HADLOW RURAL
COMMUNITY SCHOOL
ROOTED IN INNOVATION

Hadlow Rural Community School Limited
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended
31 August 2015

Company Registration No. 07645462

Hadlow Rural Community School Limited
REFERENCE AND ADMINISTRATIVE DETAILS

Members	Hadlow College
Trustees	L Brown (Chairman)* # ^ P Hannan (Vice Chairman) # ^ P Boxall (Accounting Officer)* (appointed 4 Sep 2014) R Devine* H Guntrip* J Kent # M Lumsdon-Taylor ^ P Morris # ^ G Jessel * members of the Finance and Resources Committee # members of the Quality and Curriculum Committee ^ members of the Strategy Committee
Company Secretary	M Lumsdon-Taylor
Senior Management Team	
Head Teacher	P Boxall (appointed 4 Sep 2014)
Interim Head Teacher	V O'Mara (resigned Apr 2014)
Head Teacher	S Davies (resigned Oct 2013)
Principal and Registered Office	Hadlow College Tonbridge Road Hadlow Tonbridge Kent TN11 0AL
Company Registration Number	07645462 (England and Wales)
Independent Auditor	RSM UK Audit LLP Portland 25 High Street Crawley West Sussex RH10 1BG
Bankers	Barclays Bank PLC Level 27, 1 Churchill Place London E14 5HP
Solicitors	Brachers LLP Somerfield House 59 London Road Maidstone ME16 8JH

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2015.

The trust operates an academy for pupils aged 11 to 16 serving a catchment area in Tonbridge and Malling. It has a pupil capacity of 150 and had a roll of 134 in the school census on 15th January 2015.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy Trust. The trustees of Hadlow Rural Community School Limited are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Hadlow Rural Community School. The school is a controlled subsidiary of the 'Hadlow Group', through Hadlow College.

Details of the Trustees who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

Members' liability

Each member of the Charitable Company undertakes to contribute to the assets of the Charitable Company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before they ceased to be a member.

Trustees' indemnities

In accordance with normal commercial practice the Academy has purchased Governor's liability insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £1million on any one claim.

Principal activities

The principal activity of the Academy Trust is to provide a balanced and broadly based curriculum, satisfying the requirements of section 78 of the Education Act 2002, for children of different abilities aged 11-16. The school provides education for pupils who are wholly or mainly drawn from the area in which the school is situated.

Method of recruitment and appointment or election of trustees

Staff governors are elected by the staff employed at the Hadlow Rural Community School. The total number of staff governors (including the Head Teacher/Principal) should not exceed one third of the total number of governors (including vacancies).

Parent Governors are elected by parents of registered pupils at the Academy. A Parent Governor must be a parent of a pupil at Hadlow Rural Community School at the time when he/she is elected. The number of Parent Governors required shall be made up by Parent Governors appointed by the Governing Body, if the number of parents standing for election is less than the number of vacancies. If appointing a Parent Governor, the Governing Body will appoint a person who is the parent of a registered pupil at Hadlow Rural Community School, or where it is not reasonably practical to do so, a person who is the parent of a child of compulsory school age.

The Governors may appoint up to three Co-opted Governors. In 'Co-opting' Governors, the Governors will be mindful of the skills and experience required to ensure Hadlow Rural Community School has sufficient experience to appropriately manage the Academy. The board is made up of appropriate representation to ensure control and effective governance.

Policies and procedures adopted for the induction and training of trustees
The training and induction provided for new governors will depend on their existing experience; an Induction Pack is given to all governors. A Governor Induction Pack is provided to all new Governors; this includes the Code of Practice, Articles of Association, Governance Structure, Committee Terms of Reference, Governor Contact List and Schedule of Meetings for the academic year. Induction tends to be carried out informally and is tailored specifically to the individual.

Organisational structure
The organisational structure of Hadlow Rural Community School consists of three levels, being the Governors, the Senior Managers, and the operational staffing team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels. The Governors are responsible for setting general policy, approving the School Development Plan, approving the school budget, monitoring the Academy by the use of budgets and making major decisions about the direction of the Academy, capital expenditure and senior staff appointments.

The Senior Manager is the Head Teacher/Principal. He controls the Academy at an executive level implementing the policies laid down by the Governors and reporting back to them. The Senior Manager is responsible for the authorisation of spending within agreed budgets; the appointment of staff, through appointment boards for posts in the Management Team and ensuring teaching staff always contain a governor; the implementation and monitoring of the School Development Plan; and, alongside Governors, completing the School Self Evaluation.

The Head Teacher is the Accounting Officer. Strategic decisions are made by the Board with strong leadership of the Head Teacher. The Board through its sub committees approve all major strategic decisions.

Connected organisations, including related party relationships
The school is part of the Hadlow Group and a wholly controlled subsidiary of Hadlow College. The Board has representation from the executive of the Group and the structure is reflected in the legal documents agreed with the DfE.

