HADLOW RURAL
COMMUNITY SCHOOL

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended
31 August 2018

Company Registration No. 07645462

Hadlow Rural Community School Limited
REFERENCE AND ADMINISTRATIVE DETAILS

Members	P Morris L Pamphilon
Trustees	P Morris (Chairman)* # ^ P Hannan (Vice Chairman) # ^ (resigned 8/3/2019) P Boxall (Accounting Officer) ^* # H Guntrip*^ (resigned 4/6/2019) M Lumsdon-Taylor ^# (resigned 8/3/2019) G Jessel (resigned 19/3/19) A Edwards # (Resigned 31/8/18) M Nichols # (Resigned 4/4/19) A Wickenden* # K Richardson #(Appointed 5/12/17) N Dean # (Appointed 27/3/18) O Reeve* (Appointed 27/3/18) M Algar #(Appointed 27/3/18) K Moule* (Appointed 30/1/18) I Tucker-Bell (Appointed 10/4/19) * members of the Finance and Resources Committee # members of the Quality and Curriculum Committee ^ members of the Strategy Committee
Company Secretary	M Lumsdon-Taylor (resigned 8/3/2019)
Senior Management Team	
Head Teacher	P Boxall
Deputy Head Teacher	A Edwards (Resigned 31/8/18)
Principal and Registered Office	Hadlow Rural Community School Tonbridge Road Hadlow Tonbridge Kent TN11 0AU
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 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

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 375 and had a roll of 337 in the school census on 19th January 2018.

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.

Arrangements for setting pay and remuneration of key management personnel

The academy's key management personnel have been identified as the trustees and the Headteacher and Deputy Headteacher who form the senior leadership team. No trustee receives any pay or remuneration for their role as trustee and only those with a contract of employment receive remuneration. The Deputy Headteacher has clear performance targets, including pupil progress. If all targets are met and clear evidence is provided he receives an incremental point in line with the pay policy, authorised by the Headteacher and the board of trustees. For the Headteacher's appraisal, the chair of governors reviews the Headteacher's evidence against agreed targets. If the targets have been met the chair of the governors will authorise the increment.

Connected organisations, including related party relationships

The school is part of the Hadlow Group and a 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 2018 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 2017-18 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 that of other students, and performance of students with an additional educational need is also in line with that of other students.

Year 11 results were in line with National equivalents when considering their starting points and needs of the cohort.

Teaching & Learning
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.

The trustees consider that the company's aims are demonstrably for the public benefit. We support other schools through sharing of practise and knowledge to ultimately benefit the wider community.

STRATEGIC REPORT

Achievements and Performance

Total pupils on roll in the year ended 31 August 2018 totalled 332 and were split between the year groups as follows:
Year 7 – 90
Year 8 – 75
Year 9 – 58
Year 10 – 61
Year 11 – 48

Progress and achievement in Year 7, 8 and 9 exceeds national expectations in English and Science and is in line with expectations in Maths.

Year 11 external results were in keeping with the attainment range of the cohort and outcomes were in line with national equivalents. National performance tables will indicate a negative progress 8 score however; this outcome does not include the Land-Based courses (School specialism). Once included within the calculation overall progress measures are in line with national progress 8 scores ie 0 (zero).

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 ESFA 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 ESFA during the year ended 31 August 2018 (£1,749,000, 2017: £1,338,000) and the associated expenditure (£2,257,000, 2017: £1,671,000) are shown as restricted funds in the statement of financial activities.

The Academy also receives grants for fixed assets from the ESFA (£617,000, 2017: £379,000). In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP FRS 102), 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 2018 total expenditure was covered by recurrent grant funding from the ESFA together with other incoming resources. The loss of expenditure over income for the year (excluding restricted fixed asset funds and pension deficit) was £82k. At 31 August 2018 the net book value of fixed assets was £8,783k 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.

At 31 August 2018 the Academy had net current liabilities of £1,832,000 (2017: £2,078,000). Creditors include a debt due to the ESFA of £1,229,289 and a balance due to Hadlow College of £648,688. The Academy have therefore sought support from the ESFA who have agreed to provide additional recoverable funding to help the School manage these debts to ensure there is no disruption to the operation of Hadlow Rural Community School. The Governors believe that the debt due to Hadlow College, which relates to the overspend on the School building, is the responsibility of the College and they are seeking legal advice on the matter.

