

HEARTS ACADEMY TRUST

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2015

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 2015**

Members	Mr M Maguire Mrs J Attridge The Chelmsford Diocese Educational Trust (represented by Mr T Elbourne)
Directors	Mr M Maguire Mrs J Attridge, Chair of Trustees Mr T Elbourne Mrs D Rogan
Company secretary	Mr S Clark
Executive Head (Principal and Accounting Officer)	Mrs D Rogan
Registered and Principal office	Mount Road Wickford Essex SS11 8HE
Company registered number	07851097
Independent Auditors	Price Bailey LLP Chartered Accountants Statutory Auditors Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT
Senior Leadership Team	Mrs D Rogan, Executive Headteacher; Wickford & Briscoe Mrs R Welch, Executive Headteacher; Waterman & Stambridge Mrs L Johnson-Burke, Head of School, Wickford Mrs E Barnett, Head of School, Briscoe Mr L Farris, Head of School, Stambridge Mr D Chapman, Assistant Head of School Mrs R Thomas, Assistant Head of School Mrs R McCutcheon, Assistant Head of School Mrs N Coggin, Assistant Head of School Mrs T Chudleigh, Assistant Head of School Mrs J Tanner, Assistant Head of School Mr S Clark, Chief Financial Officer Mrs P Partridge, School Business Manager

HEARTS ACADEMY TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2015

The Trustees present their Annual Report together with the financial statements and Auditor's report of HEARTS Academy Trust (The Academy, The Trust or "Charitable Company") for the year ending 31 August 2015. The Annual Report serves the purposes of both a Trustees' report and a Directors' report under company law.

The Trust operates three primary schools and one infant school in Essex. The schools have a combined capacity of 639 pupils, with 517 pupils currently on roll.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The HEARTS Academy Trust is a multi academy trust comprising four schools:

- (1) The Wickford Church of England School ("Wickford")
- (2) Briscoe Primary School & Nursery ("Briscoe")
- (3) Stambridge Primary School ("Stambridge") and
- (4) Waterman Primary School ("Waterman").

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.

Trustee and Officers' indemnities

In accordance with normal commercial practice, the Trust has purchased insurance to protect Directors, Governors and officers from claims arising from negligent acts, errors, omissions occurring during the course of the Trust's business. The insurance provides cover up to £2,000,0000 on any one claim and details of the costs are disclosed in Note 22 in the accounts.

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 and Tim Elbourne. 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 no new Directors were appointed. New Director induction includes a tour of the schools, meetings with pupils and staff and briefing on key policy and procedural documents.

Organisational structure

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 serving (1) Wickford, (2) Briscoe and (3) Waterman & Stambridge.

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.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

At executive level, the Senior Leadership Team (SLT) comprises Debbie Rogan (Executive Headteacher of Wickford and Briscoe and Accounting Officer), Rachel Welch (Executive Headteacher of Waterman and Stambridge) Louise Johnson-Burke (Head of School at Wickford), Erica Barnett (Head of School at Briscoe), Lee Farris (appointed Head of School at Stambridge from September 2015) and the following senior members of staff: Daniel Chapman (Wickford), Ruth Thomas (Wickford), Rebecca McCutcheon (Briscoe), Nicola Coggin (Briscoe), Terri Chudleigh (Briscoe), Jayne Tanner (Waterman), Steven Clark (Trust) and Penny Partridge (Trust). The Chair of Governors for the period was Julia Attridge. The Accounting Officer is 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 are drawn from the local community, and from time to time it is possible that the Trust will enter into transactions with organisations in which a Director 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. Any transactions where the Director has a pecuniary interest is only undertaken in accordance with the 'at cost' principle stated in the Academies Financial Handbook.

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.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

ACHIEVEMENTS AND PERFORMANCE

Achievements and performance

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

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

In the light of these encouraging outcomes the Trust expanded further in February 2015, admitting Waterman and Stambridge. In March 2013 Ofsted rated Waterman a Good school. A key focus for the Trust now is to raise standards of teaching and learning at Stambridge (currently without an Ofsted designation but in Special Measures immediately before conversion with a falling school roll).

A full summary of the academies' principal achievements are set out in their respective School Improvement Plans for 2015/16.

Key performance indicators

Total payroll as a percentage of GAG: 109%

GAG as a percentage of total income: 57%

Salary costs as a percentage of total income: 62%

As funding is based largely on pupil numbers, this is also a key performance indicator. Pupil numbers at 31 August were:

Briscoe: 235 (capacity 315)
Stambridge: 56 (capacity 84)
Waterman: 92 (capacity 105)
Wickford: 134 (capacity 135)

Taken as a whole, therefore, the schools were operating at a capacity of 81% (517 out of 639).