Risk management
The Governors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities, the other operational areas of the Academy and its finances, all of which are detailed in the Risk Register. The Governors have implemented a number of systems to assess risks that the school faces, especially in operational areas (e.g. in relation to teaching, health and safety, and school trips) and in relation to the control of finance. Where significant financial risk still remains, they have ensured that they have adequate insurance cover. The Academy has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

OBJECTIVES AND ACTIVITIES

Objects and aims
The principal object and activity of the charitable company is the operation of Hadlow Rural Community School to provide education for pupils of different abilities between the ages of 11-16. Our purpose is to ensure that all students reach and surpass their full potential whilst developing business leaders and rural entrepreneurs for the future.

The School has high expectations of student behaviour and conduct, high quality care and guidance, and a relentless pursuit of excellence through outstanding teaching. Ensuring that these elements are embedded in our culture provides support for all students in becoming successful, confident and fully rounded individuals, prepared for the challenges of an ever changing society.

To achieve this, the School will provide an environment that promotes:

- High aspirations and outstanding progress;
- Excellent teaching and learning;
- Innovative, stimulating and enjoyable learning experiences;
- Respect, self-discipline and independence;
- A value of knowledge and a lifelong love of learning; and
- Community and empathy for others.

Objectives, strategies and activities

The objectives and strategies in the Academy's School Development Plan for the year ended 31 August 2016 can be summarised as:

Achievement

- Attainment of all groups is in line with, or exceeds, the national averages;
- Gaps in underperformance are minimal and are closing rapidly;
- Students making, or exceeding, expected progress are high compared to national figures;
- Rapid and sustained progress across all year groups, and in all subjects; and
- Progress of defined groups is exceptional.

Teaching & Learning

- Most teaching over time is 'Outstanding' and never less than consistently 'Good';
- Almost all pupils make rapid and sustained progress that leads to outstanding achievement;
- All teachers have consistently high expectations and high levels of student engagement;
- Teaching is well planned and enables pupils to learn exceptionally well;
- Reading, writing, communication and maths is effectively taught across the curriculum;
- Student understanding is systematically and effectively checked throughout every lesson;
- Teachers and other adults authoritatively impart knowledge to ensure that pupils are engaged in learning and generate high levels of commitment to learning across the school; and
- High quality marking and feedback ensures that pupils make significant and sustained gains in their learning.

Behaviour & Safety

- Pupils consistently display a thirst for knowledge and understanding and a love of learning;
- Pupils' attitudes to learning are of an equally high standard across subjects, years and classes and with different staff. Incidences of low-level disruption in lessons are extremely rare;
- Stakeholder voice is unreservedly positive about behaviour and safety;
- Pupil's conduct is impeccable, both in and outside of lessons;
- Students are fully aware of different forms of bullying and incidents of bullying are isolated and dealt with highly effectively;
- Pupils' excellent conduct and behaviour reflects the school's effective strategies to promote high standards;
- Behaviour management is skilfully and consistently applied, promoting a positive environment and leading to excellent levels of improvement over time;
- All groups of students feel safe and understand how to keep themselves safe; and
- Teaching strategies are well-judged and are matched to student needs.

Leadership & Management

- All leaders and managers pursue excellence, and model professional standards;
- Effective self-evaluation and monitoring procedures are employed;
- Excellent policies underpin practice and ensure excellent progress in literacy;
- There is a relentless focus on improving Teaching and Learning with a focus on CPD for all staff and its links with appraisal;
- The curriculum promotes a thirst for knowledge and a love for learning; providing academic, technical and sporting opportunities supporting the development of the student as a whole;
- Achievement of disadvantaged students is rising rapidly in English and Maths;

- All leaders and managers demonstrate the capacity for improvement;

Leadership & Management (continued)

- Effective governance of the School, ensuring financial stability and efficient management of financial resources;
- Parents effectively engage with the School;
- External partnerships are effective and successful in improving the School; and
- Safeguarding procedures are rigorous, efficient and effective.

The review of the 2014-15 School Development Plan shows the following:

Achievement
Many students are making better than expected progress particularly when considering their low starting points. Overall KS3 performance in English, Maths and Science is very strong. KS4 performance, when
considering starting points in the School, is in line with national averages for Science and Maths but exceeds expectations in English.

Performance of disadvantaged students is in line with, or in most cases, exceeds that of other students, and performance of students with an additional educational need is in line with, or in most cases, exceeds that of other students.

Teaching & Learning
Much teaching is consistently good or better and most students have made very good progress over time. This includes disadvantaged students and the least and most able students. Planning is appropriate and provides learning opportunities that are challenging and match the needs of the students.

Term assessments are evidence based providing a holistic picture of student progress, incorporating test/assessment results, classwork, and homework performance. Feedback on these aspects is regularly and effectively given to students, providing clear targets for improvement.

