843
Stambridge	£3,621

**Reserves policy**

The Directors are aware of the requirement to balance current and future needs, and each School aims to operate a balanced budget. The Trust's current level of free reserves (ie total funds less the amount held in fixed assets and restricted funds) is £304,314. This has been built up from a combination of locally raised income and balances transferred from the predecessor schools.

The Academies' combined cash balance is £439,808.

Due to the accounting rules for the Local Government Pension Scheme under FRS102, the Trust recognises a significant pension fund deficit of £1,359,000. This does not present an immediate liability. The deficit generally impacts on cash flow, in the form of increased employer contributions over a number of years. The academies are currently making additional contributions towards the deficit. Any increased contributions will be met from the Trust's budgeted annual income.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**Investment Policy**

The Trust's investment policy is kept under review by the Audit Committee. The Academies chose not to invest their cash balances to ensure that bank accounts had sufficient cash flow to sustain day to day business and reserves of 2-3 months' payroll costs. Investing is not yet regarded as a primary activity of the Trust, which is more likely to reinvest reserves to raise standards of teaching and learning across the organisation. When circumstances allow, any investment activities are likely to be limited to areas of minimal risk.

**Risk management**

The Trust's risk registers identify the major risks to which the Academies are exposed, and sets out actions and procedures recommended to mitigate those risks.

The principal risks facing the Trust are outlined below.

The Academies' financial and internal controls conform to guidelines issued by the Education Funding Agency (EFA), and improvements to the wider framework of systems dealing with business risk and risk management continue to be made and formally documented.

**Principal risks and uncertainty**

Directors assess the principal risks and uncertainties facing the Academies as follows:

- Risk of (1) Wickford losing its Outstanding Ofsted status, (2) Briscoe losing its Good status, (3) Stambridge failing to improve standards of teaching and learning following their admission to the Trust in February 2015, and (4) Waterman failing to maintain standards and provide adequate support to Stambridge. Wickford has continued to thrive, and was recently named as one of the top three infant schools in Essex. Outcomes at Briscoe were more uneven. With new leadership, Stambridge improved significantly throughout the year, the children made good progress, and the school roll started to rise again. In contrast, Waterman had a particularly challenging year, with disappointing outcomes for the children. In response to these challenges, the Trust has developed a new common curriculum and assessment system which will be introduced in September 2016. It has also enhanced its School Improvement Team which will work across the Schools, focusing resources on the greatest areas of need.
- Risks associated with reductions in Government funding in a small Multi Academy Trust. The Trust recognises the need to invest more resources that are directly linked to raising standards of teaching and learning at a time when Government funding is falling. This investment will add capacity to the Trust, enabling it to expand successfully in the future. The Trust, however, needs to ensure that its non-teaching costs are kept under review. This is better achieved by a more centralised approach to financial management. Some progress was made throughout the year to align Trust-wide contracts, but a much more comprehensive centralisation programme will continue in 2016/17, including the Trust's banking, payroll management and accounting systems. This will enable the Trust to manage its annual and longer term budgets more effectively.

**Internal Controls**

All Schools in the Trust have been subject to independent internal audits, overseen by the Audit Committee. The Internal Auditor performs a range of checks on the Trust's financial systems and provides advice on compliance with statutory requirements and good practice. Internal audit services this year were provided by SBM Services, with each School managing a tailored action plan.

**PLANS FOR FUTURE PERIODS**

**Plans for the future**

The Academies plans for the future are set out in their School Improvement Plans for 2015/16 and the Trust's Strategic Plan. Particular priorities will be to continue to raise standards of teaching and learning across the Trust; to expand the provision of pre-school education across the Trust; to expand the Trust's alternative provisions; and to continue to explore opportunities to expand the Trust in a structured way.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**AUDITORS**

Insofar as the Trustees are aware:

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

The auditors, Price Bailey LLP, are willing to continue in office.

This Report was approved on 21 December 2016 and signed on the Trust's behalf by:

**Mr D Faulkner**  
**Chair of Trustees**

**HEARTS ACADEMY TRUST**  
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**GOVERNANCE STATEMENT**

**SCOPE OF RESPONSIBILITY**

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

**GOVERNANCE**

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Directors has formally met 6 times during the year. Attendance during the year at meetings of the Board of Directors was as follows:

Trustee	Meetings attended	Out of a possible
Mr T Elbourne	1	1
Mrs D Rogan OBE	6	6
Mr D Faulkner	5	6
Mr R Godfrey	2	6
Miss E Cockerton	5	5
Mr V Collier	6	6
Mrs G Hopkins	2	2
Mrs R Welch	1	3

The Trust conducted a full review of the organisation's governance structure in Spring 2014, in line with Government advice, to ensure that governing bodies were no bigger than they needed to be, with the focus on skilled and active individuals. The new arrangements, ie separate, and slimmed down Local Governing Bodies for Wickford and Briscoe, took effect from 1 September 2014.