A further 98 children were attending one of the Trust's early years provisions (25 at Briscoe's nursery, 44 at Briscoe's pre-school and 29 at Wickford's pre-school).

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 other grants received from the Education Funding Agency (EFA) and other bodies. For the period ended 31 August 2015 the academies received GAG funding of £2,153,700. Virtually all GAG and other Restricted Funds (95.7%) 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 £473,737, broken down as follows:

Central	£131,924
Wickford	£215,744
Briscoe	£88,966
Waterman	£141,023
Stambridge	£46,080

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TRUSTEES' REPORT (continued)
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Reserves policy

The Trustees 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 £605,737. This has been built up from a combination of locally raised income and balances transferred from the predecessor schools.

The Trusts' combined cash balance has been healthy all year, ending with a balance of £878,337. Directors are mindful of the need to monitor cash flow at Stambridge, which joined the Trust with a zero balance.

Due to the accounting rules for the Local Government Pension Scheme under Financial Reporting Standard 17, the Trust recognises a significant pension fund deficit of £734,000. 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.

Investment Policy

The Trust's investment policy was approved in November 2014. The Trustees 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 three months' payroll costs. Investing is not yet regarded as a primary activity of the Trust. When circumstances allow, any investment activity will be limited to areas of minimal risk.

Risk management

The Trust's risk register identifies the major risks to which the schools are exposed, and sets out actions and procedures recommended to mitigate those risks. The principal register is supported by individual registers, tailored to the circumstances of each academy within the Trust.

The principal risks facing the Trust are outlined below.

The Trusts' 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:

- Retention of key leadership staff. The current risk is considered low, having regard to the Trust's recent expansion and 3 year plan.
- Flooding and general site restrictions at Wickford: flood mitigation measures are ongoing and should be complete in 2015/16. The Trust hopes to establish a base headquarters in 2015/16 to alleviate site constraints.
- Falling rolls and low attainment at Stambridge: an immediate Trust-wide focus is to reverse these trends as quickly as possible.
- Maintaining standards of attainment at Briscoe: an ongoing challenge, given the high levels of turbulence and deprivation, with an emphasis on smart deployment of pupil premium.
- Maintaining standards of attainment at Waterman while supporting the drive to raise standards and school rolls at Stambridge.
- Reduced budgets: Centralised long-term financial planning will enable the Trust to better manage the risk of reduced Government funding. Three out of four schools' current cash flows are relatively healthy, and there are no material debtors.
- Internal controls across the Trust: in the light of the Trust's expansion, the internal controls of all schools will be benchmarked in 2015/16.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

PLANS FOR FUTURE PERIODS

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 raise standards of teaching and learning at Stambridge and to integrate the two new schools successfully to the Trust; to expand the provision of pre-school education across the Trust; and in liaison with Essex County Council to expand the Trust's nurture group settings.

PROVISION OF INFORMATION TO AUDITORS

Each Director confirms that:

- they know of no relevant audit information of which the Trust's Auditors are unaware, and
- they have taken all the steps that ought to have been taken to be aware of any information needed by the Auditors in connection with preparing their Report and to establish that the Auditors are aware of that information.

AUDITORS

The Auditors, Price Bailey LLP, are willing to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

This report was approved by the Board of Trustees on 8 December 2015 and signed on their behalf by:

Mrs J Attridge
Chair of Trustees

HEARTS ACADEMY TRUST
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Directors, 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 Executive Headteacher, 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. The accounting officer is 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 Trustees' Responsibilities Statement. The Board of Directors has formally met 5 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 M Maguire	5	5
Mrs J Attridge	5	5
Mr T Elbourne	5	5
Mrs D Rogan	5	5

REVIEW OF VALUE FOR MONEY

As Accounting Officer, the Executive Headteacher 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.

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. Wickford is an Outstanding school and Briscoe is a Good school with Outstanding leadership and management. Waterman is a good school and the aim now is to raise standards at Stambridge as quickly as possible. From September 2015 Stambridge will benefit from a newly appointed Head of School and new teaching staff.

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 available. The Accounting Officer for the Academy Trust has delivered improved value for money during the year by:

- Continuing to invest in the continuing professional development (CPD) of all staff. All members of staff have access to a wide range of development opportunities, and are encouraged to work collaboratively across the Trust. In 2015 a new CPD Entitlement was developed for all support staff. The Trust continues to expand its outreach work in other schools, which generates additional income for the organisation as well as building capacity.
- Continuing to identify and secure additional income from beyond its principal sources of funding. In the current year significant additional funding was secured via the Sponsor Capacity Fund, Condition Improvement Fund, School Business Management Grant Programme and the National College's Collaborative Fund for school to school support.
- Following the expansion to four schools, the Trust has started to explore the benefits of centralising school contracts. As a first step, a range of finance and premises management services were centralised, generating savings of over £5,000. Further benchmarking of expenditure and sharing of services will be introduced throughout the coming year.