Behaviour & Safety
Behaviour of students at the School is excellent, judgements of which are supported by external moderators (DfE Advisor, Ofsted). Attitudes to learning are very good and support a positive learning environment. Students are courteous and respectful to adults and each other and demonstrate high levels of engagement in lessons. Incidents of low level behaviour are dealt with efficiently and school strategies to improve behaviour are highly effective.

Students have a clear understanding that bullying will not be tolerated within the School. They are clear on the different forms of bullying and have a good understanding on how to deal with this effectively. Similarly, they have a good understanding of safety and what constitutes risk.

Leadership & Management
The leadership of the School provides a clear and ambitious vision for the School. Procedures and policies implemented have demonstrated rapid and sustained improvements across the School. The staffing re-structure has provided clear delineated roles within the leadership of the School, leading to positive outcomes for students. Accountability and monitoring measures have been increased with positive outcomes. Underperformance is rapidly and robustly challenged.

Public benefit
The trustees have complied with their duty to have due regard to the guidance on public benefit issued by the Charity Commission in exercising their powers and duties.

STRATEGIC REPORT

Achievements and Performance

Total pupils on roll in the year ended 31 August 2015 totalled 138 and were split between the year groups as follows:
Year 7 – 55
Year 8 – 53
Year 10 – 13
Year 11 – 17

Progress and achievement in Year 7 and 8 exceeds national expectations in English and Science and is in line with expectations in Maths (for Year 7)

Progress and achievement in Year 10 is generally in line with National equivalents when considering student starting points.

Performance at the end of Year 11 closely matched forecasts in English and Maths:

Attainment 8	-	4.31 (D+)
Progress 8	-	-0.26 (-0.03, including Land-based courses)
5A*-C inc En & Ma	-	35%

English - 82% making expected progress
Maths - 53% making expected progress

Overall performance was broadly in line with national equivalents when considering the ability breakdown of the cohort and their very low starting points at KS2. When considering the starting points in Year 10 these results represent very good progress. It is also worth noting that should Land-based courses be included within the School measures then the outcomes provide a positive residual.

The School experienced its first Ofsted inspection in June 2015. The outcome of the inspection was extremely positive and acknowledged the rapid improvements the School had experienced over the course of a very short period of time. The inspection highlighted the leadership and governance of the School as a key strength in developing a clear vision and highly positive ethos. The innovative curriculum, combining land-based with academic studies, was also confirmed as a significant strength of the School. Safeguarding was rated as 'Outstanding' and the promotion of British values and Social, moral, spiritual and cultural development was also deemed a strong aspect of the School.

Financial Review

Most of the Academy's income is obtained from the EFA in the form of recurrent grants, the use of which is restricted to particular purposes to support the objects of Hadlow Rural Community School. The grants received from the EFA during the year ended 31 August 2015 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The Academy also receives grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the restricted fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned. During the year ended 31 August 2015 total expenditure was covered by recurrent grant funding from the EFA together with other incoming resources. The controlled loss of income over expenditure for the year (excluding restricted fixed asset funds and pension deficit) was £461. At 31 August 2015 the net book value of fixed assets was £3,926,057 and movements in tangible fixed assets are shown in note 9 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy. The principal financial management policies adopted in the year are detailed in the Statement of Accounting Policies. The Academy has also adopted the Academies Financial Handbook.

Financial and risk management objectives and policies

Hadlow Rural Community School has a pension deficit of £65,000 relating to the LGPS defined benefit pension scheme. This deficit is subject to triennial actuarial reviews that will determine appropriate employer pension contributions. The next actuarial review will take place during 2014 affecting employer contributions from April 2015.

Reserves policy

The governors review the Academy's reserves annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitment and the nature of reserves. Where the Academy holds unrestricted reserves, it is the governors' policy to apply these resources to meet the spending priorities determined by the Governing Body. The level of unrestricted reserves is to not exceed 10% of the total income of the Academy, unless authorised by Governors for a specific, long
term project. No such project has currently been identified and it is currently anticipated that these funds will be required to support the school budget for 2015-16. The school has limited reserves at 31st August 2016

Investment policy

Hadlow Rural Community School has one bank account that holds all cash balances. The Academy has endeavoured to maximise the use of these funds by arranging with the bank to receive interest of 0.25% below the Bank of England base rate on balances held in the account.

Key performance indicators

The Trustees have monitored the income and expenditure of the Academy against the budgets agreed at the beginning of the financial year. The trustees have also set the following Key Performance Indicators:

- Whilst not limiting the recruitment and retention policies and processes of the Academy, staff costs as a percentage of income should be below 80%. Due to the split site nature of the school it incurred additional staff costs, however staff costs as a percentage of total revenue income for the year ended 31 August 2015 was below this target at 63%.
- The level of unrestricted reserves to not exceed 10% of income. The level of free cash reserves at 31 August 2015 was £nil.
- Pupil Premium funding to be effectively used for all eligible pupils and its impact assessed. The school received £27,300 that was used to support 37 pupils.
- Capital projects to come in on time and within budget. The temporary projects are complete and are within budget.
- A positive cash flow to be maintained at all times. A positive cash position was achieved at the year end and will be improved throughout the following year.