The admission of Waterman and Stambridge to the Trust in February 2015 prompted a further governance review. It was decided to establish one joint Local Governing Body for the two new schools, in keeping with the model that had served Wickford and Briscoe so well between September 2012 and August 2014. It was also decided to increase the size of the Board of Directors from September 2015 (Emma Cockerton and Richard Godfrey were appointed) and to establish a new Audit Committee, reporting to the Board.

Rachel Welch left the Trust in Spring 2016 and Gill Hopkins replaced Tim Elbourne.

**Governance reviews:**

Self evaluation of governance is an ongoing exercise within the Trust. The Trust updated its skills audit, the Scheme of Delegation has been revised throughout the year.

Towards the end of the year the Trust decided to increase the size of the Board by up to two members, with a focus on appointing people with legal or accountancy skills. The impact of this decision will not be known until 2016/17. Following the centralisation of finance and business management functions, further amendments are likely to the Scheme of Delegation, with Local Governing Bodies focusing more on teaching and learning.

As noted above, the Trust keeps its governance under ongoing review. The Member's review governance structures annually, and in Autumn term 2016 the Board completed the National Governors' Association's Key questions every Governing Body should ask itself.

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**GOVERNANCE STATEMENT (continued)**

The Audit Committee is a sub-committee of the Board of Trustees.

The Audit Committee's terms of reference are:

- to oversee the external audit of the Trust's accounts;
- to oversee the implementation of management letter recommendations;
- to monitor and review the internal controls in Schools across the Trust, having regard to reports from the independent Internal Auditor;
- to review the Trust's annual pay policy and staffing structure; and
- to review the Trust's accounting, risk management and investment/reserves policies.

The Committee was set up in 2015/16 and has three members. There have been no changes in membership throughout the year. A key challenge relates broadly to the local management of school budgets. It became increasingly clear throughout the year that a more centralised approach would be more effective.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Mrs J Attridge	2	2
Mr V Collier	2	2
Mr R Godfrey	2	2

**REVIEW OF VALUE FOR MONEY**

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

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Directors where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Trust has delivered improved value for money during the year as follows:

In the Directors' view, value for money is closely linked to the quality of teaching and learning in our Schools and the children's educational outcomes. On the face of it, the Trust has one Outstanding School, two Good Schools and one School (Stambridge) that is already showing clear signs of sustained improvement. This suggests that the Trust is providing good or excellent value for money.

However, the children's outcomes this year paint a much more challenging picture, particularly at Briscoe and Waterman. There is little doubt that the Government's new, more rigorous national curriculum tests have had an impact on those outcomes. Nor should it be underestimated that both Briscoe and Waterman are located in areas of high deprivation and turbulence. Nevertheless, the Trust recognises the need to reassess its systems of financial management, and introduce a more centralised approach to ensure that its resources are targeted more directly on supporting children's outcomes.

The Trust continues to invest in the continuing professional development (CPD) of all staff. Members of staff have access to a wide range of development opportunities to meet their CPD Entitlement, and are encouraged to work collaboratively across the Trust. In 2016/17 the Trust will be better placed to provide more training in-house, which will promote greater consistency of practice across the organisation.

**THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

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

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**GOVERNANCE STATEMENT (continued)**

**CAPACITY TO HANDLE RISK**

The Board of Directors has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks, that has been in place for the year 1 September 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 Board of Directors.

**THE RISK AND CONTROL FRAMEWORK**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Directors;
- regular reviews by the Directors 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; and
- identification and management of risks.

The Board of Directors has considered the need for a specific internal audit function and has decided to appoint SBM Services as Internal Auditor.

The Internal Auditor's role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems. On a termly basis, the Internal Auditor reports to the Board of Directors on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities.

The particular checks carried out in the year included:

- monthly payroll checks;
- termly checks on income collection;
- review of the order making process; and
- the matching of expenditure against a sample of invoices.