Financial and risk management objectives and policies

The Academy Trust has only basic financial instruments, as described in section 11 of FRS 102, in the form of bank balances, cash and trade creditors, consequently it has selected to apply only the provisions of section 11 and not section 12 of FRS 102.

Hadlow Rural Community School has a pension deficit of £77,000 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 2018 affecting employer contributions from April 2018.

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. The school has limited reserves at 31st August 2018, restricted general funds of £45,000 and no unrestricted funds. These are considered to be the Academy's free reserves.

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 higher than normal sickness absence the school incurred additional staff costs. The staff costs as a percentage of total revenue income for the year ended 31 August 2018 was above this target at 86%.
- The level of unrestricted reserves to not exceed 10% of income. The level of free cash reserves at 31 August 2018 was £nil.
- Pupil Premium funding to be effectively used for all eligible pupils and its impact assessed. The school received £88,239 that was used to support 99 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 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. One of the Academy's principal financial risks is going concern due to net current liabilities. This is referred to in the paragraph below.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the net current liability position as at 31 August 2018. In previous years the school has received the support of the member, Hadlow College. As a result of Hadlow College being put into educational administration the trustees have sought and obtained an undertaking from the ESFA to provide support, if required, in the form of additional recoverable funding, of up to £2.35m to settle certain debts and to ensure that there is no disruption to the operation of Hadlow Rural Community School. Forecasts have been prepared which demonstrate that, with this support, it is considered that Hadlow Rural Community School will have sufficient funds to be able to continue to trade for the foreseeable future and hence the financial statements have been prepared on an going concern basis.

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.

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 27th September 2019 and signed on its behalf by:

P Morris
Chair of Trustees

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 3 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of possible
P Morris (Chairman)	3	3
P Hannan (Vice Chairman)	3	3
M Lumsdon-Taylor	3	3
H Guntrip	3	3
G Jessel	3	3
K Richardson	3	3
O Reeve	2	2
M Algar	2	2
K Moule	2	2
A Wickenden	3	3
N Dean	2	2
M Nichols	2	3
A Edwards	1	3
P Boxall (Headteacher and Accounting Officer)	2	3

Since the end of the year P Hannan, H Guntrip, M Lumsdon-Taylor, G Jessel, A Edwards, M Nicholls resigned as trustees. I Tucker-Bell was appointed to the board on 10 April 2019.

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.

An issue was identified with communication between the school and Group Board. As a result, the school is now required to report back to the Group Board against agreed targets. To improve communication, the Head Teacher has been invited to attend meetings of the Hadlow Group Senior Management Team.

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
H Guntrip	3	3
P Morris	3	3
K Moule	2	2
A Wickenden	3	3
O Reeve	1	1
P Boxall	3	3
Others in attendance		
L 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 meetings in the year is as follows:

Trustee	Meetings attended	Out of possible
M Lumsdon-Taylor (Chair)	2	3
P Morris	3	3
P Hannan	2	3
A Wickenden	2	3
M Nichols	2	3
A Edwards	2	3
P Boxall	3	3
N Dean	2	2
K Richardson	2	2
M Algar	2	2

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 meetings in the year is as follows:

Trustee	Meetings attended	Out of possible
P Morris (Chair)	3	3
P Hannan (Vice Chair)	3	3
H Guntrip	3	3
M Lumsdon-Taylor	3	3
P Boxall	3	3

Review of Value for Money
As accounting officer the principal has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees 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:

- Strengthening the budget setting process with the use of more detailed analysis of costs and use of benchmarking to identify where savings can be made
- Use of a Procurement manager to identify savings and to support the school in the proper use of procurement techniques to ensure value for money
- Charging for the public to use school facilities outside of school hours.
- Using solar power to reduce electricity costs

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 2018 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 2018 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 2017/2018. This will work in partnership with the Accounting Officer. The internal audit reviewed all cross college financial systems impacting upon the school and also covered the following areas: budgeting process, monthly management accounts and income capture and recording.

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 internal auditor;
- 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 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 Trustees on 27th September 2019 and signed on its behalf by: -

P Morris
Chair of Trustees

P Boxall
Accounting Officer

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

As accounting officer of Hadlow Rural Community School I have considered my responsibility to notify the academy trust Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

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 2017.

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 ESFA.