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GOVERNANCE STATEMENT (continued)

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 2014 to 31 August 2015 and up to the date of approval of the Annual Report and financial statements.

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 2014 to 31 August 2015 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, and Local Governing Bodies, of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The Board of Directors has considered the need for a specific internal audit function. During the accounting period Essex County Council and SBM services carried out Internal Auditor functions across the Trust..

The internal audit delivered their schedule of works as planned and no material control issues were identified.

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

- a general need to ensure that registers of business interests are completed and kept up to date;
- a recommendation to explore ways of separating the duties around income and payroll management, notwithstanding that most of the schools are small;
- a requirement for consistency across the schools in relation to budget setting and ongoing review, including regular reports to governors.

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 internal auditor delivered their schedule of works as planned and no material control issues were identified.

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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Executive Headteacher 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 order of the members of the Board of Directors on 8 December 2015 and signed on its behalf, by:

Mrs J Attridge
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 Directors 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 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 (2014).

I confirm that I and the Board of Directors 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 (2014).

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 Directors and EFA.

Mrs D Rogan
Accounting Officer

Date: 8 December 2015

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TRUSTEES' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2015

The Directors (who act as Governors of Hearts Academy Trust and are also the Directors of the Charitable Company for the purposes of company law) are responsible for preparing the Trustees' Report (including the Strategic Report) and the financial statements in accordance with the Annual Accounts Requirements issued by the EFA, United Kingdom Accounting Standards (UKGAAP) 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;
- 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;
- 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 Board of Trustees on 8 December 2015 and signed on its behalf by:

Mrs J Attridge
Chair of Trustees

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEARTS ACADEMY TRUST

We have audited the financial statements of Hearts Academy Trust for the year ended 31 August 2015 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement 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) and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

This report is made solely to the Academy's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy's Members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy and its Members, as a body, for our audit work, for this report, or for the 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 Academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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'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 Academy's affairs as at 31 August 2015 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 and the Academies Accounts Direction 2014 to 2015 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.

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INDEPENDENT AUDITORS' REPORT 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
10 December 2015

HEARTS ACADEMY TRUST
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**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 8 August 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, 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 2014 to 31 August 2015 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 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 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 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 2014, 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 2014 to 2015. 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 2014 to 31 August 2015 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 2014 to 2015 issued by 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'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 Academy 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 2014 to 31 August 2015 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Gary Miller (Reporting Accountant)

Price Bailey LLP

Chartered Accountants

10 December 2015

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating Income and Expenditure Account and Statement of Total Recognised Gains and Losses)
FOR THE YEAR ENDED 31 AUGUST 2015

	Note	Unrestricted funds 2015 £	Restricted funds 2015 £	Restricted fixed asset funds 2015 £	Total funds 2015 £	As restated Total funds 2014 £
INCOMING RESOURCES						
Incoming resources from generated funds:						
Assets transferred on conversion	2	217,199	(250,000)	1,831,896	1,799,095	-
Other voluntary income	2	2,245	59,164	-	61,409	55,183
Activities for generating funds	3	153,339	-	-	153,339	74,119
Investment income	4	664	-	-	664	433
Incoming resources from charitable activities	5	-	3,372,266	330,584	3,702,850	2,168,413
TOTAL INCOMING RESOURCES		373,447	3,181,430	2,162,480	5,717,357	2,298,148
RESOURCES EXPENDED						
Charitable activities	6	279,351	3,279,002	268,427	3,826,780	2,241,600
Governance costs	7	-	24,287	-	24,287	14,256
TOTAL RESOURCES EXPENDED	8	279,351	3,303,289	268,427	3,851,067	2,255,856
NET INCOMING / (OUTGOING) RESOURCES BEFORE TRANSFERS						
		94,096	(121,859)	1,894,053	1,866,290	42,292
Transfers between funds	17	-	(11,483)	11,483	-	-
NET INCOME FOR THE YEAR		94,096	(133,342)	1,905,536	1,866,290	42,292
Actuarial gains and losses on defined benefit pension schemes		-	60,000	-	60,000	1,000
NET MOVEMENT IN FUNDS FOR THE YEAR		94,096	(73,342)	1,905,536	1,926,290	43,292
Total funds at 1 September 2014		203,983	(485,000)	2,266,730	1,985,713	2,074,421
Prior year adjustment (Note 16)		-	132,000	-	132,000	-
TOTAL FUNDS AT 31 AUGUST 2015		298,079	(426,342)	4,172,266	4,044,003	2,117,713

All activities relate to continuing operations.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 19 to 36 form part of these financial statements.