Internal checks throughout the year are conducted in accordance with the Financial Regulations and the Internal Audit Action Plan, overseen by the CFO, reporting to the Audit Committee.

SBM Services delivered comprehensive Internal Audit reports for all four Schools in the Trust. Their recommendations were implemented throughout the year, monitored termly by the Audit Committee, culminating in the decision to centralise a number of financial functions from September 2016.

The most material control issues arose as a consequence of continuing with local systems of financial management. It was decided that greater control would be achieved by centralising expertise in one central team to ensure consistency of good practice recommended by the Internal Auditor and the Academies Financial Handbook.

The Internal Auditor delivered their schedule of works as planned and any material control issues identified were actioned in the year.

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**GOVERNANCE STATEMENT (continued)**

**REVIEW OF EFFECTIVENESS**

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

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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Directors and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by the Board of Directors on 21 December 2016 and signed on their behalf, by:

**Mr D Faulkner**  
**Chair of Trustees**

**Mrs D Rogan**  
**Accounting Officer**

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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

As Accounting Officer of Hearts Academy Trust I have considered my responsibility to notify the Board of Trustees 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 for Education. 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 trust Board of Trustees 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 Board of Trustees and EFA.

**Mrs D Rogan**  
**Accounting Officer**

Date: 21 December 2016

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**STATEMENT OF TRUSTEES' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

The Trustees (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for preparing 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;
- state whether applicable UKGAAP Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 the 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 the Board of Trustees on 21 December 2016 and signed on its behalf by:

**Mr D Faulkner**  
**Chair of Trustees**

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

We have audited the financial statements of Hearts Academy Trust 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 Trust's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Trust's Members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and its Members, as a body, for our audit work, for this Report, or for the opinion we have formed.

**RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS**

As explained more fully in the Trustees' Responsibilities Statement, the Trustee (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 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 Trustees' 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 Trust'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.

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

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

**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 Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Gary Miller (Senior Statutory Auditor)

for and on behalf of

**Price Bailey LLP**

Chartered Accountants  
Statutory Auditors

Causeway House  
1 Dane Street  
Bishop's Stortford  
Hertfordshire  
CM23 3BT  
22 December 2016

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEARTS  
ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 22 March 2016 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 Hearts Academy Trust 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 Hearts Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Hearts Academy Trust 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 Hearts Academy Trust and the EFA, for our work, for this Report, or for the conclusion we have formed.

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

The Accounting Officer is responsible, under the requirements of Hearts Academy Trust's funding agreement with the Secretary of State for Education dated 31 August 2012, 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 Trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Consideration and corroboration of the evidence supporting the Accounting Officers statement on regularity, propriety and compliance.
- Evaluation of the general control environment of the Trust, extending the procedures required for financial statements to include regularity.
- Discussions with and representations from the Accounting Officer and other key management personnel
- An extension of substantive testing from our audit of the financial statements to cover matters pertaining to regularity, propriety and compliance in particular checking that selected items were appropriately authorised, and appropriate.

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEARTS  
ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

**CONCLUSION**

In the course of our work, except for the matters listed below, 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.

Reporting Accountant

**Price Bailey LLP**

Chartered Accountants

22 December 2016

**HEARTS ACADEMY TRUST**  
**(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 £	As restated Total funds 2015 £
<b>INCOME FROM:</b>						
Donations & capital grants:						
Assets transferred on conversion	2	-	-	-	-	1,799,095
Donations and capital grants	2	-	63,354	17,289	80,643	397,489
Charitable activities	3	30,458	3,602,187	-	3,632,645	3,388,677
Other trading activities	4	70,795	5,053	-	75,848	131,432
Investments		706	-	-	706	694
<b>TOTAL INCOME</b>		<b>101,959</b>	<b>3,670,594</b>	<b>17,289</b>	<b>3,789,842</b>	<b>5,717,387</b>
<b>EXPENDITURE ON:</b>						
Charitable activities		95,723	3,852,551	299,027	4,247,301	3,854,097
<b>TOTAL EXPENDITURE</b>	5	<b>95,723</b>	<b>3,852,551</b>	<b>299,027</b>	<b>4,247,301</b>	<b>3,854,097</b>
<b>NET INCOME / (EXPENDITURE) BEFORE TRANSFERS</b>		<b>6,236</b>	<b>(181,957)</b>	<b>(281,738)</b>	<b>(457,459)</b>	<b>1,863,290</b>
Transfers between funds	15	-	(41,303)	41,303	-	-
<b>NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>		<b>6,236</b>	<b>(223,260)</b>	<b>(240,435)</b>	<b>(457,459)</b>	<b>1,863,290</b>
Actuarial gains/(losses) on defined benefit pension schemes	20	-	(549,000)	-	(549,000)	63,000
<b>NET MOVEMENT IN FUNDS</b>		<b>6,236</b>	<b>(772,260)</b>	<b>(240,435)</b>	<b>(1,006,459)</b>	<b>1,926,290</b>
<b>RECONCILIATION OF FUNDS:</b>						
Total funds brought forward		298,079	(426,342)	4,172,266	4,044,003	2,117,713
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>304,315</b>	<b>(1,198,602)</b>	<b>3,931,831</b>	<b>3,037,544</b>	<b>4,044,003</b>