Plans for Future Years

- To further increase the support for continuing professional development of all staff, leading to the delivery of cutting edge practice and the highest quality of teaching and provision for all students.
- To ensure all pupils have every opportunity to achieve accelerated progress in all subject areas, with a specific emphasis on reading, writing and numeracy
- To promote the School as an outward facing educational establishment and one that is at the centre of the local, national and global community, providing effective School to School support within the Tonbridge and Malling locality.
- To provide an innovative curriculum that meets the needs of all students, and one that inspires and challenges all learners, whilst also preparing students for future employability and life in modern Britain.
- To ensure the New Build (September 2016) is meticulously planned for, enabling a smooth and positive transfer for all stakeholders.
- To further promote a culture of high expectations, high aspirations and working collaboratively in enabling all stakeholders to reach their potential.
- To provide more extensive enrichment opportunities focused on developing the child as a whole and supporting the continuing social, moral, spiritual and cultural education of every child.

Principal risks and uncertainties
The Academy has a Risk Register that is reviewed regularly by the Trustees. The principal risks, other than the financial risks detailed above, come under the headings of strategic/reputational; social; technological; legislative/regulatory; environmental; operational; managerial; legal; and physical. Due to the controls in place, all risks were regarded as medium and low probability. A full Risk Register is maintained in the standard group format and adopted by the school.

GOING CONCERN
After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

AUDITORS
RSM UK Audit LLP has indicated its willingness to continue in office.

Statement as to disclosure of information to auditor

The Trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

SMALL COMPANY PROVISIONS
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

The Trustees' Annual Report is approved by order of the Board of Trustees and the Strategic Report (included therein) is approved by the Board of Trustees in their capacity as the directors at a meeting on 10 December 2015 and signed on its behalf by:

L Brown
Chair of Trustee

Hadlow Rural Community School Limited
GOVERNANCE STATEMENT

Scope of responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Hadlow Rural Community School 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 Trustees has delegated the day-to-day responsibility to the 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 Hadlow Rural Community School And the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

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

Trustee	Meetings attended	Out of possible
L Brown (Chairman)	6	6
P Hannan (Vice Chairman)	6	6
M Lumsdon-Taylor	4	6
H Guntrip	6	6
J Kent	5	6
G Jessel	2	6
P Morris	4	6
M Nichols	3	4
P Boxall (Headteacher and Accounting Officer)	6	6

Governance reviews
Governance is routinely reviewed as part of the annual cycle of school business. Strategic oversight is also delivered via the Hadlow Group Board. The Finance and Resources Committee is a sub-committee of the main board of trustees. Its purpose is to assist the decision making of the Governing Body, by enabling more detailed consideration to ensure sound management of the Academy's finances and resources, including proper planning, monitoring and probity.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of possible
L Brown	3	3
H Guntrip	3	3
R Devine	3	3
Paul Boxall	3	3
Lesley Shott (Management Accountant)	3	3

The Quality and Curriculum Committee is also a sub-committee of the main board of trustees. Its purpose is to monitor the quality of the school provision including pupil progress, curriculum development and staff performance.

Attendance at meeting in the year is as follows:

Trustee	Meetings attended	Out of possible
P Morris (Chair)	3	3
L Brown	3	3
P Hannan	3	3
J Kent	3	3
M Nichols	2	2
Paul Boxall	3	3

The Strategy Committee is also a sub-committee of the main board of trustees. Its purpose is to give the overall direction of the school and establish its ethos and values.

Attendance at meeting in the year is as follows:

Trustee	Meetings attended	Out of possible
L Brown (Chair)	2	2
P Hannan	2	2
Harvey Guntrip	2	2
P Morris	2	2
Paul Boxall	2	2

The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy 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 Hadlow Rural Community School for the year ended 31 August 2015 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk
The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year ending 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 Trustees.

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

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

The Board of Trustees has considered the need for a specific internal audit function. The group function has been expanded to include the school for 2014/2015. This will work in partnership with the Accounting Officer.
The internal auditor's (IA) role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a quarterly basis the IA will report to the finance and general purposes committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

Review of effectiveness
As Accounting Officer, the 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 external agencies;
- The work of the external auditor;
- The financial management and governance self-assessment process;
- The work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the relevant subcommittees and ensures continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 10 December 2015 and signed on its behalf by: -

L Brown
Chair of Trustees

P Boxall
Accounting Officer

Hadlow Rural Community School Limited
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As accounting office of Hadlow Rural Community School I have considered my responsibility to notify the academy trust 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. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the Academy 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.

I confirm that no instances of material irregular, 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.