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

BALANCE SHEET
AS AT 31 AUGUST 2015

	Note	£	2015 £	£	As restated 2014 £
FIXED ASSETS					
Tangible assets	13		4,002,107		2,266,730
CURRENT ASSETS					
Debtors	14	350,735		237,760	
Cash at bank and in hand		878,337		266,468	
		1,229,072		504,228	
CREDITORS: amounts falling due within one year	15	(453,176)		(168,245)	
NET CURRENT ASSETS			775,896		335,983
TOTAL ASSETS LESS CURRENT LIABILITIES			4,778,003		2,602,713
Defined benefit pension scheme liability	23		(734,000)		(485,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			4,044,003		2,117,713
FUNDS OF THE ACADEMY					
Restricted funds :					
Restricted funds	17	175,658		-	
Restricted funds - donation in kind	17	132,000		132,000	
Restricted fixed asset funds	17	4,172,266		2,266,730	
		4,479,924		2,398,730	
Restricted funds excluding pension liability			4,479,924	2,398,730	
Pension reserve		(734,000)		(485,000)	
		3,745,924		1,913,730	
Total restricted funds			3,745,924		1,913,730
Unrestricted funds	17		298,079		203,983
TOTAL FUNDS			4,044,003		2,117,713

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

8 December 2015 and

Mrs J Attridge
Chair of Trustees

The notes on pages 19 to 36 form part of these financial statements.

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2015

	Note	2015 £	2014 £
Net cash flow from operating activities	19	617,529	142,712
Returns on investments and servicing of finance - interest received		373	493
Capital expenditure		(6,033)	(220,566)
INCREASE/(DECREASE) IN CASH IN THE YEAR		<u>611,869</u>	<u>(77,361)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 AUGUST 2015

	2015 £	2014 £
Increase/(decrease) in cash in the year	<u>611,869</u>	<u>(77,361)</u>
MOVEMENT IN NET FUNDS IN THE YEAR	611,869	(77,361)
Net funds at 1 September 2014	<u>266,468</u>	<u>343,829</u>
NET FUNDS AT 31 AUGUST 2015	<u>878,337</u>	<u>266,468</u>

The notes on pages 19 to 36 form part of these financial statements.

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice, 'Accounting and Reporting by Charities' published in March 2005 (SORP), the Academies Accounts Direction 2014 to 2015 issued by EFA, applicable accounting standards and the Companies Act 2006.

1.2 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the DfE.

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

1.3 Resources expended

Expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Charitable activities are costs incurred in the Academy's educational operations.

Governance costs include the costs attributable to the Academy's compliance with constitutional and statutory requirements, including audit, strategic management and Trustees' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

1.4 Going concern

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Academy to continue as a going concern. The Trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

1.5 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. 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's depreciation policy.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets 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

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

1. ACCOUNTING POLICIES (continued)

1.6 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Academy has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability. For legacies, entitlement is the earlier of the Academy being notified of an impending distribution or the legacy being received.

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 year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

Capital grants are recognised when receivable 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.

Any donated services and gifts in kind provided to the Academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy's policies.

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.

1.7 Operating leases

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

1.8 Taxation

The Academy 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 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.

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

1. ACCOUNTING POLICIES (continued)

1.9 Pensions

Retirement benefits to employees of the Academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets are held separately from those of the Academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 23, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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 gains and losses on the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as an FRS17 adjustment in the summary of support costs. Actuarial gains and losses are recognised immediately in other gains and losses.

2. OTHER VOLUNTARY INCOME

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	As restated Total funds 2014 £
Assets transferred on conversion	217,199	1,581,896	1,799,095	-
Donations	2,245	15,164	17,409	11,183
Donations in kind (see note 25)	-	44,000	44,000	44,000
Subtotal	2,245	59,164	61,409	55,183
Voluntary income	219,444	1,641,060	1,860,504	55,183

3. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Hire of facilities	14,426	14,426	9,032
Catering income	21,907	21,907	40,313
Other income	117,006	117,006	24,774
	153,339	153,339	74,119

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

4. INVESTMENT INCOME

	Unrestricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Bank interest	664	664	433
	<u>664</u>	<u>664</u>	<u>433</u>