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**  
**REGISTERED NUMBER: 07851097**

**BALANCE SHEET**  
**AS AT 31 AUGUST 2016**

	Note	£	2016 £	£	2015 £
<b>FIXED ASSETS</b>					
Tangible assets	12		3,929,237		4,002,107
<b>CURRENT ASSETS</b>					
Debtors	13	287,069		350,735	
Cash at bank and in hand		439,808		878,337	
		<u>726,877</u>		<u>1,229,072</u>	
<b>CREDITORS:</b> amounts falling due within one year	14	(259,570)		(453,176)	
			<u>467,307</u>		<u>775,896</u>
<b>NET CURRENT ASSETS</b>					
			<u>4,396,544</u>		<u>4,778,003</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>4,396,544</u>		<u>4,778,003</u>
Defined benefit pension scheme liability	20		(1,359,000)		(734,000)
			<u>3,037,544</u>		<u>4,044,003</u>
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>					
<b>FUNDS OF THE ACADEMY</b>					
Restricted income funds:					
Restricted income funds	15	28,398		175,658	
Restricted funds - donation in kind	15	132,000		132,000	
Restricted fixed asset funds	15	3,931,831		4,172,266	
			<u>4,092,229</u>		<u>4,479,924</u>
Restricted income funds excluding pension liability		4,092,229		4,479,924	
Pension reserve		(1,359,000)		(734,000)	
			<u>2,733,229</u>		<u>3,745,924</u>
Total restricted income funds			<u>2,733,229</u>		<u>3,745,924</u>
Unrestricted income funds	15		304,315		298,079
			<u>3,037,544</u>		<u>4,044,003</u>
<b>TOTAL FUNDS</b>					
			<u><u>3,037,544</u></u>		<u><u>4,044,003</u></u>

The financial statements were approved by the Trustees, and authorised for issue, on 21 December 2016 and are signed on their behalf, by:

**Mr D Faulkner**  
**Chair of Trustees**

The notes on pages 20 to 35 form part of these financial statements.

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Net cash (used in)/provided by operating activities	17	(392,885)	614,529
		<hr/>	<hr/>
<b>Cash flows from investing activities:</b>			
Interest received		312	373
Capital expenditure		(45,956)	(6,033)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		(45,644)	(5,660)
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the year</b>		(438,529)	608,869
Cash and cash equivalents brought forward		878,337	269,468
		<hr/>	<hr/>
<b>Cash and cash equivalents carried forward</b>		439,808	878,337
		<hr/> <hr/>	<hr/> <hr/>

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**1. ACCOUNTING POLICIES**

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 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.

Hearts Academy Trust 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 Hearts Academy Trust 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 Hearts Academy Trust 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 Trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

**1.2 Fund accounting**

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

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

**1.3 Income**

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

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

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

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.

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**1. ACCOUNTING POLICIES (continued)**

**1.4 Expenditure**

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

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

All resources expended are inclusive of irrecoverable VAT.

**1.5 Going concern**

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.6 Tangible fixed assets and depreciation**

All assets costing more than £500 are capitalised.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities Incorporating Income and Expenditure Account.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. 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:

Leasehold land	-	125 years straight line
Leasehold buildings	-	50 years straight line
Fixtures and fittings	-	10 - 15 years straight line
Computer equipment	-	5 - 13 years straight line

**1.7 Operating leases**

Rentals under operating leases are charged to the Statement of Financial Activities Incorporating Income and Expenditure Account on a straight line basis over the lease term.