P Boxall
Accounting Officer

Date: 10 December 2015

Hadlow Rural Community School Limited
STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees, who are also the directors of the Charitable Company for the purposes of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with the 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 trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of its incoming resources and application of resources, including its income and expenditure, for that year. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by order of the members of the Board of Trustees on 10 December 2015 and signed on its behalf by:

L Brown
Chair of Trustees

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HADLOW RURAL COMMUNITY SCHOOL LIMITED
YEAR ENDED ON 31 AUGUST 2015

We have audited the financial statements of Hadlow Rural Community School Ltd for the year ended 31 August 2015 on pages 16 to 33. 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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor
As explained more fully in the Statement of Trustees' Responsibilities set out on page 14, the governors (who act as trustees for the charitable activities of the charitable company, and 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the charitable company's affairs as at 31 August 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;
- have been prepared in accordance with the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

Opinion on other requirement of the Companies Act 2006
In our opinion the information given in the Trustees' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HADLOW RURAL COMMUNITY SCHOOL LIMITED
YEAR ENDED ON 31 AUGUST 2015 (continued)

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:

- the charity has not kept adequate accounting records, 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 governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Governors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Governors' report.

RSM UK Audit LLP

DOMINIC BLYTHE (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

21/12/15

Hadlow Rural Community School Limited

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 August 2015

	Notes	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset £'000	Total 2015 £'000	Total 2014 £'000
INCOMING RESOURCES						
Incoming resources from generated funds:						
Voluntary income	1	50	-	2,740	2,790	178
Activities for generating funds		-	30	-	30	22
Incoming resources from charitable activities:						
Academy Trust's educational operations	2	-	935	-	935	653
Total incoming resources		**50**	**965**	**2,740**	**3,755**	**853**
Resources expended						
Charitable activities:						
Academy Trust's educational operations	4	-	934	-	934	749
Governance costs	5	-	78	-	78	46
Other resources expended – transfer on conversion		-	-	-	-	50
Total resources expended	**3**	**-**	**1,012**	**-**	**1,012**	**845**
NET (OUTGOING)/ INCOMING RESOURCES BEFORE TRANSFERS		50	(47)	2,740	2,743	8
Gross transfers between funds	12	(50)	50	-	-	-
NET (EXPENDITURE)/INCOME FOR THE YEAR		**-**	**3**	**2,740**	**2,743**	**8**
OTHER RECOGNISED GAINS AND LOSSES						
Actuarial losses on defined benefit pension scheme	19		(3)		(3)	(7)
NET MOVEMENT IN FUNDS RECONCILIATION OF FUNDS		**-**	**-**	**2,740**	**2,740**	**1**
Total funds brought forward.			(104)	1,016	912	911
TOTAL FUNDS CARRIED FORWARD	**13**	**-**	**(104)**	**3,756**	**3,652**	**912**

All of the Academy Trust's activities derive from continuing operations during the above two financial periods.

Hadlow Rural Community School Limited
BALANCE SHEET
As at 31 August 2015

	Notes	31 August 2015 £'000	31 August 2015 £'000	31 August 2014 £'000	31 August 2014 £'000
FIXED ASSETS					
Tangible assets	9		3,926		1,175
CURRENT ASSETS					
Debtors	10	2,539		141	
Cash at bank and in hand		31		83	
		2,570		224	
CREDITORS: Amounts falling due within one year	11	(2,779)		(428)	
NET CURRENT (LIABILITIES)/ASSETS			(209)		(204)
TOTAL ASSETS LESS CURRENT LIABILITIES			**3,717**		**971**
NET ASSETS EXCLUDING PENSION LIABILITY			3,717		971
Pension scheme liability	19		(65)		(59)
NET ASSETS INCLUDING PENSION LIABILITY			**3,652**		**912**
FUNDS OF THE ACADEMY TRUST:					
RESTRICTED FUNDS					
Fixed asset fund	13		3,756		1,016
General fund	12		(39)		(45)
Restricted funds excluding pension reserve			3,717		971
Pension reserve	12		(65)		(59)
TOTAL RESTRICTED FUNDS			3,652		912
TOTAL UNRESTRICTED INCOME FUNDS	**12**		-		-
TOTAL FUNDS			**3,652**		**912**

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 16 to 33 were approved by the trustees and authorised for issue on 10 December 2015 and are signed on their behalf by:

L Brown
Chair of Trustees

Hadlow Rural Community School Limited
CASHFLOW STATEMENT
For the year ended 31 August 2015

	Notes	2015 £'000	2014 £'000
NET CASH FLOW FROM OPERATING ACTIVITIES	15	1,797	384
Returns on investments and servicing of finance	16		
Capital expenditure	17	(1,849)	(500)
(DECREASE)/INCREASE IN CASH IN THE YEAR	**18**	**(52)**	**(116)**
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
NET FUNDS AT 1 AUGUST 2014	**18**	**83**	**199**
NET FUNDS AT 31 AUGUST 2015		**31**	**83**

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Statement of Recommended Practice ('SORP 2005') 'Accounting and Reporting by Charities', the Academies: Accounts Direction 2014 to 2015 issued by the Education Funding Agency and Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Going Concern

The financial statements have been prepared on the going concern assumption based upon the continued support of the member, Hadlow College. The trustees have obtained an undertaking from the member that this support will continue to be available, for at least eighteen months from the date of signing the financial statements.