5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
DfE/EFA grants			
General Annual Grant (GAG)	2,153,700	2,153,700	1,607,516
Other DfE / EFA grants	778,205	778,205	280,105
Start up grant	145,000	145,000	42,500
	<u>3,076,905</u>	<u>3,076,905</u>	<u>1,930,121</u>
Other government grants			
Local authority grants	625,945	625,945	238,292
	<u>625,945</u>	<u>625,945</u>	<u>238,292</u>
	<u>3,702,850</u>	<u>3,702,850</u>	<u>2,168,413</u>

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

6. CHARITABLE ACTIVITIES

	Total funds 2015 £	As restated Total funds 2014 £
DIRECT COSTS		
Wages and salaries	1,283,760	1,107,377
National insurance	96,377	76,427
Pension cost	137,848	99,755
Educational supplies	186,058	152,535
Staff development	103,381	31,073
Technology costs	3,741	-
Educational consultancy	37,505	22,134
Other costs	56	-
Transport	28,883	-
	<u>1,877,609</u>	<u>1,489,301</u>
SUPPORT COSTS		
Wages and salaries	695,730	275,050
National insurance	22,653	13,468
Pension cost	113,654	23,807
Depreciation	102,552	82,369
FRS17 adjustments	21,000	21,000
Technology costs	59,434	19,336
Travel & subsistence	7,341	2,696
Other costs	63,463	20,594
Recruitment & support	-	791
Maintenance of premises & machinery	464,487	45,313
Cleaning	10,611	3,678
Rates	32,745	20,762
Energy	27,833	15,861
Insurance	61,394	22,260
Security	176	904
Catering	44,547	37,769
Occupancy costs	20,738	20,025
Printing, postage and stationery	6,061	7,651
Telephone costs	7,135	2,041
Professional fees	143,617	72,923
Notional rent (see note 25)	44,000	44,000
	<u>1,949,171</u>	<u>752,298</u>
	<u>3,826,780</u>	<u>2,241,599</u>

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

7. GOVERNANCE COSTS

	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Auditors' remuneration	9,450	9,450	7,000
Auditors' non audit costs	14,600	14,600	7,130
Legal and professional	237	237	-
Governors training costs	-	-	126
	<u>24,287</u>	<u>24,287</u>	<u>14,256</u>

8. RESOURCES EXPENDED

	Staff costs 2015 £	Non Pay Premises 2015 £	Expenditure Other costs 2015 £	Total 2015 £	As restated Total 2014 £
Provision of education- direct costs	1,517,985	-	359,624	1,877,609	1,492,301
Allocated support costs	832,037	742,429	374,705	1,949,171	749,358
Charitable activities	<u>2,350,022</u>	<u>742,429</u>	<u>734,329</u>	<u>3,826,780</u>	<u>2,241,659</u>
Governance	<u>-</u>	<u>-</u>	<u>24,287</u>	<u>24,287</u>	<u>14,256</u>
	<u>2,350,022</u>	<u>742,429</u>	<u>758,616</u>	<u>3,851,067</u>	<u>2,255,915</u>

9. NET INCOMING / (OUTGOING) RESOURCES

This is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets: - owned or leased by the Trust	102,552	82,369
Operating lease rentals: - other operating leases	2,487	3,190
	<u>105,039</u>	<u>85,559</u>

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

10. STAFF

a. Staff costs

Staff costs were as follows:

	2015	2014
	£	£
Wages and salaries	1,910,238	1,308,155
Social security costs	119,030	89,895
Other pension costs	251,502	123,562
	2,280,770	1,521,612
Agency supply	69,252	74,272
	2,350,022	1,595,884

b. Staff numbers

The average number of persons (including the Senior Leadership Team) employed by the Academy during the year expressed as full time equivalents was as follows:

	2015	2014
	No.	No.
Teachers	31	17
Administration and support	54	34
Management	8	5
	93	56
	93	56

c. Higher paid staff

The number of employees whose emoluments fell within the following bands was:

	2015	2014
	No.	No.
In the band £ 80,001 - £ 90,000	1	1
	1	1

11. TRUSTEES' REMUNERATION AND EXPENSES

One Trustee has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Principal only receives remuneration in respect of services she provides undertaking the roles of Principal under her contract of employment, and not in respect of her role as Trustee, The value of Trustees' remuneration and other benefits was as follows:

Mrs D Rogan (Principal)
Remuneration £80,000-£85,000 (2014:£80,000-85,000)
Employer's pension contributions £nil (2014:£0-£5,000)

During the year ended 31 August 2015, travel and subsistence expenses totalling £3,592 (2014: £1,015) were reimbursed or paid directly to 1 trustee (2014: 1 trustee) in relation to their role as an employee of the Trust.

Other related party transactions involving the trustees are set out in note 24.

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

12. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim for both Briscoe and Wickford. Both Waterman and Stambridge subscribe to the EFA's Risk Protection Arrangement which provides cover up to £10,000,000 on any one claim. The cost of this insurance is included in the total insurance cost.

13. TANGIBLE FIXED ASSETS

	Leasehold Property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 September 2014	2,184,954	109,174	137,973	2,432,101
Additions	-	6,033	-	6,033
Transferred on conversion	1,766,548	65,348	-	1,831,896
	<u>3,951,502</u>	<u>180,555</u>	<u>137,973</u>	<u>4,270,030</u>
Depreciation				
At 1 September 2014	82,137	34,060	49,174	165,371
Charge for the year	62,489	17,773	22,290	102,552
	<u>144,626</u>	<u>51,833</u>	<u>71,464</u>	<u>267,923</u>
Net book value				
At 31 August 2015	<u>3,806,876</u>	<u>128,722</u>	<u>66,509</u>	<u>4,002,107</u>
At 31 August 2014	<u>2,102,817</u>	<u>75,114</u>	<u>88,799</u>	<u>2,266,730</u>

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 site the Diocesan Trustees under a license (also referred to as a Church Supplemental Agreement) which contains a two year notice period. Having considered the fact that the Academy Trust occupies the land and buildings by a license that transfers to the Academy 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 Academy 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.

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

14. DEBTORS

	2015 £	As restated 2014 £
Due after more than one year		
Other debtors (see note 25)	88,000	88,000
Due within one year		
Trade debtors	2,939	1,270
VAT control account	133,029	65,595
Other debtors (see note 25)	44,000	44,000
Prepayments and accrued income	82,767	38,895
	350,735	237,760
	350,735	237,760

15. CREDITORS:
Amounts falling due within one year

	2015 £	2014 £
Trade creditors	127,295	5,662
Other taxation and social security	44,230	12,218
Other creditors	40,394	30,701
Accruals and deferred income	241,257	119,664
	453,176	168,245
	453,176	168,245
Deferred income		£
Deferred income at 1 September 2014		94,131
Resources deferred during the year		136,349
Amounts released from previous years		(94,131)
Deferred income at 31 August 2015		136,349
		136,349

The majority of resources deferred at the period end relates to free school meals grant and teaching school grant for the 2015/16 academic year.

16. PRIOR YEAR ADJUSTMENT

A prior year adjustment has been made to recognise a donation in kind receivable which represents the commitment by the Diocese of Chelmsford to provide land and buildings for The Wickford Church of England School on a rent free basis for 36 months which had not been previously recognised.

The effect has been to recognise an asset valued at £132,000 from the date of conversion to Academy status.

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

17. STATEMENT OF FUNDS

	Brought forward As restated £	Incoming resources £	Resources expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General funds	203,983	373,447	(279,351)	-	-	298,079
Restricted funds						
General annual grant (GAG)	-	2,153,700	(2,142,217)	(11,483)	-	-
Start up grants	-	145,000	(128,000)	-	-	17,000
Other DFE/EFA grants	-	447,621	(288,963)	-	-	158,658
Restricted donations	-	15,164	(15,164)	-	-	-
Other government grants	-	625,945	(625,945)	-	-	-
Donation in kind (see note 25)	132,000	44,000	(44,000)	-	-	132,000
Pension reserve	(485,000)	(250,000)	(59,000)	-	60,000	(734,000)
	<u>(353,000)</u>	<u>3,181,430</u>	<u>(3,303,289)</u>	<u>(11,483)</u>	<u>60,000</u>	<u>(426,342)</u>
Restricted fixed asset funds						
	Brought forward As restated £	Incoming resources £	Resources expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Restricted fixed asset funds	2,046,164	1,831,896	(102,552)	226,599	-	4,002,107
DFC	5,450	15,241	(20,691)	-	-	-
EIG	106,138	-	-	(106,138)	-	-
Capital expenditure from GAG	83,061	-	-	(83,061)	-	-
Capital expenditure from unrestricted funds	25,917	-	-	(25,917)	-	-
CIF	-	315,343	(145,184)	-	-	170,159
	<u>2,266,730</u>	<u>2,162,480</u>	<u>(268,427)</u>	<u>11,483</u>	<u>-</u>	<u>4,172,266</u>
Total restricted funds	<u>1,913,730</u>	<u>5,343,910</u>	<u>(3,571,716)</u>	<u>-</u>	<u>60,000</u>	<u>3,745,924</u>
Total of funds	<u>2,117,713</u>	<u>5,717,357</u>	<u>(3,851,067)</u>	<u>-</u>	<u>60,000</u>	<u>4,044,003</u>

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.

HEARTS ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

17. STATEMENT OF FUNDS (continued)

Restricted donations

This represents contributions made by parents to the running of educational visits for the pupils of the Academy Trust 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 Academy Trust.

Pension reserve

This fund represents the Academy 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 Academy Trust is to use the DFC allocation to maintain and improve its buildings and facilities.

Environmental improvement grant (EIG)

This represents funding for development of buildings at Briscoe.

Capital expenditure from GAG

The capital expenditure from GAG fund has been created to reflect the value of tangible fixed assets purchased from GAG funding. Depreciation charged to the assets purchased with the GAG funding is allocated to this fund.

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.

Donation in kind

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

Under the funding agreement with the Secretary of State, the Academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2015.

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FOR THE YEAR ENDED 31 AUGUST 2015

17. STATEMENT OF FUNDS (continued)

Analysis of schools by fund balance

Fund balances at 31 August 2015 were allocated as follows:

	Total £
Central Services	113,924
Wickford	215,744
Briscoe	88,966
Waterman	141,023
Stambridge	46,080
	605,737
Total before fixed asset fund and pension reserve	605,737
Restricted fixed asset fund	4,172,266
Pension reserve	(734,000)
	4,044,003
Total	4,044,003

Analysis of schools by cost

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total £
Central Services	41,726	-	5,625	-	47,351
Wickford	457,841	228,665	57,700	586,035	1,330,241
Briscoe	951,246	239,804	123,049	369,130	1,683,229
Waterman	247,146	56,806	29,187	103,406	436,545
Stambridge	140,710	45,359	9,314	37,766	233,149
	1,838,669	570,634	224,875	1,096,337	3,730,515
	1,838,669	570,634	224,875	1,096,337	3,730,515

SUMMARY OF FUNDS

	Brought forward As restated £	Incoming resources £	Resources expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
General funds	203,983	373,447	(279,351)	-	-	298,079
Restricted funds	(353,000)	3,181,430	(3,303,289)	(11,483)	60,000	(426,342)
Restricted fixed asset funds	2,266,730	2,162,480	(268,427)	11,483	-	4,172,266
	2,117,713	5,717,357	(3,851,067)	-	60,000	4,044,003
	2,117,713	5,717,357	(3,851,067)	-	60,000	4,044,003

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2015 £	Restricted funds 2015 £	Restricted fixed asset funds 2015 £	Total funds 2015 £	Total funds 2014 £
Tangible fixed assets	-	-	4,002,107	4,002,107	2,266,730
Debtors due after more than 1 year	-	88,000	-	88,000	-
Current assets	751,255	219,658	170,159	1,141,072	416,228
Creditors due within one year	(453,176)	-	-	(453,176)	(168,245)
Provisions for liabilities and charges	-	(734,000)	-	(734,000)	(485,000)
	<u>298,079</u>	<u>(426,342)</u>	<u>4,172,266</u>	<u>4,044,003</u>	<u>2,117,713</u>

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 £	2014 £
Net incoming resources before revaluations	1,866,290	42,292
Returns on investments and servicing of finance	(373)	(493)
Assets transferred on conversion	(1,831,896)	-
Depreciation of tangible fixed assets	102,552	82,389
Loss on disposal of fixed assets	-	246
Increase in debtors	(112,975)	(40,488)
Increase in creditors	284,931	34,766
FRS 17 adjustments	309,000	24,000
Net cash inflow from operations	<u>617,529</u>	<u>142,712</u>

20. ANALYSIS OF CHANGES IN NET FUNDS

	1 September 2014 £	Cash flow £	Other non-cash changes £	31 August 2015 £
Cash at bank and in hand:	266,468	611,869	-	878,337
Net funds	<u>266,468</u>	<u>611,869</u>	<u>-</u>	<u>878,337</u>

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NOTES TO THE FINANCIAL STATEMENTS
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21. CONVERSION TO AN ACADEMY TRUST

Waterman

On 1 February 2015 Waterman Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Hearts Academy Trust from Essex County Council for £Nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as net incoming resources in the Statement of Financial Activities as voluntary income.

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

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
- Leasehold land and buildings	-	-	941,595	941,595
- Other tangible fixed assets	-	-	47,279	47,279
Budget surplus on LA funds	206,403	-	-	206,403
LGPS pension surplus/(deficit)	-	(160,000)	-	(160,000)
Net assets	206,403	(160,000)	988,874	1,035,277

The above net assets include £10,796 that were transferred as cash.