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**1. ACCOUNTING POLICIES (continued)**

**1.8 Interest receivable**

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

**1.9 Taxation**

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

**1.10 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 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.

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**1. ACCOUNTING POLICIES (continued)**

**1.11 Pensions**

Retirement benefits to employees of the 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 Trust.

The TPS is an unfunded scheme and the contributions are calculated so as to spread the cost of pensions over employees' working lives with the Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 21, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, 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.

**HEARTS ACADEMY TRUST**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**2. INCOME FROM DONATIONS AND CAPITAL GRANTS**

	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Assets transferred on conversion	-	-	-	1,799,095
Donations	19,354	-	19,354	17,409
Donations in kind (see note 22)	44,000	-	44,000	44,000
Capital grants	-	17,289	17,289	336,080
<b>Subtotal</b>	<b>63,354</b>	<b>17,289</b>	<b>80,643</b>	<b>397,489</b>
<b>Total donations and capital grants</b>	<b>63,354</b>	<b>17,289</b>	<b>80,643</b>	<b>2,196,584</b>

In 2015, of the total income from donations and capital grants, £219,444 was to unrestricted funds and £1,977,140 was to restricted funds.

**3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
<b>DfE/EFA grants</b>				
General Annual Grant (GAG)	-	2,540,669	2,540,669	2,153,700
Other DfE / EFA grants	-	550,322	550,322	442,125
Start up grant	-	-	-	145,000
	<b>-</b>	<b>3,090,991</b>	<b>3,090,991</b>	<b>2,740,825</b>
<b>Other government grants</b>				
Local Authority grants	4,625	511,196	515,821	625,945
	<b>4,625</b>	<b>511,196</b>	<b>515,821</b>	<b>625,945</b>
<b>Other funding</b>				
Catering income	25,833	-	25,833	21,907
	<b>25,833</b>	<b>-</b>	<b>25,833</b>	<b>21,907</b>
	<b>30,458</b>	<b>3,602,187</b>	<b>3,632,645</b>	<b>3,388,677</b>

In 2015, of the total income from charitable activities, £21,907 was to unrestricted funds and £3,366,770 was to restricted funds.

**HEARTS ACADEMY TRUST**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

**4. OTHER TRADING ACTIVITIES**

	Unrestricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Hire of facilities	14,277	14,277	14,426
Other income	56,518	61,571	117,006
	<u>70,795</u>	<u>75,848</u>	<u>131,432</u>

In 2015, of the total income from other trading activities, £131,432 was to unrestricted funds and £ NIL was to restricted funds.

**5. EXPENDITURE**

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	As restated Total 2015 £
Provision of education:					
Direct costs	1,981,160	-	364,976	2,346,136	1,900,609
Support costs	1,064,933	517,285	318,947	1,901,165	1,953,488
	<u>3,046,093</u>	<u>517,285</u>	<u>683,923</u>	<u>4,247,301</u>	<u>3,854,097</u>

In 2016, of the total expenditure, £95,724 (2015 - £279,351) was to unrestricted funds and £4,151,578 (2015 - £3,574,746) was to restricted funds.

**6. CHARITABLE ACTIVITIES**

	2016 £	As restated 2015 £
Direct costs	2,346,136	1,900,609
Support costs	1,901,165	1,953,488
	<u>4,247,301</u>	<u>3,854,097</u>

	2016 £	2015 £
Support staff costs	1,064,933	809,097
Depreciation	118,826	102,552
Technology costs	12,813	59,434
Premises costs (excluding depreciation)	412,592	697,820
Other support costs	269,528	260,358
Governance costs	22,473	24,287
	<u>1,901,165</u>	<u>1,953,548</u>

**HEARTS ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**7. NET INCOMING RESOURCES/(RESOURCES EXPENDED)**

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets: - owned or leased by the Trust	118,826	102,552
Auditors' remuneration - audit	9,650	9,450
Auditors' remuneration - non-audit	6,094	14,600
	134,570	136,602

**8. STAFF COSTS**

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	2,466,436	1,910,238
Social security costs	165,570	119,030
Pension costs	337,559	251,502
	2,969,565	2,280,770
Supply teacher costs	76,528	69,252
	3,046,093	2,350,022

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

	2016 No.	2015 No.
Teachers	36	43
Administration and support	100	89
Management	9	10
	145	142

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

	2016 No.	2015 No.
In the band £ 80,001 - £ 90,000	1	1

The key management personnel of the Trust comprise the Trustees and the Senior Management Team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Trust was £342,585 (2015: £269,031).