P Boxall
Accounting Officer

Date: 27th September 2019

Hadlow Rural Community School Limited
STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees, who are also the directors of Hadlow Rural Community School Limited 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 Direction issued by the Education and Skills 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 period. 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 2015 and the Academies Accounts Direction 2017 to 2018;
- 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 ESFA/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 27th September 2019 and signed on its behalf by:

P Morris
Chair of Trustees

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HADLOW RURAL COMMUNITY SCHOOL LIMITED

Opinion on financial statements

We have audited the financial statements of Hadlow Rural Community School Limited (the "charitable company") for the year ended 31 August 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), and the Academies: Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

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 2018 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 requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HADLOW RURAL COMMUNITY SCHOOL LIMITED

Opinions on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report and the incorporated Strategic Report.

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

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

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 14, the Trustees (who act as trustees for the charitable activities of the charitable company 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HADLOW RURAL COMMUNITY SCHOOL LIMITED

Use of our report

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

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

27/09/19

Hadlow Rural Community School Limited
STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 August 2018

	Notes	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset £'000	Total 2018 £'000	Total 2017 £'000
Income and Endowments from:						
Donations and capital grants	1	-	-	617	617	379
Charitable activities:						
Funding for academy Trust's educational operations	2	-	1,930	-	1,930	1,508
Other trading activities	3	-	79	-	79	55
Total		**-**	**2,009**	**617**	**2,626**	**1.942**
Expenditure on:						
Charitable activities:						
Academy Trust's educational operations	5	-	2,091	166	2,257	1,671
Total resources expended	4	**-**	**2,091**	**166**	**2.257**	**1,671**
NET INCOME/(EXPENDITURE) FOR THE YEAR		**-**	**(82)**	**451**	**369**	**271**
Transfers between Funds	12	-	102	(102)	-	-
OTHER RECOGNISED GAINS AND LOSSES						
Remeasurement of net defined benefit obligations	17	-	39	-	39	96
NET MOVEMENT IN FUNDS		**-**	**59**	**349**	**408**	**367**
RECONCILIATION OF FUNDS						
Total funds brought forward		-	(91)	6,557	6,466	6,099
TOTAL FUNDS CARRIED FORWARD	12	**-**	**(32)**	**6,906**	**6,874**	**6,466**

Hadlow Rural Community School Limited
BALANCE SHEET
As at 31 August 2018

	Notes	31 August 2018 £'000	31 August 2018 £'000	31 August 2017 £'000	31 August 2017 £'000
FIXED ASSETS					
Tangible assets	9		8,783		8,619
CURRENT ASSETS					
Debtors	10	162		202	
Cash at bank and in hand		9		15	
		171		217	
CREDITORS: Amounts falling due within one year	11	(2,003)		(2,295)	
NET CURRENT (LIABILITIES)			(1,832)		(2,078)
TOTAL ASSETS LESS CURRENT LIABILITIES			**6,951**		**6,541**
NET ASSETS EXCLUDING PENSION LIABILITY			6,951		6,541
Pension scheme liability	17		(77)		(75)
NET ASSETS INCLUDING PENSION LIABILITY			**6,874**		**6,466**
FUNDS OF THE ACADEMY TRUST:					
RESTRICTED FUNDS					
Fixed asset fund	12		6,906		6,557
General fund	12		45		(16)
Restricted funds excluding pension reserve			6,951		6,541
Pension reserve	12		(77)		(75)
TOTAL RESTRICTED FUNDS			6,874		6,466
TOTAL FUNDS			**6,874**		**6,466**

The financial statements on pages 18 to 39 were approved by the trustees and authorised for issue on 27th September 2019 and are signed on their behalf by:

P Morris
Chair of Trustees

Hadlow Rural Community School Limited
CASH FLOW STATEMENT
For the year ended 31 August 2018

	Notes	2018 £'000	2017 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash (Used in) provided by operating activities	15	(235)	947
Cash flows from investing activities			
Capital grants from DfE Group		617	379
Purchase of tangible fixed assets		(388)	(1,416)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR		**(6)**	**(90)**
CASH AND CASH EQUIVALENTS AT 1 AUGUST 2017		**15**	**105**
CASH AND CASH EQUIVALENTS AT 31 AUGUST 2018		**9**	**15**

General information

Hadlow Rural Community School is a charitable company. The address of the Trust's principal place of business is given on page 1. The nature of the Academy Trust's operations are set out in the Trustees' Report.

Basis of Accounting

The financial statements of the academy trust, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006. The Academy Trust is a public benefit entity under FRS 102 and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in dealing with items which are considered material in relation to the Financial Statements to all the years presented, unless otherwise stated.