On conversion Essex County Council granted a 125 year lease in relation to the leasehold land and buildings.

Stambridge

On 1 February 2015 Stambridge County Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Hearts Academy Trust from Essex County Council for £Nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as net incoming resources in the Statement of Financial Activities as voluntary income.

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

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	2015 £
Leasehold land and buildings	-	-	824,953	824,953
Other tangible fixed assets	-	-	18,069	18,069
Budget surplus on LA funds	10,796	-	-	10,796
LGPS pension surplus/(deficit)	-	(90,000)	-	(90,000)
Total	10,796	(90,000)	843,022	763,818

The above net assets include £206,403 that was transferred as cash.

On conversion Essex County Council, the owner of the freehold property, granted a 125 year lease in relation to the leasehold land and buildings.

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22. 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.

23. PENSION COMMITMENTS

The Academy'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 defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. 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 £26,644 were payable to the schemes at 31 August 2015 (2014 - £15,339) 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 year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amounted to £111,058 (2014: (£85,151)).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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23. PENSION COMMITMENTS (continued)

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2015 was £110,000, of which employer's contributions totalled £85,000 and employees' contributions totalled £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.

The amounts recognised in the Balance Sheet are as follows:

	2015 £	2014 £
Present value of funded obligations	(1,087,000)	(715,000)
Fair value of scheme assets	353,000	230,000
	<u> </u>	<u> </u>
Net liability	<u>(734,000)</u>	<u>(485,000)</u>

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

	2015 £	2014 £
Current service cost	(123,000)	(53,000)
Interest on obligation	(35,000)	(31,000)
Expected return on scheme assets	14,000	10,000
	<u> </u>	<u> </u>
Total	<u>(144,000)</u>	<u>(74,000)</u>
	<u> </u>	<u> </u>
Actual return on scheme assets	<u>60,000</u>	<u>22,000</u>

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

	2015 £	2014 £
Opening defined benefit obligation	715,000	612,000
Current service cost	123,000	53,000
Interest cost	35,000	31,000
Contributions by scheme participants	25,000	14,000
Actuarial (Gains)/losses	(61,000)	5,000
Liabilities assumed in a business combination	250,000	-
	<u> </u>	<u> </u>
Closing defined benefit obligation	<u>1,087,000</u>	<u>715,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

23. PENSION COMMITMENTS (continued)

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

	2015 £	2014 £
Opening fair value of scheme assets	230,000	150,000
Expected return on assets	14,000	10,000
Actuarial gains and (losses)	(1,000)	6,000
Contributions by employer	85,000	50,000
Contributions by employees	25,000	14,000
	353,000	230,000

The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities was £NIL (2014 - £99,000).

The Academy expects to contribute £NIL to its Defined Benefit Pension Scheme in 2016.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2015	2014
Equities	65.00 %	64.00 %
Gilts	4.00 %	6.00 %
Other Bonds	10.00 %	11.00 %
Property	12.00 %	12.00 %
Cash	2.00 %	3.00 %
Alternative Assets	7.00 %	4.00 %

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2015	2014
Discount rate for scheme liabilities	4.00 %	3.90 %
Expected return on scheme assets at 31 August	5.30 %	5.30 %
Rate of increase in salaries	4.50 %	4.40 %
Rate of increase for pensions in payment / inflation	2.70 %	2.60 %
Inflation assumption (CPI)	2.70 %	2.60 %

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

	2015	2014
Retiring today		
Males	22.8	22.7
Females	25.2	25.1
Retiring in 20 years		
Males	25.1	24.9
Females	27.6	27.4

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23. PENSION COMMITMENTS (continued)

Amounts for the current and previous two periods are as follows:

Defined benefit pension schemes

	2015 £	2014 £	2013 £
Defined benefit obligation	(1,087,000)	(715,000)	(612,000)
Scheme assets	353,000	230,000	150,000
Deficit	<u>(734,000)</u>	<u>(485,000)</u>	<u>(462,000)</u>
Experience adjustments on scheme assets	<u>(1,000)</u>	<u>6,000</u>	<u>12,000</u>

24. OPERATING LEASE COMMITMENTS

At 31 August 2015 the Academy had annual commitments under non-cancellable operating leases as follows:

	2015 £	2014 £
Expiry date:		
Between 2 and 5 years	<u>2,487</u>	<u>2,487</u>

There were no commitments in relation to land and buildings.

25. RELATED PARTY TRANSACTIONS

Owing to the nature of the Academy'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 a Trustee has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy'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 2015.