Incoming resources

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

Grant income is included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the year is shown in the relevant funds on the balance sheet.

The general annual grant ('the GAG') from the DfE, which is intended to meet recurrent costs, is recognised on a receivable basis and is credited directly to the Statement of Financial Activities, incoming resources from charitable activities, to the extent of the entitlement of the funds, any abatement in respect of the year is deducted from income and is recognised as a liability.

Capital grants are recognised as voluntary income on a receivable basis to the extent there is entitlement.

Other grants from government agencies and other bodies are recognised in the year in which they are receivable to the extent the conditions of funding have been met. 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.

Other income

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

Interest receivable

Interest receivable is included in the Statement of Financial Activities on a receivable basis, and is stated inclusive of related tax credits.

Resources expended

All expenditure is recognised in the year 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 to each activity cost category on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

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

Governance costs include the costs attributable to the Academy Trust'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.

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

Restricted General funds are resources subject to specific restrictions imposed by funders or donors, and include grants from the Education Funding Agency.

Restricted Fixed Assets Funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency or other funders, where the asset acquired or created is held for a specific purpose on a continuing basis.

Tangible fixed assets
Tangible fixed assets costing £500 or more are capitalised at cost and are carried at cost net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. Where the related grants require the asset to be held for a specific purpose and continued use they are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. This amount is reduced over the useful economic life of the related asset on a basis consistent with the depreciation policy by transfer from the restricted fixed asset fund to restricted funds in the Statement of Financial Activities to offset the depreciation of the asset.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Freehold buildings	50 years
Fixtures, fittings and equipment	10 years
IT equipment	3 years
Office equipment	5 years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

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

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 21, the TPS is a multi-employer scheme and the Academy Trust 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 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 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 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 year until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

1 VOLUNTARY INCOME

	Unrestricted Funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	2015 Total £'000	2014 Total £'000
DfE/EFA capital grant for building	-	-	2,740	2,740	125
Donations – capital	-	-	-	-	-
Private sponsorship	50	-	-	50	-
Other donations	-	-	-	-	53
	50	-	2,740	2,790	178

Other donations are made up of donated services from Hadlow College, the Academy Trusts controlling entity. In accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (2005), where donated services are recognised, the equivalent amount should be included in resources expended. These can be found within allocated support costs, see note 3.

OTHER DONATIONS

Donated services:	2015 Total £'000	2014 Total £'000
Electricity	-	3
Water rates	-	4
Insurance	-	5
Business rates	-	2
Audit fee	-	15
Service Level Agreements:		
Central	-	4
Estates	-	5
Finance	-	8
IT	-	7
	-	53

2 FUNDING FOR ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £'000	Restricted general funds £'000	2015 Total £'000	2014 Total £'000
DfE/EFA REVENUE GRANTS				
General annual grant (GAG)	-	805	805	471
Start-up grants	-	68	68	131
Other DfE/EFA grants	-	62	62	51
TOTAL	-	935	935	653

3 RESOURCES EXPENDED

	Staff costs £'000	Non pay expenditure Premises £'000	Other costs £'000	Total 2015 £'000	Total 2014 £'000
Academy Trust's educational Operations					
Direct costs	596	-	37	633	595
Allocated support costs	98	37	166	301	154
Transfer on conversion	-	-	-	-	50
	694	37	203	934	799
Governance costs including allocated support costs	-	-	78	78	46
	694	37	281	1,012	845

Net outgoing resources for the year

	2015 £'000	2014 £'000
Fees payable to RSM UK Audit LLP and its associates for:		
- audit	13	15

4 CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS

	2015 £'000	2014 £'000
DIRECT COSTS		
Teaching and educational support staff costs	596	561
Educational supplies	36	34
Other direct costs	1	
	633	**595**
ALLOCATED SUPPORT COSTS		
Support staff costs	97	20
Maintenance of premises and equipment	1	6
Cleaning	8	5
Rent and rates	20	31
Energy costs	-	2
Insurance	8	5
Depreciation	40	22
Security and transport	66	20
Catering	60	24
Bank Interest and Charges	1	-
Other support costs	-	17
Pension finance cost	-	2
	301	154
	934	**749**

5 GOVERNANCE COSTS

	2015 £'000	2014 £'000
Legal and professional fees	59	31
Auditor's remuneration		
-Audit of financial statements	13	15
-Auditor other services	6	
	78	46

6 STAFF NUMBERS AND COSTS

Staff costs	2015 £'000	2014 £'000
Staff costs during the year were:		
Wages and salaries	525	373
Social security costs	75	23
Pension costs	32	39
	632	435
Supply staff costs	62	146
	694	**581**

Staff numbers
The average number of persons (including senior management team) employed by the Academy Trust during the year was as follows:

Educational operations	2015 No.	2014 No.
Teachers	12	5
Administration and support	2	1
Management	1	
	15	**6**

Higher paid staff

The principal P Boxall received £90,352 within the year. No other employee received over £60,000 in the year.