The financial statements are presented in sterling which is also the functional currency of the Academy Trust.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding the net current liability position as at 31 August 2018. In previous years the school has received the support of the member, Hadlow College. As a result of Hadlow College being put into educational administration the trustees have sought and obtained an undertaking from the ESFA to provide support, if required, in the form of additional recoverable funding, of up to £2.35m to settle certain debts and to ensure that there is no disruption to the operation of Hadlow Rural Community School. Forecasts have been prepared which demonstrate that, with this support, it is considered that Hadlow Rural Community School will have sufficient funds to be able to continue to trade for the foreseeable future and hence the financial statements have been prepared on an going concern basis.

Income

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

Grants

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement, when performance-related conditions have been met, 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.

Other income
Other income, including hire of facilities, is recognised at fair value of the consideration received or receivable in the period it is receivable and to the extent the Academy Trust has provided the goods or the services.

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

- **Expenditure on Raising Funds**

  This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

- **Charitable Activities**

  These are costs incurred on the academy trust's educational operations to further its charitable aims for the benefit of its beneficiaries, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

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

Restricted General funds comprise all other restricted funds received with restrictions imposed by funders or donors, and include grants from the Department for Education Group.

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

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	5-10 years
IT equipment	3-10years
Office equipment	5 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

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

Tangible fixed assets

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

Liabilities

Liabilities are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised as a financing cost in the period it arises in the statement of financial activities and is allocated to the appropriate expenditure heading.

Financial Instruments

The Academy Trust has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities
Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

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'), which are multi-employer defined benefit schemes.

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. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently there is insufficient information to use defined benefit accounting, it is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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

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

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

1 DONATIONS AND CAPITAL GRANTS

	Unrestricted Funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	2018 Total £'000	2017 Total £'000
DfE/ESFA capital grant for building	-	-	617	617	379
	-	-	617	617	379

The income from donations and capital grants in 2017 was £379,000 of which £nil was unrestricted, £379,000 was restricted fixed asset funds and £nil was restricted general funds.

2 FUNDING FOR ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £'000	Restricted general funds £'000	2018 Total £'000	2017 Total £'000
DfE/ESFA REVENUE GRANTS				
General annual grant (GAG)	-	1,613	1,613	1,226
Start-up grants	-	30	30	30
Other DfE/ESFA grants	-	106	106	82
	-	1,749	1,749	1,338
Other Government Grants				
Local Authority Grants	-	181	181	170
TOTAL	-	1,930	1,930	1,508

The income from activities for generating funds was £1,930,000 (2017: £1,508,000) of which £nil (2017: £nil)was unrestricted, £nil (2017: £nil) was restricted fixed asset funds and £1,930,000 (2017: £1,508,000) was restricted general funds.

3 OTHER TRADING ACTIVITIES

	Unrestricted Funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	2018 Total £'000	2017 Total £'000
Catering income	-	77	-	77	52
Other income	-	2	-	2	3
	-	79	-	79	55

The income from other trading activities in 2017 was £55,000 of which £nil was unrestricted, £nil was restricted fixed asset funds and £55,000 was restricted general funds.

4 EXPENDITURE

	Staff costs £'000	Non pay expenditure Premises £'000	Other costs £'000	Total 2018 £'000	Total 2017 £'000
Academy Trust's educational Operations					
Direct costs	1,480	-	41	1,521	1,135
Allocated support costs	174	74	488	736	536
Total Support Costs	1,654	74	529	2,257	1,671

Net income / (expenditure) for the year includes:	2018 £'000	2017 £'000
Net Interest on defined pension liability (note18)	1	3
Depreciation	224	127
Fees payable to RSM UK Audit LLP and its associates for:		
- audit	18	19

Expenditure on Academy Trust's educational operations was £2,218,000 (2017: £1,671,000) of which £nil (2017: £nil) was unrestricted, £166,000 (2017: £80,000) was restricted fixed asset funds and £2,052,000 (2017: £1,591,000) was restricted general funds.