**HEARTS ACADEMY TRUST**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

**9. TRUSTEES' REMUNERATION AND EXPENSES**

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

Mrs D Rogan (Executive Headteacher)  
Remuneration £85,000-£90,000 (2015: £80,000-£85,000)  
Employer's pension contributions paid £Nil (2015: £Nil)

During the period ended 31 August 2016, travel and subsistence expenses totalling £2,828 were reimbursed or paid directly to 1 trustee (2015: £3,952 to 1 trustee) as a member of staff.

Other related party transactions involving the Trustees are set out in note 22.

**10. CENTRAL SERVICES**

No central services were provided by the Trust to its Academies during the year and no central charges arose. All activity undertaken by the Trust in relation to central services is funded by grants received by the Trust.

**11. TRUSTEES' 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 Trustees, Governors and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business, and provides cover up to £10,000,000. It is not possible to quantify the Trustees indemnity element from the overall cost of the RPA scheme.

**12. TANGIBLE FIXED ASSETS**

	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 September 2015	3,951,502	180,555	137,973	4,270,030
Additions	9,779	14,992	21,185	45,956
At 31 August 2016	<u>3,961,281</u>	<u>195,547</u>	<u>159,158</u>	<u>4,315,986</u>
<b>Depreciation</b>				
At 1 September 2015	144,626	51,833	71,464	267,923
Charge for the year	77,136	20,931	20,759	118,826
At 31 August 2016	<u>221,762</u>	<u>72,764</u>	<u>92,223</u>	<u>386,749</u>
<b>Net book value</b>				
At 31 August 2016	<u>3,739,519</u>	<u>122,783</u>	<u>66,935</u>	<u>3,929,237</u>
At 31 August 2015	<u>3,806,876</u>	<u>128,722</u>	<u>66,509</u>	<u>4,002,107</u>

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**12. TANGIBLE FIXED ASSETS (continued)**

The land and buildings at Mount Road where the Wickford Church of England Infants School is based are owned by the Diocese of Chelmsford and have not been included in the fixed asset valuation.

This land and the buildings provided to it by the Diocesan Trustees is held under a license (also referred to as a Church Supplemental Agreement) which contains a two year notice period. Having considered the fact that the Trust occupies the land and buildings by a license that transfers to the Trust no rights or control over the site save that of occupying it at the will of the Diocesan Trustees under the agreement, the Diocesan Trustees have concluded that the value of the land and buildings occupied by the Trust will not be recognised or valued within fixed assets.

The land and buildings where Briscoe, Stambridge and Waterman are based have been included in the accounts based on the valuation provided by the EFA using depreciated replacement cost. The Trustees believe that the cost of obtaining a more detailed valuation outweighs the benefit.

**13. DEBTORS**

	2016 £	2015 £
<b>Due after more than one year</b>		
Other debtors (see note 22)	88,000	88,000
<b>Due within one year</b>		
Trade debtors	1,228	2,939
VAT recoverable	59,514	133,029
Other debtors (see note 22)	44,000	44,000
Prepayments and accrued income	94,327	82,767
	287,069	350,735
	287,069	350,735

**14. CREDITORS: Amounts falling due within one year**

	2016 £	2015 £
Trade creditors	12,422	127,295
Other taxation and social security	38,535	44,230
Other creditors	44,297	40,394
Accruals and deferred income	164,316	241,257
	259,570	453,176
	259,570	453,176
	2016 £	2015 £
<b>Deferred income</b>		
Deferred income at 1 September 2015	136,349	94,131
Resources deferred during the year	156,418	136,349
Amounts released from previous years	(136,349)	(94,131)
Deferred income at 31 August 2016	156,418	136,349
	156,418	136,349

The majority of resources deferred in the year relates to universal free school meals funding for the 2016/17 academic year.