In 2014 interim principal, V O'Mara, was sub-contracted to the Academy Trust in 2014 and received £61,958 during the period.

Twelve of the above employees participated in the Teachers' Pension Scheme. The remainder of the employees participated in the Local Government Pension Scheme. Both pension schemes are defined benefit schemes.

7 TRUSTEES' REMUNERATION AND EXPENSES

Principal and staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment and not in respect of their services as trustees. Other trustees did not receive any payments from the Academy Trust in respect of their role as trustees.

S Davies, the Principal from May 2011 to October 2013, received remuneration of £nil in 2015 (2014: £27,804) and accrued retirement benefits under the Teachers' Pension Scheme. The contributions paid in the year amounted to £nil (2014: £2,332).

V O'Mara, the Principal from October 2013 to April 2014, received remuneration of £nil in 2015 (2014: 61,958).

P Boxall, the Principal from April 2014 to present, received remuneration of £90,352 in 2015 (2014: £23,873) and is accruing retirement benefits under the Teachers' Pension Scheme. The contributions paid in the year amounted to £10,211 (2014: 3,366).

During the year ended 31 August 2015, no trustees (2014: none) received reimbursement for travel and subsistence expenses (2014: £nil).

Related party transactions involving the trustees are set out in note 20.

8 TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2015 was covered by Hadlow College, the parent company of the Academy Trust.

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures fittings and equipment £'000	Total £'000
Cost:				
1 August 2014	1,115	62	20	1,197
Additions	2,742	45	4	2,791
31 August 2015	3,857	107	24	3,988
Depreciation				
1 August 2014	-	22	-	22
Charged in the year	-	35	5	40
31 August 2015	-	57	5	62
Net book value				
31 August 2015	**3,857**	**50**	**19**	**3,926**
31 August 2014	**1,115**	**40**	**20**	**1,175**

The trust's transactions relating to land and buildings included the 2014 acquisition of the freehold on the main school building, which was donated to the trust by Hadlow College at the value of £410,390.

10 DEBTORS

	31 August 2015 £'000	31 August 2014 £'000
Trade Debtors	7	-
Prepayments	1	89
HMRC VAT	605	-
Other debtors	1,926	52
	2,539	141

11 CREDITORS: Amounts falling due within one year

	31 August 2015 £'000	31 August 2014 £'000
Trade creditors	1,694	15
Group creditors	775	157
Other creditors	7	-
Accruals and deferred income	303	256
	2,779	428

12 FUNDS

	At 1 September 2014 £'000	Incoming resources £'000	Resources expended £'000	Gains, losses & transfers £'000	At 31 August 2015 £'000
RESTRICTED GENERAL FUNDS					
General Annual Grant (GAG) (excluding pension reserve)	(45)	805	(849)	50	(39)
Pension reserve	(59)	-	(3)	(3)	(65)
General Annual Grant (GAG)	(104)	805	(852)	47	(104)
Start Up Grant	-	68	(68)	-	-
Other DfE/EFA grants		92	(92)		-
	(104)	965	(1,012)	47	(104)
RESTRICTED FIXED ASSET FUNDS					
DfE/EFA capital grants	1,016	2,740	-	-	3,756
	1,016	2,740	-	-	3,756
TOTAL RESTRICTED FUNDS	912	3,705	(1,012)	47	3,652
UNRESTRICTED FUNDS					
Unrestricted funds	-	50	-	(50)	-
TOTAL UNRESTRICTED FUNDS	-	50	-	(50)	-
TOTAL FUNDS	912	3,755	(1,012)	(3)	3,652

12 FUNDS (continued)

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

Restricted General Funds – This fund is for income and expenses relating to the running of the school.

Restricted Fixed Asset Fund – This fund relates to the income which is contributed towards the purchase of any assets, and any relating expenses.

Unrestricted Fund – This fund is for any income and expenditure not relating to either of the two funds.

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

13 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	-	170	3,756	3,926
Current assets	-	2,570	-	2,570
Current liabilities	-	(2,779)	-	(2,779)
Pension scheme liability	-	(65)	-	(65)
TOTAL NET ASSETS AT 31 AUGUST 2015	-	(104)	3,756	3,652

14 CAPITAL COMMITMENTS

	31 August 2015 £'000	31 August 2014 £'000
Contracted for, but not provided in the financial statements	4,146	5,650

The capital commitment relates to a 2-stage build for the main school.

15 RECONCILIATION OF NET INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 August 2015 £'000	31 August 2014 £'000
Net income	2,743	8
Depreciation (note 9)	40	22
Capital grants from DfE and other capital income	(2,740)	(125)
FRS17 pension cost less contributions payable note 19	2	-
FRS 17 pension finance expenditure (note 19)	1	2
(Increase)/decrease in debtors	(600)	178
Increase in creditors	2,351	249
Pension liability inherited from the local authority	-	50
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,797	384

16 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

Interest received		
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	-	-

17 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of tangible fixed assets	(2,791)	(625)
Capital grants from DfE/EFA	942	125
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	**(1,849)**	**(500)**

18 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2014 £'000	Cash flows £'000	At 1 August 2015 £'000
Cash in hand and at bank	83	(52)	31
	83	**(52)**	**31**

19 PENSION AND SIMILAR OBLIGATIONS

Pension and similar obligations

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

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 year amounted to £105,992 (2014: £30,606).

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, 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 pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2015 was £20,000, of which employer's contributions totalled £15,000 and employees' contributions totalled £5,000. The agreed contribution rates for future years are 17.3 per cent for employers and range from 5.5 per cent to 7.5 per cent 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

	2015 %	2014 %
Rate of increase in salaries	4.5	4.5
Rate of increase for pensions in payment	2.7	2.7
Discount rate	4	4
Inflation (CPI)	2.7	2.7
Inflation (RPI)	3.6	3.5
Commutation of pensions to lump sums	50.0	50.0

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

	2015 years	2014 years
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

The Academy Trust's share of the assets and liabilities in the scheme and the expected rates of return were:

	Fair value at 31 August 2015 £'000	Expected return at 31Aug 2014 %	Fair value at 31 August 2014 £'000
Equities	37	6.7	29
Other bonds	1	3.6	5
Property	6	5.9	4
Cash	7	2.9	2
Gilts	1	3.0	1
Target return portfolios	2	5.9	2
TOTAL MARKET VALUE OF ASSETS	54		43
Present value of scheme liabilities			
- Funded	(119)		(102)
DEFICIT IN THE SCHEME	(65)		(59)

The actual return on scheme assets was £1,000 (2014: £3,000)

Amounts recognised in the statement of financial activities	2015 £'000	2014 £'000
Current service cost (net of employee contributions)	10	10
Past service cost	-	-
Total operating charge	10	10

Analysis of pension finance income/(costs)	2015 £'000	2014 £'000
Expected return on pension scheme assets	2	2
Interest on pension liabilities	(4)	(4)
Pension finance costs	(2)	(2)

The actuarial gains and losses for the current year are recognised in the SOFA. The cumulative amount of actuarial gains and losses recognised in the statement of recognised gains and losses since the adoption of FRS 17 is a £10,000 loss (2014: £7,000 loss)

Movements in the present value of defined benefit obligations were as follows:	2015 £'000	2014 £'000
At 1 September 2014	102	77
Current service cost	10	10
Interest cost	4	4
Employee contributions	1	3
Actuarial (gain)/loss	2	8
At 31 August 2015	**119**	**102**

Movements in the fair value of Academy Trust's share of scheme assets:		
At 1 September 2014	43	27
Expected return on assets	3	2
Actuarial gain/(loss)	(2)	1
Employer contributions	8	10
Employee contributions	2	3
At 31 August 2015	**54**	**43**

The estimated value of employer contributions for the year ended 31 August 2015 is £7,000 per FRS 17 report.

	2015 £'000	2014 £'000
Present value of defined benefit obligations	(119)	(102)
Fair value of share of scheme assets	54	43
Deficit in the scheme	**(65)**	**(59)**

The five-year history of experience adjustments is as follows:

	2015 £'000	2014 £'000
Present value of defined benefit obligations	(119)	(102)
Fair value of share of scheme assets	54	43
Deficit in the scheme	(65)	(59)

20 RELATED PARTIES

Owing to the nature of the Academy 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 a trustee has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

The following related party transactions took place in the year:

During the current and the previous period the Academy Trust was under the control of Hadlow College, a Further Education college registered in England and Wales. Transactions totalling £729,861 (2014,£441,470) relating to the recharged expenses for salaries, lessons in the College and the use of the mobile buildings, took place in the year. At 31 August 2015 £775,021 (2014 £157,713) of this amount was outstanding and owed back to Hadlow College. Services donated by Hadlow College are set out in note 1.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HADLOW RURAL COMMUNITY SCHOOL LIMITED AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 19 August 2014 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 Hadlow Rural Community School Limited during the period 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 Hadlow Rural Community School Limited and the EFA in accordance with the terms of our engagement letter dated 19 August 2014. Our work has been undertaken so that we might state to Hadlow Rural Community School Limited 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 Hadlow Rural Community School Limited and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Hadlow Rural Community School Limited's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Hadlow Rural Community School Limited's funding agreement with the Secretary of State for Education dated 19 August 2013 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 period 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 the EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Conclusion
In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2014 to 31 August 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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31/12/15