5 CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS

	2018 £'000	2017 £'000
DIRECT COSTS		
Teaching and educational support staff costs	1,480	1,090
Educational supplies	40	38
Other Direct Costs	1	7
	1,521	**1,135**
ALLOCATED SUPPORT COSTS		
Support staff costs	174	131
Maintenance of premises and equipment	8	4
Utilities	28	21
Cleaning	37	34
Rent and rates	-	1
Insurance	1	8
Depreciation	223	127
Security and transport	-	19
Catering	129	69
Bank Interest and Charges	1	1
Legal and professional fees	71	53
Audit of the financial statements	18	19
Provision for Bad Debts	4	8
Other Support Costs	1	-
Pension finance cost	41	41
	736	536
	2,257	**1,671**

Expenditure on charitable activities was £2,257k (2017: £1,671k) of which £nil (2017: £nil) was unrestricted, £166k (2017: £80k) was restricted fixed asset funds and £2,091k (2017: £1,591k) was restricted general funds.

6 STAFF NUMBERS AND COSTS

	2018 £'000	2017 £'000
Staff costs during the year were:		
Wages and salaries	1,065	810
Social security costs	104	79
Pension costs	170	137
	1,342	1,026
Supply staff costs	270	195
Staff restructuring costs comprise:		
Severance payments	45	-
	1,654	**1,221**

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £44,836 (2017: £nil). Individually the payments were £14,386 on 31 December 2017 and £30,450 on 31 August 2018.

Staff numbers

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

Educational operations	2018 No.	2017 No.
Teachers	19	13
Administration and support	17	14
Management	2	2
	38	**29**

Expressed as full time equivalents staff numbers during the year were:

	2018 No.	2017 No.
Teachers	17	12
Administration and support	13	11
Management	2	2
	32	**25**

6 STAFF NUMBERS AND COSTS continued

Higher paid staff

The principal P Boxall received remuneration of £86,435 (2017: £85,579) and pension contributions paid by the Academy Trust of £14,244 (2017: £14,103) in the year, One employee received emoluments in the band £90,001 - £100,000 and pension contributions paid by the Academy Trust in the year of £10,109 (2017:£9,767). No other employee received remuneration over £60,000 in the year.

Twenty nine 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.

Key management personnel compensation

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions, and including employer national insurance) received by key management personnel for their services to the academy trust was £220,736 (2017: £186,409).

7 TRUSTEES' REMUNERATION AND EXPENSES

The Principal and other staff trustees only received remuneration in respect of services they provided undertaking the roles of principal and staff members under their contracts of employment and not in respect of their services as trustees. Other trustees were not paid any remuneration nor received any other benefits from employment with the Academy Trust.

P Boxall, the Principal, received remuneration of £86,435 in 2018 (2017: £85,579) and is accruing retirement benefits under the Teachers' Pension Scheme. The contributions paid in the year amounted to £14,244 (2017: 14,103). M Nichols (staff trustee) received remuneration in the band £40,001 - £50,000 (2017: £40,001 - £50,000. Employer pension contributions paid £5,001 - £10,000 (2017: £5,001 - £10,000).

During the year ended 31 August 2018, no trustees (2017: none) received reimbursement for travel and subsistence expenses (2017: £nil).

Other related party transactions involving the trustees are set out in note 19.

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 2018 is included in the total insurance cost.

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures fittings and equipment £'000	Total £'000
Cost:				
1 September 2017	8,457	210	180	8,847
Additions	354	3	31	388
31 August 2018	8,811	213	211	9,235
Depreciation				
1 September 2017	83	118	27	228
Charged in the year	175	19	30	224
31 August 2018	258	137	57	452
Net book value				
31 August 2018	**8,553**	**76**	**154**	**8,783**
31 August 2017	**8,374**	**92**	**153**	**8,619**

10 DEBTORS

	31 August 2018 £'000	31 August 2017 £'000
Trade Debtors	7	25
Prepayments	26	46
HMRC VAT	110	95
Other debtors	19	36
	162	202

11 CREDITORS: Amounts falling due within one year

	31 August 2018 £'000	31 August 2017 (Restated) £'000
Trade creditors	1,288	1,151
Amount due to Hadlow College	649	946
Other creditors	48	23
Accruals and deferred income	18	175
	2,003	2,295

The 31 August 2017 trade creditors and accruals amounts have been restated and £661,000 reallocated increasing trade creditors and reducing accruals as the Trustees consider that this better reflects the nature of the amounts due at that date and are more comparable with the current year amounts. The total amount of creditors is unchanged.

11 CREDITORS: Amounts falling due within one year (continued)

	31 August 2018 £'000	31 August 2017 £'000
Included in accruals and deferred income is deferred income of:		
Deferred income		
Deferred income at 1 September 2017	-	76
Released from previous years	-	(76)
Resources deferred in the year	-	-
Deferred income at 31 August 2018	-	-

12 FUNDS

	At 1 September 2017 £'000	Incoming resources £'000	Resources expended £'000	Gains, losses & transfers £'000	At 31 August 2018 £'000
RESTRICTED GENERAL FUNDS					
General Annual Grant (GAG) (excluding pension reserve)	(16)	1,613	(1,654)	102	45
Pension reserve	(75)	-	(41)	39	(77)
General Annual Grant (GAG)	(91)	1,613	(1,695)	141	(32)
Activities for generating funds	-	79	(79)	-	-
Start Up Grant	-	30	(30)	-	-
Other DfE/ESFA grants	-	287	(287)	-	-
	(91)	2,009	(2,091)	141	(32)
RESTRICTED FIXED ASSET FUNDS					
DfE/ESFA capital grants	6,557	617	(166)	(102)	6,906
	6,557	617	(166)	(102)	6,906
TOTAL RESTRICTED FUNDS	6,466	2,626	(2,257)	39	6,874
UNRESTRICTED FUNDS					
Unrestricted funds	-	-	-	-	-
TOTAL UNRESTRICTED FUNDS	-	-	-	-	-
TOTAL FUNDS	6,466	2,626	(2,257)	39	6,874

The transfer in the year represents depreciation charged on assets purchased that have been funded by capital grants,

12 FUNDS PRIOR YEAR

	At 1 September 2016 £'000	Incoming resources £'000	Resources expended £'000	Gains, losses & transfers £'000	At 31 August 2017 £'000
RESTRICTED GENERAL FUNDS					
General Annual Grant (GAG) (excluding pension reserve)	(29)	1,226	(1,213)	-	(16)
Pension reserve	(130)	-	(41)	96	(75)
General Annual Grant (GAG)	(159)	1,226	(1,254)	96	(91)
Activities for generating funds	-	55	(55)	-	-
Start Up Grant	-	30	(30)	-	-
Other DfE/ESFA grants	-	252	(252)	-	-
	(159)	1,563	(1,591)	96	(91)
RESTRICTED FIXED ASSET FUNDS					
DfE/ESFA capital grants	6,258	379	(80)	-	6,557
	6,258	379	(80)	-	6,557
TOTAL RESTRICTED FUNDS	6,099	1,942	(1,671)	96	6,466
UNRESTRICTED FUNDS					
Unrestricted funds	-	-	-	-	-
TOTAL UNRESTRICTED FUNDS	-	-	-	-	-
TOTAL FUNDS	6,099	1,942	(1,643)	68	6,466

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 2018.

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	-	1,877	6,906	8,783
Current assets	-	171	-	171
Current liabilities	-	(2,003)	-	(2,003)
Pension scheme liability	-	(77)	-	(77)
TOTAL NET ASSETS AT 31 AUGUST 2018	-	(32)	6,906	6,874

ANALYSIS OF NET ASSETS BETWEEN FUNDS – PREVIOUS YEAR

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	-	2,062	6,557	8,619
Current assets	-	217	-	217
Current liabilities	-	(2,295)	-	(2,295)
Pension scheme liability	-	(75)	-	(75)
TOTAL NET ASSETS AT 31 AUGUST 2017	-	(91)	6,557	6,466

14 FINANCIAL INSTRUMENTS

	31 August 2018 £'000	31 August 2017 £'000
Financial assets measured at amortised cost	64	61
	64	61
Financial liabilities measured at amortised cost	2,003	2,295
	2,003	2,295

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

	31 August 2018 £'000	31 August 2017 £'000
Net income for the year	369	271
Depreciation (note 9)	224	127
Capital grants from DfE and other capital income	(617)	(379)
Defined benefit pension cost less contributions payable (note 18)	40	38
Defined benefit pension finance expenditure (note 18)	1	3
Decrease in debtors	40	467
Increase/(decrease) in creditors	(292)	420
NET CASH INFLOW FROM OPERATING ACTIVITIES	(235)	947

16 CONTINGENT LIABILITIES

In June 2019 Hadlow Rural Community School received a statutory demand for £438,130 relating to alleged unpaid invoices from Marpaul Southern Limited. The Trusts' solicitors replied to the demand, confirming details of when the invoices were paid by the Trust. The Trust has received no further response from Marpaul Southern Limited since July 2019. The trust has full confidence, including based on legal advice, that it is not liable. No provision for this amount has been made in the financial statements.

17 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 latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016. 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 2014.

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.

Valuation of the Teachers' Pension Scheme

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 proceeds for 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%

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the year amounted to £132,827 (2017: £104,051).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as 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 2018 was £48,829 (2017: £42,910), of which employer's contributions totalled £37,528 (2017: 33,319) and employees' contributions totalled £11,162 (2017: £9,591). The agreed contribution rates for future years are 20.0 per cent for employers and range from 5.5 per cent to 12.5 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

	2018 %	2017 %
Rate of increase in salaries	3.8	4.2
Rate of increase for pensions in payment	2.3	2.7
Discount rate	2.7	2.6
Inflation (CPI)	2.3	2.7
Inflation (RPI)	3.3	3.6
Commutation of pensions to lump sums	50.0	50.0

The assumed life expectations on retirement age 65 are:

	2018 years	2017 years
Retiring today:		
Males	23.1	23.0
Females	25.2	25.1
Retiring in 20 years:		
Males	25.3	25.2
Females	27.5	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 2018 £'000	Fair value at 31 August 2017 £'000
Equities	91	58
Other bonds	12	8
Property	16	10
Cash	4	3
Gilts	1	1
Target return portfolios	9	3
TOTAL FAIR VALUE OF ASSETS	133	83

Amounts recognised in the statement of financial activities	2018 £'000	2017 £'000
Current service cost	75	71
Net interest cost	1	3
Total operating charge	76	74

Changes in the present value of defined benefit obligations:	2018 £'000	2017 £'000
At 1 September 2017	158	210
Current service cost	75	71
Interest cost	4	5
Employee contributions	10	9
Actuarial (gain)/loss	(37)	(137)
Benefits paid	-	-
At 31 August 2018	**210**	**158**

Changes in the fair value of Academy Trust's share of scheme assets:		
At 1 September 2017	83	80
Return on plan assets	2	14
Other Actuarial gains/(losses)	-	(55)
Interest income	3	2
Employer contributions	35	33
Employee contributions	10	9
Benefits paid	-	-
At 31 August 2018	**133**	**83**

18 RELATED PARTIES

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 through the college's ability to appoint or remove the majority of trustees. Transactions totalling £1,381,696 (2017: £964,972) relating to the recharged expenses for salaries and lessons in the College, took place in the year. At 31 August 2018 £648,688 (2017: £945,628) of this amount was outstanding and owed to Hadlow College. This balance relates to the overspend on the new building which the Governors believe is the responsibility of Hadlow College. The School is seeking legal advice on this matter.

Copies of the consolidated financial statements are available upon application to the governors of Hadlow College, Hadlow, Tonbridge, Kent, TN11 0AL.

19 MEMBERS LIABILITY

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

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

Conclusion

We have carried out an engagement in accordance with the terms of our engagement letter dated 18 October 2017 and further to the requirements of the Education and Skills Funding Agency ('ESFA') as included in the Academies Accounts Direction 2017 to 2018, to obtain limited assurance about whether the expenditure disbursed and income received by Hadlow Rural Community School Limited during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Academies Accounts Direction 2017 to 2018 Part 9: Regularity Reporting. We are independent of Hadlow Rural Community School Limited in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Hadlow Rural Community School Limited's accounting officer and the trustees

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 2014 and the Academies Financial Handbook extant from 1 September 2017, 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. The accounting officer is also responsible for preparing the Statement of Regularity, Propriety and Compliance. The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the proper conduct and financial operation of Hadlow Rural Community School Limited and appointment of the accounting officer.

Reporting Accountant's responsibilities for reporting on regularity

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 2017 to 2018.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 the specific requirements of the funding agreement with the Secretary of State for Education, the Academies Financial Handbook 2017 published by the Education and Skills Funding Agency and high level financial control areas where we identified a material risk of irregularity is likely to arise. It also included areas assessed as presenting a higher risk of impropriety. We undertook detailed testing, on a sample basis, based on the identified areas where a material irregularity is likely to arise, or potential impropriety where such areas are in respect of controls, policies and procedures that apply to classes of transactions. Our work was undertaken with due regard to the 'Evidence to support conclusion on regularity' guidance in Academies Accounts Direction 2017 to 2018.

This work was integrated with our audit on the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to Hadlow Rural Community School Limited and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Hadlow Rural Community School Limited and the ESFA 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 ESFA, for our work, for this report, or for the conclusion we have formed.

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27/09/19