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**15. STATEMENT OF FUNDS**

	Brought forward £	Income £	Resources expended £	Transfers in/out £	Gains/ (losses) £	Carried forward £
<b>Unrestricted funds</b>						
General funds	298,079	101,959	(95,723)	-	-	304,315
<b>Restricted funds</b>						
General Annual Grant (GAG)	-	2,536,583	(2,495,280)	(41,303)	-	-
Start up grants	17,000	-	(17,000)	-	-	-
Other DFE/EFA grants	158,658	545,597	(675,857)	-	-	28,398
Other restricted funds	-	24,406	(24,406)	-	-	-
Other Government grants	-	520,008	(520,008)	-	-	-
Donation in kind (see note 22)	132,000	44,000	(44,000)	-	-	132,000
Pension reserve	(734,000)	-	(76,000)	-	(549,000)	(1,359,000)
	(426,342)	3,670,594	(3,852,551)	(41,303)	(549,000)	(1,198,602)
<b>Restricted fixed asset funds</b>						
Restricted fixed asset funds	4,002,107	-	(118,826)	45,956	-	3,929,237
DFC	-	4,653	-	(4,653)	-	-
CIF	170,159	12,636	(180,201)	-	-	2,594
	4,172,266	17,289	(299,027)	41,303	-	3,931,831
Total restricted funds	3,745,924	3,687,883	(4,151,578)	-	(549,000)	2,733,229
Total of funds	4,044,003	3,789,842	(4,247,301)	-	(549,000)	3,037,544

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

**Start up grants**

This represents funding for increasing resource capacity to further develop the Multi Academy Trust.

**Other DFE/EFA grants**

This represents funding to be used to help raise achievement and improve outcomes for pupils from low income families who are eligible for free school meals.

**Other restricted funds**

This represents contributions made by parents to the running of educational visits for the pupils of the Schools and the associated costs of running the trips.

**Other government grants**

This represents various grants from local and national Government bodies for the provision of specific services to pupils of the Schools.

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**15. STATEMENT OF FUNDS (continued)**

**Pension reserve**

This fund represents the Trust's share of the deficit on the Local Government Pension Scheme (LGPS) transferred to the academy on conversion from the state controlled schools.

**Restricted fixed asset fund**

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

**Devolved formula capital (DFC) fund**

The Trust is to use the DFC allocation to maintain and improve its buildings and facilities.

**Condition improvement fund (CIF)**

This represents a Government grant received for building improvements at Briscoe and Wickford.

**General annual grant (GAG)**

This represents funding from the EFA to cover the costs of recurrent expenditure. Transfers out of this fund represent fixed assets purchased from GAG funds.

The Trust is not subject to any clawback on any GAG funds carried forward.

**Donation in kind**

This fund represents the rent free occupation of the land and buildings from the Diocese of Chelmsford.

**Analysis of schools by fund balance**

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £	Total 2015 £
Central Services	28,399	113,924
Wickford	292,487	215,744
Briscoe	40,362	88,966
Waterman	99,844	141,023
Stambridge	3,621	46,080
	<hr/>	<hr/>
Total before fixed asset fund and pension reserve	464,713	605,737
Restricted fixed asset fund	3,931,831	4,172,266
Pension reserve	(1,359,000)	(734,000)
	<hr/>	<hr/>
Total	<u>3,037,544</u>	<u>4,044,003</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. STATEMENT OF FUNDS (continued)**

**Analysis of schools by cost**

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2016 £	Total 2015 £
Central Services	-	179,681	3,099	68,791	251,571	47,351
Wickford	647,893	119,403	63,490	225,755	1,056,541	1,330,241
Briscoe	948,399	258,113	142,834	166,774	1,516,120	1,683,229
Waterman	451,625	112,774	32,027	123,717	720,143	436,545
Stambridge	237,254	67,276	33,865	65,504	403,899	233,149
	<u>2,285,171</u>	<u>737,247</u>	<u>275,315</u>	<u>650,541</u>	<u>3,948,274</u>	<u>3,730,515</u>

**16. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	-	-	4,002,107
Debtors due after more than 1 year	-	-	3,929,237	3,929,237	-
Current assets	304,315	88,000	-	88,000	88,000
Creditors due within one year	-	328,749	5,813	638,877	1,141,072
Provisions for liabilities and charges	-	(256,351)	(3,219)	(259,570)	(453,176)
	-	(1,359,000)	-	(1,359,000)	(734,000)
	<u>304,315</u>	<u>(1,198,602)</u>	<u>3,931,831</u>	<u>3,037,544</u>	<u>4,044,003</u>

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

	2016 £	2015 £
Net (expenditure)/income for the year (as per Statement of financial activities)	(457,459)	1,863,290
<b>Adjustment for:</b>		
Depreciation charges	118,826	102,552
Losses on investments	(312)	(373)
Decrease/(increase) in debtors	63,666	(112,975)
(Decrease)/increase in creditors	(193,606)	284,931
Assets transferred on conversion	-	(1,831,896)
Pension adjustments	76,000	309,000
<b>Net cash (used in)/provided by operating activities</b>	<u>(392,885)</u>	<u>614,529</u>

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**18. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	2016 £	2015 £
Cash in hand	439,808	878,337
Total	439,808	878,337

**19. 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.

**20. PENSION COMMITMENTS**

The Trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Essex 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 £45,095 were payable to the schemes at 31 August 2016 (2015 - £26,644) 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; and
- 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%.

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**20. PENSION COMMITMENTS (continued)**

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 £176,204 (2015 - £111,058).

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](http://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx)).

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

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £151,000 (2015 - £110,000), of which employer's contributions totalled £115,000 (2015 - £85,000) and employees' contributions totalled £36,000 (2015 - £25,000). The agreed contribution rates for future years are 12.3% for employers and between 5.5% and 7.5% 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	2.20 %	4.00 %
Rate of increase in salaries	4.10 %	4.50 %
Rate of increase for pensions in payment / inflation	2.30 %	2.70 %
Inflation assumption (CPI)	2.30 %	2.70 %
Inflation assumption (RPI)	3.20 %	3.60 %

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	22.9	22.8
Females	25.3	25.2
Retiring in 20 years		
Males	25.2	25.1
Females	27.7	27.6

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**20. PENSION COMMITMENTS (continued)**

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

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	390,000	229,000
Bonds	45,000	49,000
Property	62,000	42,000
Alternative assets	23,000	25,000
Other managed funds	28,000	-
Cash	17,000	8,000
	<u>565,000</u>	<u>353,000</u>
Total market value of assets	<u>565,000</u>	<u>353,000</u>

The actual return on scheme assets was £61,000 (2015 - £13,000).

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)	(162,000)	(123,000)
Net interest cost	(29,000)	(24,000)
	<u>(191,000)</u>	<u>(147,000)</u>
Total	<u>(191,000)</u>	<u>(147,000)</u>
Actual return on scheme assets	<u>61,000</u>	<u>13,000</u>

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

	2016 £	2015 £
Opening defined benefit obligation	1,087,000	965,000
Current service cost	162,000	123,000
Interest cost	45,000	35,000
Contributions by employees	36,000	25,000
Actuarial losses/(gains)	594,000	(61,000)
	<u>1,924,000</u>	<u>1,087,000</u>
Closing defined benefit obligation	<u>1,924,000</u>	<u>1,087,000</u>

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

	2016 £	2015 £
Opening fair value of scheme assets	353,000	230,000
Interest income	16,000	11,000
Actuarial gains and (losses)	45,000	2,000
Contributions by employer	115,000	85,000
Contributions by employees	36,000	25,000
	<u>565,000</u>	<u>353,000</u>
Closing fair value of scheme assets	<u>565,000</u>	<u>353,000</u>

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**21. OPERATING LEASE COMMITMENTS**

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

	2016 £	As Restated 2015 £
<b>Amounts payable:</b>		
Within 1 year	16,970	12,773
Between 1 and 5 years	55,365	47,856
After more than 5 years	143,568	155,532
	215,903	216,161
<b>Total</b>	215,903	216,161

**22. RELATED PARTY TRANSACTIONS**

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

Any transactions where the Trustee has a pecuniary interest is only undertaken in accordance with the 'at cost' principle stated in the Academies Financial Handbook.

The Academy operates from land and buildings provided rent free by the Diocese of Chelmsford. Under an agreement between the Dioceses, the Academy and the Secretary of State the Diocese would be required to give 24 months notice from the year end if it wished to terminate this agreement. No such notice had been given at the year end and the Diocese is therefore committed to providing the land and buildings rent free for a further 36 months from the year end. The Trustees estimate that the cost of renting equivalent buildings would be £44,000 per annum, on this basis a donation from the Diocese of £44,000 is shown in the accounts together with a notional expense of the same amount. In addition, included within debtors is a donation in kind receivable of £132,000 representing the commitment by the Diocese to provide the land and buildings rent free for a further 36 months.

The partner of the Accounting Officer for the Trust is employed by the Academy as a support staff member on a contract approved by the Trustees. Their remuneration package is in line with the standard payscales for the roles undertaken and their employment contract is subject to normal terms and conditions.

There were no other related party transactions during the period to 31 August 2016.

**23. FIRST TIME ADOPTION OF FRS 102**

It is the first year that the 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 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Trustees have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

The policies applied under the Academy's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure.