

REGISTRAR OF COMPANIES

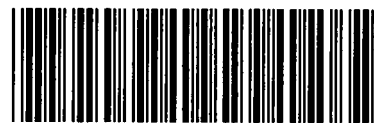
The Charter Schools Educational Trust

Annual Report and Financial Statements

31 August 2016

Company Limited by Guarantee
Registration Number 07338707
(England and Wales)

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Reference and administrative information

Members	Emmanuel Amadi Susan Bowler Elizabeth Brown Trevor Cunningham Derek Hill
Trustees	Emmanuel Amadi (Vice Chair) Elizabeth Brown Alexander Crossman (from 29.02.16) David Gallie (from 29.02.16) Marion Gibbs (from 29.02.16 until 28.06.16) Christian Hicks Derek Hill (Chair) Helen Jeffrey (from 29.02.16) Steven Russell (from 29.02.16) Simon Tucker (from 29.02.16)
Head Teacher	Alexander Crossman (The Charter School East Dulwich) Christian Hicks (The Charter School)
Company Secretary	Christine Abad
Key management personnel	<i>The Charter School</i> Head Teacher Deputy Head Teacher, Self-Evaluation Deputy Head Teacher, Achievement & Inclusion Director of Learning, KS3 Director of Learning, KS4 Director of Learning, Sixth Form Director of Learning, CPD & Performance Management Director of Learning Teaching and Learning Director of Learning, Data & Assessment <i>The Charter School East Dulwich</i> Head Teacher Deputy Head Teacher
Registered address	The Charter Schools Educational Trust Red Post Hill London SE24 9JH
Telephone	020 7346 6600
Website	www.charter.southwark.sch.uk
Company registration number	07338707 (England and Wales)

Reference and administrative information

Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Royal Bank of Scotland plc Sheffield Attercliffe Branch 747 Attercliffe Road Sheffield S9 3RF
Solicitors	Bells Brathwaite Solicitors 10 Queens Street Place London EC4R 1BE

Governance statement 31 August 2016

The Trustees of The Charter Schools Educational Trust ('the Trust') present their statutory report together with the financial statements of the charitable company for the year to 31 August 2016. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies set out on pages 245 to 301 of the attached financial statements and comply with the Trust's memorandum and articles of association, applicable laws and 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 United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and principal activities

The Charter Schools Educational Trust is a company limited by guarantee with no share capital (registration no. 07338707) which was incorporated on 6 August 2010. The Trust is an exempt charity and is regulated by the Department for Education (DfE).

The Trust's memorandum and articles of association are the primary governing documents. Members of the charitable company are nominated by their peers. The articles of association require the members of the company to appoint at least one Trustee to be responsible for the affairs of the charitable company.

The principal goal of The Charter Schools Educational Trust is to advance, for the public benefit, education in the United Kingdom by establishing and running schools that serve the needs of their local communities. The Trust currently operates two inclusive secondary schools: 'The Charter School' and 'The Charter School East Dulwich'.

The charitable company receives funding under the terms of its Funding Agreement entered into with the Secretary of State for Education.

Legal status and members' liability

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

Trustees and Governors

The Charter Schools Educational Trust is the body legally responsible for the operation of each school within the group. The Trustees are listed in this report. The memorandum of association, articles of association and funding agreements form the basis of how each school is governed.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Trustees and Governors (continued)

The Trust's schools each have a local governing body, the remit of which is to help the Trustees to hold to account their Head Teacher's for the progress, attainment, safeguarding and wellbeing of the school's students. Trustees and governors are appointed according to their skill sets and the contribution they can make to ensuring the Trust's activities are effective. New Trustees and Governors are interviewed by experienced Trustees or Governors, given a formal introduction to the Trust and an opportunity to meet with the relevant Head Teacher before their first full meeting.

During the year under review, the Trustees held four meetings as a Single-Academy-Trust (SAT) and two meetings as a Multi-Academy-Trust (MAT).

No Trustee received any remuneration in respect of their governance duties from the Trust during the period.

Organisational structure

In accordance with the funding agreement with the Education Funding Agency (EFA), an agency of the DfE, the Trustees have made governance arrangements as described above. The Trustees are responsible for ensuring that high standards of corporate governance are maintained.

Trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the schools by use of their budget and strategic development plans and making major decisions about the direction of the schools, their capital expenditure and senior staff appointments. They exercise their powers and functions with a view to fulfilling a largely strategic leadership role in the running of the schools, addressing such matters as:

- ◆ Setting the strategy for the Trust as a whole;
- ◆ Setting the schools' values and standards of conduct;
- ◆ Ensuring compliance with legal requirements;
- ◆ Ensuring sound financial management and administration;
- ◆ Establishing and maintaining effective internal controls;
- ◆ The management of all resources;
- ◆ The monitoring of performance;
- ◆ Helping the schools to be responsive to the needs of parents, carers and the community; and
- ◆ Assessing and managing risk.

The Trustees are assisted by a Trust Education Adviser in overseeing the work of the Head Teachers. Kieran Osborne was appointed to be the Trust Education Adviser in May 2016.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Arrangements for setting pay and remuneration of key management personnel

The Trust has an appropriate policy and Terms of Reference in place. The pay of the Head Teacher's of the Trust is determined by the Trusts Board in the Autumn Term. The Trusts Appointments and Remuneration Committee make recommendations for ratification.

The LGB of each school make recommendations of pay of the Senior Leadership Team to the Appointment and Remuneration Committee, The Committee's final recommendations are ratified by the Trustees.

Connected organisations

There are no organisations that directly sponsor The Charter Schools Educational Trust. The Friends of The Charter School is a separate registered charity, governed independently of the Trust.

Transactions with connected organisations during the year under review have been disclosed in note 21, related party transactions.

Risk management

The Trustees have identified and assessed the major risks to which the charitable company is exposed. Formal risk management processes have been designed and implemented to mitigate those risks, including the provision of appropriate insurances, suitable financial procedures and other policies and procedures.

OBJECTIVES AND ACTIVITIES

Objects, aims and objectives for public benefit

The principal object and activity of the charitable company is the operation of The Charter School and of The Charter School East Dulwich to advance, for the public benefit, education for students of different abilities between the ages of 11 and 19.

The Trustees confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Schools' aims and objectives.

STRATEGIC REPORT

Overview

The Trust continued to focus on improving the education of children from the local community through its activities. The Charter School's ongoing Outstanding status, along with its recognition as a Pupil Premium Local Award Winner and the letter from the Secretary of State in February 2016 commending the school for being one of the top 100 non-selective state schools in the country in terms of GCSE attainment, reflected the high standards and high outcomes which are characteristic of the Trust's work. The highly successful launch of The Charter School East Dulwich is also evidence of the Trust's wider commitment to transforming the lives of young people in the local community through the power of inclusive education.

Key Performance Indicators

The Charter School, The Trust's established secondary school, continued to perform very well in national measures, with a provisional Key Stage 4 Attainment 8 score of 56.9 in comparison to a national average of 48.2. In the main accountability measure, Progress 8, the school scored +0.32, which places it in roughly the top 20% of all schools nationally. In addition, 77% of students achieved grades A*-C in both English and Maths (the national figure was 59%) and 43% achieved the English Baccalaureate (the national figure was 23%). At Key Stage 5 67% of all grades were at A*-B and the overall performance of students continued to place the school in the top 20% of all schools nationally in terms of both progress and attainment. The school was also very proud that so many students progressed to top universities, with four going to Oxbridge (the school's best ever performance). Overall, The Charter School's performance is significantly above average in relation to all of the national standards for students' attainment and progress.

The Charter School East Dulwich commenced recruitment for its founding cohort of Year 7 students in September 2015. The school succeeded in attracting more than 600 applicants for 120 places in its first year group. The overwhelming majority of these applicants were from families who would not typically have secured access to places at The Charter School, fulfilling the Trust's mission to extend the provision of excellent school places to traditionally under-served parts of its local community. The Charter School East Dulwich secured both temporary and permanent school sites. Design work for the school's new buildings proceeded to RIBA stage 3 during the period under review.

Plans for the future period

The Trust plans further to enhance the performance of The Charter School and to drive forward with the successful growth of The Charter School East Dulwich. The Trust is committed to the development of a sustainable model for school improvement across both of its schools rooted in a commitment to excellent teaching for all students.

STRATEGIC REPORT (continued)

Financial review

Financial Objectives

The Trust has the following financial objectives:

- ◆ To generate sufficient levels of income to support the operations and asset base of the Trust schools;
- ◆ To ensure the charitable company sets a budget that provides sufficient and targeted resources to achieve the highest possible standards of educational attainment in the schools;
- ◆ To achieve an annual operating surplus at the Trust level;
- ◆ To use the pupil premium effectively to raise standards for all pupils in this category and to address any gaps in the achievement of these pupils when compared to that of their peers;
- ◆ To ensure there is sufficient capital expenditure to develop the charitable company's sites and environments to meet the challenges of teaching and learning in the 21st century; and
- ◆ To allocate carried forward funds for continued capital investment in order to improve achievement at its schools.

Sound financial control is ensured by the structure of governance including the Decision Matrix and committee terms of reference.

These objectives were achieved in the year ending 31 August 2016.

Financial report for the year

The period under review included the charitable company's successful transition from Single Academy Trust to Multi-Academy Trust. Comparisons between the company's operating performance in 2015-16 and 2014-15 are therefore subject to the caveat that the earlier period included only the operations of The Charter School while the latter encompassed a range of activity designed to support the opening of The Charter School East Dulwich.

The charitable company's full year operating deficit of £84,990, excluding the fixed asset fund and before transfers between funds, reflected planned investment in upgrading the physical environment at The Charter School, to the benefit of existing students, alongside investment in supporting the successful opening of The Charter School East Dulwich.

The company's pension liability increased substantially. The Local Government Pension Scheme, which provides retirement benefits for support staff employed by our schools, suffered significant actuarial losses in the period under review. The proportion of this loss that affects Trust employees is reflected in the company's Statement of Financial Activities,

Governance statement 31 August 2016

STRATEGIC REPORT (continued)

Financial review (continued)

Financial report for the year (continued)

though it does not affect the company's cashflow position. We are advised that the deterioration in this portion of the company's pension liability is in-line with that experienced by other educational organisations.

In the year ended 31 August 2016, the charitable company incurred a surplus of £67,675 (2015 – deficit of £41,891) on its unrestricted general fund and a deficit before transfers of £152,665 (2015 – deficit of £419,986) on the restricted EFA fund. After transfers between funds and recognised losses on the defined benefit pension scheme the restricted EFA fund shows a deficit of £1,657,106 (2015 – a deficit of £519,289). At the year end, £19,163,911 (2015 - £19,285,756) was held within restricted capital funds, £1,198,906 (2015 - £1,131,231) in unrestricted funds, a deficit of £2,347,000 (2015 - £698,894) within EFA funds which includes the pension liability of £2,347,000 (2015 - £732,000).

The majority of the charitable company's income for the year ended 31 August 2016 was obtained from the EFA in the form of a general annual grant and other grants. This income totalled £8,755,406 (2015 - £8,263,068) and represents 88% (2015 - 93%) of the total income received in the year.

During the year ended 31 August 2016, total expenditure of £10,217,951 (2015 - £9,975,859) was not fully covered by recurrent grant funding from the EFA together with income from other sources. The total charge related to the pension liability of £115,000 (2015 - £125,000) and expenditure on the fixed asset fund of £664,512 (2015 - £646,938) relating largely to the annual depreciation charge contributed to a deficit of £221,276 (2015 - £1,043,815). The excess of expenditure over income for the year (excluding restricted fixed asset funds and before transfers between funds) was £84,990 (2015 – excess of income over expenditure of £461,877).

At 31 August 2016 the net book value of fixed assets was £18,816,875 (2015 - £19,285,756) and movements in tangible fixed assets are shown in note 12 to the financial statements. The assets were used exclusively for providing education and the associated support services to the students of the Trust.

The results for the year are shown on page 21.

Reserves policy

The policy of the Trust is to maintain a level of reserves that will be adequate to provide for the continuing operation of The Charter School and to support the growth and development of The Charter School East Dulwich. The Trust will ensure that excessive reserve funds are not accumulated.

STRATEGIC REPORT (continued)

Financial review (continued)

Reserves policy (continued)

During 2015/16 the Trustees have reviewed the reserves of the Trust. This review encompassed the nature of income and expenditure streams, the need to match them with commitments and the nature of the reserves. The Trustees are satisfied that its reserves are sufficient for its current purposes. The level of reserves will be kept under review by the Trustees.

The reserves as at 31 August 2016 amounted to £18,015,817 which comprised primarily of restricted fixed asset reserves. The free reserves amounted to £1,198,906.

The charitable company has a pension scheme liability of £2,347,000 as at 31 August 2016 which is included in the restricted reserves. The disclosure does not mean that the liability is already committed and is no longer available to the Trustees to further the charitable company's objectives. Parliament has agreed, at the request of the Secretary of State for Education, in the event of academy closure, outstanding Local Government Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013. In the short term, the cash flow impact of having a pension scheme liability may be that employer contributions may increase in order to reduce the liability. The charitable company will always pay the employer contribution rates set by the pension scheme administrators.

Investment policy

The charitable company has procedures in place to regularly monitor cash flow and current account balances to ensure immediate financial commitments can be met (payroll and payments runs) and that the current account has adequate balances to meet forthcoming commitments. In practice, a working balance of one month's payroll circa £500,000 will be maintained.

The charitable company will normally seek to avoid its current account going overdrawn and will identify funds surplus to immediate cash requirements. The surplus funds are transferred to the charitable company's deposit account (for the time being) which bears a higher interest rate. In June 2014 the investment policy was amended to restrict future long term deposits to not exceed £500,000 with an individual banking institution.

Periodically (at least annually) interest rates are reviewed and compare with other investment opportunities.

The charitable company's current policy is to only invest funds in immediately accessible deposit accounts.

The Trust Board will review annually any change in policy.

STRATEGIC REPORT (continued)

Financial review (continued)

Sustainability

The charitable company is committed to sustainable development throughout all aspects of its operations. The charitable company will continue to strive to meet or exceed the Sustainable Development in Government targets.

Going concern

After making appropriate enquiries, the Trustees consider that they have 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have considered the risks and uncertainties faced by Trust and note the risks posed by reductions in government funding and increasing costs. The steps taken by the Trust include:

- ◆ Strong governance during transition with adherence to Academies Financial Handbook and guidance therein from the EFA and supported by a planned programme of meetings
- ◆ To ensure stability of financial plans comprehensive budgeting and monitoring systems take place with an annual budget and periodic financial performance against forecast and of major purchase plans. Capital work and expenditure programmes are also closely monitored and reviewed by the Trust.
- ◆ The identification and management of risks with established risk registers at each school and a Trust risk register being implemented

AUDITORS

In so far as the Trustees are aware:

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

Trustees' report, incorporating a strategic report, approved by order of the members of the board of governors and signed on its behalf by:


Professor Derek Hill
Chair of Trustees

Date: 6.12.16

Governance statement 31 August 2016

Scope of responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that The Charter Schools Educational Trust has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

During the year under review the Trustees delegated the day-to-day responsibility to Christian Hicks, the Head Teacher at The Charter School, as Accounting Officer for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Charter Schools Educational Trust and the Secretary of State for Education. The Accounting Officer is also responsible for reporting to the Trust any material weaknesses or breakdowns in internal control. Alexander Crossman, Head Teacher at The Charter School East Dulwich has taken over the role of Accounting Officer with effect from September 2016.

Governance

The information on governance included here supplements that described in the Trustees report and in the statement of Trustees responsibilities. During the year of the report there has been a period of transition where the Trust became a MAT in April 2016. The Trust met four times as a SAT and twice as a MAT with a change in membership. Furthermore the Trustees also formally changed the name of the charitable company from the Charter School Educational Trust to the Charter Schools Educational Trust

There has been a change to the Chair of the Trust, Professor D Hill was appointed as Chair with E Amadi as Vice Chair. In addition by a formal resolution, the following Trustees stood down on 29 February 2016 and formed the Local Governing Body (LGB) of The Charter School, J Brennan, E Hopkin, E Hotopf, A King, M Sloan, D Smith. At the same time the following Trustees were appointed A Crossman, D Gallie, H Jeffrey, S Russell, S Tucker and M Gibbs.

The Trust's main committee is the education standards committee and has plans to meet three times a year, it also has an audit committee to consider the financial affairs including the annual accounts. The two LGB's of each school have a calendar of meetings agreed in advance and will report to the Trust. The responsibilities of the Trust and its committees are clearly set out in the Decision Matrix.

Governance statement 31 August 2016

Governance (continued)

The below table reflects the meeting attendance from April 2016 to August 2016 under MAT status.

Trustee (appointed from)	MAT Meetings attended	Out of a possible
Emmanuel Amadi	2	2
Elizabeth Brown	2	2
Alexander Crossman (29.02.16)	2	2
David Gallie (29.02.16)	1	2
Marion Gibbs (29.02.16 until 28.06.16)	1	1
Derek Hill	2	2
Christian Hicks	2	2
Helen Jeffrey (29.02.16)	1	2
Steven Russell (29.02.16)	1	2
Simon Tucker (29.02.16)	2	2

The table below reflects meeting attendance from September 2015 to February 2016 under SAT status.

Trustee (resignation date)	MAT Meetings attended	Out of a possible
Emmanuel Amadi	4	4
Elizabeth Brown	3	4
Derek Hill	2	4
Christian Hicks	4	4
Jacqueline Brennan (29.02.16)	4	4
Emma Hopkin (29.02.16)	2	4
Emma Hotopf (29.02.16)	3	4
Amanda King (29.02.16)	4	4
Mark Sloan (29.02.16)	2	4
David Smith (29.02.16)	3	4

Governance reviews

During the period of growth, the Trust has considered its membership and governance carefully. The Board has accounting, education and legal as well as business and enterprise skills. The Board commenced with a strategy session in January 2016 to galvanise their vision and values. The LGB of each of its schools has recruited governors with key skill sets to support the schools. Training and evaluation are key elements of growth and the services of an external consultant for the Heads and Chairs to facilitate discussions in April. The DfE and the National Governors Association have provided assistance in reviewing governance during the report period.

Review of value for money

The Trust continues to drive the streamlining of our finance and administration systems. The finance system operates across the two schools integrating as much administration as possible. The Trust employs a consultant who works with the schools stakeholders to ensure that the Trust delivers good value in its use of public resources and that the value for money refers to the educational and wider societal outcomes achieved in return for taxpayer resources received.

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 the Trust's 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 at the Trust for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Trustees have reviewed the key risks to which the charitable company is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Trustees are of the view that there is an on-going process for identifying, evaluating and managing the school's significant risks that has been in place for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Trustees.

The risk and control framework

The charitable company'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 budget planning and monitoring systems with an annual budget and longer term forecast which are reviewed and agreed by the Trustees;
- ◆ Regular reviews by the Local Governing Bodies indicate performance against forecast as well as major purchase, capital works and expenditure programmes;
- ◆ Clearly defined purchasing guidelines;
- ◆ Delegation of authority and segregation of duties; and
- ◆ Identification and management of risks.

The Trustees have considered the need for a specific internal audit function and has decided not to appoint an internal auditor. The Responsible Officer testing was carried out on a termly basis by Buzzacott LLP and the reports are received by a member of the Audit Committee and reported as appropriate to the Trust. As the Trust has transitioned to a Multi-Academy Trust they have taken the opportunity to review the arrangements and to ensure that best practice is maintained.

Governance statement 31 August 2016

Review of effectiveness

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

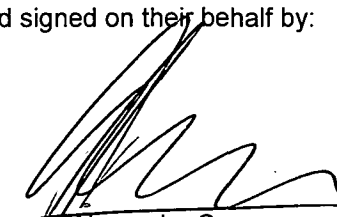
- ◆ the work of the Responsible Officer;
- ◆ the work of the external auditor;
- ◆ the financial management and governance self-assessment process; and
- ◆ the work of the key management personnel of the Trust who have responsibility for the development and maintenance of the internal control framework.

As a result of the review the Accounting Officer is satisfied that an adequate system of internal control is in place.

Approved by order of the Trust and signed on their behalf by:



Derek Hill
Chair of Trustees


Alexander Crossman
Accounting Officer

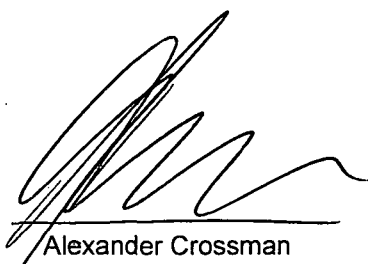
Approved on: 6-12-16

Statement on regularity, propriety and compliance 31 August 2016

As Accounting Officer of The Charter Schools Educational Trust, I have considered my responsibility to notify the Board of Trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the 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 Board of Trustees are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and EFA.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, positioned above a horizontal line.

Alexander Crossman
Accounting Officer

Date: 6-12-16

Statement of trustees' responsibilities 31 August 2016

The Trustees, who are also the directors of the Trust for the purposes of company law, are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Requirements 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 trustee 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 Trust and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the governors are required to:

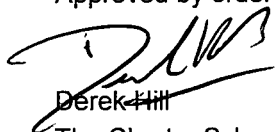
- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities' SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards (FRS 102) 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 Trust will continue in operation.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Trust 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 Trust 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 Trust 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 have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the Trust and financial information included on the Trust'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 and signed on its behalf by:



Derek Hill

The Charter Schools Educational Trust

Date: 6.12.16

Independent auditor's report on the financial statements to the Members of The Charter Schools Educational Trust

We have audited the financial statements of The Charter Schools Educational Trust for the year ended 31 August 2016 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

The Trustees for the charitable activities of The Charter Schools Educational Trust and are also the directors of the Trust for the purpose of company law.

As explained more fully in the statement of Trustees responsibilities, the trustees 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

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

Independent auditor's report 31 August 2016

Opinion

In our opinion:

- ◆ the financial statements give a true and fair view of the state of the Charitable Company's affairs as at 31 August 2016 and of its income and expenditure for the year then ended;
- ◆ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ the financial statements have been prepared in accordance with the Companies Act 2006; and
- ◆ the financial statements have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2015 to 2016.

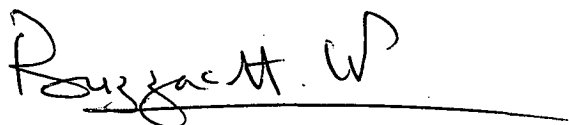
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees report (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Avnish Savjani, Senior Statutory Auditor
Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

13 December 2016

Independent reporting accountant's assurance report on regularity to The Charter Schools Educational Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 19 August 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Charter Schools Educational Trust during the period from 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Charter Schools Educational Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Charter Schools Educational Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Charter Schools Educational Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Charter Schools Educational Trust's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of The Charter Schools Educational Trust's funding agreement with the Secretary of State for Education dated 1 September 2010 and the Academies Financial Handbook, extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

Independent reporting accountant's report on regularity 31 August 2016

Approach (continued)

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

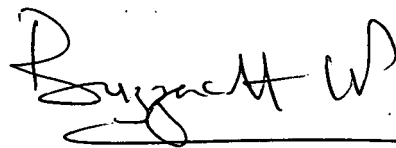
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the Trust's activities;
- ◆ Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support 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 from 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

13 December 2016

Statement of financial activities Year to 31 August 2016
(Including Income and Expenditure Account)

	Notes	Unrestricted funds £	Restricted funds		2016 Total funds £	Restated 2015 Total funds £
			General restricted funds £	Fixed assets fund £		
Income from:						
Donations and capital grants	1	12,337	—	538,226	550,563	45,647
Charitable activities						
Funding for the Trust's educational operations	4	—	9,072,349	—	9,072,349	8,527,353
Other trading activities	2	374,675	—	—	374,675	280,006
Investments	3	9,088	—	—	9,088	14,038
Total income		<u>396,100</u>	<u>9,072,349</u>	<u>538,226</u>	<u>10,006,675</u>	<u>8,867,044</u>
Expenditure on:						
Charitable activities						
Trust's educational operations	6	328,425	9,225,014	664,512	10,217,951	9,975,859
Total expenditure		<u>328,425</u>	<u>9,225,014</u>	<u>664,512</u>	<u>10,217,951</u>	<u>9,975,859</u>
Net income/(expenditure)		67,675	(152,665)	(126,286)	(211,276)	(1,108,815)
Transfers between funds	16	—	(4,441)	4,441	—	—
Other recognised gains and losses						
Actuarial (loss) gain on defined benefit pension scheme	20	—	(1,500,000)	—	(1,500,000)	126,000
Net movement in funds		67,675	(1,657,106)	(121,845)	(1,711,276)	(982,815)
Reconciliation of funds						
Fund balances brought forward at 1 September 2015		1,131,231	(689,894)	19,285,756	19,727,093	20,709,908
Fund balances carried forward at 31 August 2016		<u>1,198,906</u>	<u>(2,347,000)</u>	<u>19,163,911</u>	<u>18,015,817</u>	<u>19,727,093</u>

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

All gains and losses are included in the above Statement of Financial Activities.

Balance sheet as at 31 August 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible fixed assets	12		<u>18,816,875</u>		<u>19,285,756</u>
Current assets					
Debtors	13	415,134		412,988	
Cash at bank and in hand		<u>1,525,418</u>		<u>1,316,945</u>	
		<u>1,940,552</u>		<u>1,729,933</u>	
Liabilities					
Creditors: amounts falling due within one year	14	<u>(394,610)</u>		<u>(556,596)</u>	
Net current assets			<u>1,545,942</u>		<u>1,173,337</u>
Net assets excluding pension scheme liability			<u>20,362,817</u>		<u>20,459,093</u>
Pension scheme liability	20		<u>(2,347,000)</u>		<u>(732,000)</u>
Total net assets			<u>18,015,817</u>		<u>19,727,093</u>
Funds of the Trust					
Restricted funds					
Fixed assets fund	16		<u>19,163,911</u>		<u>19,285,756</u>
Restricted income fund	16		—		42,106
Pension reserve	16		<u>(2,347,000)</u>		<u>(732,000)</u>
Total restricted funds			<u>16,816,911</u>		<u>18,595,862</u>
Unrestricted funds					
General funds	16		<u>1,198,906</u>		<u>1,131,231</u>
Total funds			<u>18,015,817</u>		<u>19,727,093</u>

The financial statements on page 21 to 44 were approved by the Trustees and are signed on their behalf by:

 (DEREK HILL)

Chair

The Charter Schools Educational Trust

Date: 6-12-16

Statement of cash flows Year to 31 August 2016

		2016 £	2015 £
Net cash flows from operating activities			
Net cash used in operating activities	A	(143,210)	(329,847)
Cash flows from investing activities	B	351,683	(261,349)
Change in cash and cash equivalents in the year		208,473	(591,196)
Cash and cash equivalents at 1 September 2015		1,316,945	1,908,141
Cash and cash equivalents at 31 August 2016	C	1,525,418	1,316,945

A Reconciliation of net expenditure to net cash flow from operating activities

	2016 £	2015 £
Net expenditure for the year (as per the statement of financial activities)	(211,276)	(1,108,815)
Adjusted for:		
Depreciation charges (note 12)	664,512	672,358
Capital grants from DfE and other capital income	(538,226)	(25,420)
Interest receivable (note 3)	(9,088)	(14,038)
Defined benefit pension scheme cost less contributions payable (note 20)	90,000	100,000
Defined benefit pension scheme finance cost (note 20)	25,000	25,000
Increase in debtors	(2,146)	(144,076)
(Decrease) increase in creditors	(161,986)	165,144
Net cash used in operating activities	(143,210)	(329,847)

B Cash flows from investing activities

	2016 £	2015 £
Dividends, interest and rents from investments	9,088	14,038
Purchase of tangible fixed assets	(195,631)	(300,807)
Capital grants from DfE/EFA	538,226	25,420
Net cash provided by (used in) investing activities	351,683	(261,349)

C Analysis of cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	775,418	316,945
Notice deposits (less than 3 months)	750,000	1,000,000
Total cash and cash equivalents	1,525,418	1,316,945

Principal accounting policies Year to 31 August 2016

Statement of accounting policies

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

Basis of preparation

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

The Charter Schools Educational Trust meets the definition of a public benefit entity under FRS 102.

Transition to FRS 102

First time adoption of FRS 102

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

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Explanation of transition to FRS 102

It is the first year that the Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Principal accounting policies Year to 31 August 2016

Transition to FRS 102 (continued)

Explanation of transition to FRS 102 (continued)

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

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

Reconciliation of net expenditure	2015 £
Net income expenditure previously reported under UK GAAP	(1,043,815)
Change in recognition of LGPS interest cost (A)	(65,000)
Net movement in funds reported under FRS 102	(1,108,815)

A – Change in recognition of LGPS interest cost

Under previous UK GAAP the academy trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in expenditure. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the debit to expenditure by £65,000 and decrease the debit in other recognised gains and losses in the statement of financial activities by an equivalent amount.

Going concern

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

Principal accounting policies Year to 31 August 2016

Income

All income is recognised when the Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

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.

The 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. In addition to the General Annual Grant, the company received specific grants from the EFA in 2015-16. These included a Project Development Grant to support the opening of The Charter School East Dulwich and a capacity building grant awarded to growing multi-academy trusts. The majority of both grants were claimed and spent on these activities during the year under review.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or 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.

Principal accounting policies Year to 31 August 2016

Expenditure (continued)

Charitable activities

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

All resources expended are stated net of recoverable VAT.

Tangible Fixed Assets

Assets costing £5,000 or more are capitalised as tangible fixed assets 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. 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 such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Trust's depreciation policy.

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

Leasehold building	over the remaining useful economic life of the building
Fixtures, fittings and equipment	20% on cost
ICT equipment	33% on cost
Motor vehicles	25% on cost

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use. A full year of depreciation is charged on assets purchased during the year.

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.

Principal accounting policies Year to 31 August 2016

Debtors

Debtors are recognised at their settlement amount less any provision for non-recoverability. Prepayments are valued at the amounts prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand.

Liabilities

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

Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term.

Taxation

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

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.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

Principal accounting policies Year to 31 August 2016

Pensions benefits (continued)

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability 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 in other recognised gains and losses.

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

Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency.

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

Critical accounting estimates and areas of judgement (continued)

Critical accounting estimates and assumptions (continued).

- ◆ The net book value of tangible fixed assets is based on the original cost/value of the asset net of provision for depreciation. The depreciation provision to date is based on the governors' assessment of the estimated useful economic lives of such assets.
- ◆ 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 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement

Other than the estimates discussed above, the Trustees do not consider that there are any key judgements made in the preparation of the financial statements.

1 Donations and capital grants

	Unrestricted funds £	Restricted fixed assets funds £	2016 Total funds £	2015 Total funds £
Capital grants	—	538,226	538,226	25,420
Other donations	12,337	—	12,337	20,227
	12,337	538,226	550,563	45,647

2 Other trading activities

	Unrestricted funds £	Restricted general funds £	2016 Total funds £	2015 Total funds £
Hire of facilities	62,695	—	62,695	43,069
Trip income	200,783	—	200,783	158,437
Music services	53,132	—	53,132	47,237
Miscellaneous income	58,065	—	58,065	31,263
	374,675	—	374,675	280,006

3 Investment income

	Unrestricted funds £	Restricted general funds £	2016 Total funds £	2015 Total funds £
Interest receivable	9,088	—	9,088	14,038

4 Funding for the Trust's educational operations

	Unrestricted funds £	Restricted general funds £	2016 Total funds £	2015 Total funds £
DfE/EFA grants				
General Annual Grant (GAG)	—	8,005,698	8,005,698	7,937,429
Start Up Grants	—	451,276	451,276	24,577
Other DfE/EFA grants	—	298,432	298,432	301,062
	—	8,755,406	8,755,406	8,263,068
Other government grants				
Local authority grants	—	316,943	316,943	251,185
Special educational projects	—	—	—	13,100
	—	316,943	316,943	264,285
	—	9,072,349	9,072,349	8,527,353

5 Expenditure

	Staff costs £	Non pay expenditure		2016 Total funds £	Restated 2015 Total funds £
		Premises £	Other costs £		
Trust's educational operations					
Direct costs	6,331,127	664,512	824,968	7,820,607	7,476,568
Allocated support costs	937,094	734,671	725,579	2,397,344	2,499,291
	<u>7,268,221</u>	<u>1,399,183</u>	<u>1,550,547</u>	<u>10,217,951</u>	<u>9,975,859</u>
Net income/(expenditure) for the period includes:				2016 Total funds £	2015 Total funds £
Depreciation				664,512	672,358
Fees payable to auditor for:					
Audit services				17,750	13,325
Other services				<u>7,560</u>	<u>2,525</u>

6 Charitable activities –Trust's educational operations

	2016 Total funds £	Restated 2015 Total funds £
Direct costs	7,820,607	7,476,568
Support costs	<u>2,397,344</u>	<u>2,499,291</u>
	<u>10,217,951</u>	<u>9,975,859</u>

Analysis of support costs	2016 Total funds £	Restated 2015 Total funds £
Support staff costs	937,094	938,861
Technology costs	294,625	175,452
Premises costs	734,671	931,953
Other support costs	405,644	436,021
Governance costs (note 7)	25,310	17,004
Total support costs	<u>2,397,344</u>	<u>2,499,291</u>

7 Governance costs

	2016 Total funds £	2015 Total funds £
Legal and professional fees	—	1,154
Auditor's remuneration		
· Audit of financial statements	17,750	13,325
· Other services	7,560	2,525
	25,310	17,004

8 Comparative information

	Unrestricted funds £	Restricted funds General funds £	Fixed assets fund £	Restated 2015 Total funds £
Income from:				
Donations and capital grants	20,227	—	25,420	45,647
Charitable activities				
· Funding for the Trust's educational operations	—	8,527,353	—	8,527,353
Other trading activities	280,006	—	—	280,006
Investments	14,038	—	—	14,038
Total income	314,271	8,527,353	25,420	8,867,044
Expenditure on:				
Charitable activities				
· Trust's educational operations	356,162	8,947,339	672,358	9,975,859
Total expenditure	356,162	8,947,339	672,358	9,975,859
Net expenditure	(41,891)	(419,986)	(646,938)	(1,108,815)
Transfers between funds	(50,084)	(225,303)	275,387	—
Other recognised gains and losses				
Actuarial gain on defined benefit pension scheme	—	126,000	—	126,000
Net movement in funds	(91,975)	(519,289)	(371,551)	(982,815)

9 Staff

a) Staff costs

Staff costs during the period were:

	2016 Total funds £	2015 Total funds £
Wages and salaries	5,644,026	5,458,885
Social security costs	445,854	411,341
Pension costs	824,246	729,041
	6,914,126	6,599,267
Supply staff costs	354,095	284,552
	7,268,221	6,883,819

b) Staff numbers

The average numbers of persons (including senior management team) employed by the Trust during the period expressed as full time equivalents was as follows:

	2016 No.	2015 No.
Charitable Activities		
Teachers	94	91
Administration and support	67	68
Management	11	9
	172	168

c) Higher paid staff

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

	2016 No.	2015 No.
£60,001 - £70,000	6	5
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1
£90,001 - £100,000	1	—
£100,001 - £110,000	—	1
£110,001 - £120,000	1	—

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2016, pension contributions for these staff amounted to £125,310 (2015 - £77,598).

d) Key management personnel

The key management personnel of the Trust comprise the trustees and the senior leadership team listed on page 1. The total amount of employee benefits (including employee pension contributions) received by key management personnel for their services to the Trust was £987,281 (2015: £708,828), relating to 10 members of the key management team (2015: 8) and two staff governors who are not part of the key management team (2015: four).

10 Trustees and Governors remuneration and expenses

During the report period staff resigned as Trustees and reverted to LGB governor role. Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments from the Trust in respect of their role as governors. The value of governors and Trustees remuneration and other benefits was as follows:

	2016 £'000	2015 £'000
C Hicks (Headteacher and Trustee)		
Remuneration	110-115	100-105
Employer's pension contributions	15-20	10-15
A Crossman (Headteacher and Trustee)		
Remuneration	90-95	—
Employer's pension contributions	15-20	—
J Brennan (Teaching Staff and Governor)		
Remuneration	35-40	35-40
Employer's pension contributions	0-5	0-5
D Smith (Teaching Staff and Governor)		
Remuneration	50-55	50-55
Employer's pension contributions	5-10	5-10
U Tomkins (Staff and Governor)		
Remunerations	—	5-10
Employer's pension contribution	—	0-5
P Webb (Teaching staff and Governor)		
Remuneration	—	50-55
Employer's pension contribution	—	5-10

During the year ended 31 August 2016, travel and subsistence expenses reimbursed to governors or Trustees totalled £nil (2015: £nil).

During the year ended 31 August 2016, travel and subsistence expenses totalling £1,812 (2015 - £418) were reimbursed to three staff governors in their capacity as teaching staff.

Other related party transactions involving the trustees are set out in note 21.

11 Governors' and Officers' Insurance

In accordance with normal commercial practice the Trust has purchased insurance to protect Trustees, governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £10,000,000 on any one claim and the premium for the year ended 31 August 2016 was £2,416 (2015 - £2,416).

12 Tangible fixed assets

	Leasehold land and buildings £	Assets under construction £	Furniture and equipment £	Computer equipment £	Motor vehicles £	Total funds £
Cost						
At 1 September 2015	21,810,016	—	469,361	120,309	26,881	22,426,567
Additions	122,547	48,678	9,242	15,164	—	195,631
At 31 August 2016	21,932,563	48,678	478,603	135,473	26,881	22,622,198
Depreciation						
At 1 September 2015	2,771,038	—	261,726	94,606	13,441	3,140,811
Charge in year	565,744	—	71,420	20,628	6,720	664,512
At 31 August 2016	3,336,782	—	333,146	115,234	20,161	3,805,323
Net book value						
At 31 August 2016	18,595,781	48,678	145,457	20,239	6,720	18,816,875
At 31 August 2015	19,038,978	—	207,635	25,703	13,440	19,285,756

The land on which The Charter School is sited is leased on a 125 year lease from Dulwich Estates at a peppercorn rent. No value has been attributed to the land in the financial statements because the site is designated for educational purposes only and has no open market value.

The Charter School East Dulwich is currently occupying a temporary site on a short term lease from the Secretary of State for Communities and Local Government. The lease expires on 31 August 2018 and a peppercorn rent is charged. No value has been attributed to the land or buildings held under this short lease.

13 Debtors

	2016 Total funds £	2015 Total funds £
Trade debtors	13,564	27,968
VAT recoverable	272,232	299,914
Other debtors	14,961	408
Prepayments and accrued income	114,377	84,698
	415,134	412,988

14 Creditors: amounts falling due within one year

	2016 Total funds £	2015 Total funds £
Trade creditors	(841)	42,041
Taxation and social security	151,708	128,250
Other creditors	41,065	58,454
Accruals and deferred income	202,678	327,851
	394,610	556,596

14 Creditors: amounts falling due within one year (continued)

	2016 £
Deferred Income	
Deferred Income at 1 September 2015	67,948
Released during the year	(67,948)
Resources deferred in the year	7,580
Deferred Income at 31 August 2016	7,580

Deferred income as at 31 August 2016 relates to money received in advance for a school trip in the year to 31 August 2017.

15 Agency arrangements

The Trust distributes 16 – 19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the Trust received £30,194, disbursed £8,304 from the fund. An amount of £39,880 is included in other creditors relating to undistributed funds that are repayable to the EFA in relation to the current year and prior periods.

Notes to the Financial Statements Year to 31 August 2016

16 Funds

	Balance at 1 September 2015 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2016 £
Restricted general funds					
General Annual Grant (GAG)	42,106	8,005,698	(8,043,363)	(4,441)	—
Start Up Grant	—	451,276	(451,276)	—	—
Pupil Premium	—	277,527	(277,527)	—	—
Other DfE / EFA grants	—	20,905	(20,905)	—	—
Pension reserve	(732,000)	—	(115,000)	(1,500,000)	(2,347,000)
	<u>(689,894)</u>	<u>8,755,406</u>	<u>(8,908,071)</u>	<u>(1,504,441)</u>	<u>(2,347,000)</u>
Restricted fixed assets fund					
Transfer on conversion	18,377,000	—	(540,500)	—	17,836,500
DfE/EFA capital grants	52,260	538,226	(28,093)	—	562,393
Capital expenditure from GAG	855,717	—	(95,530)	4,441	764,628
Private sector capital sponsorship	779	—	(389)	—	390
	<u>19,285,756</u>	<u>538,226</u>	<u>(664,512)</u>	<u>4,441</u>	<u>19,163,911</u>
Other restricted funds					
Local authority grants	—	316,943	(316,943)	—	—
	<u>—</u>	<u>316,943</u>	<u>(316,943)</u>	<u>—</u>	<u>—</u>
Total restricted funds	<u>18,595,862</u>	<u>9,610,575</u>	<u>(9,889,526)</u>	<u>(1,500,000)</u>	<u>16,816,911</u>
Unrestricted funds					
General funds	1,131,231	396,100	(328,425)	—	1,198,906
Total unrestricted funds	<u>1,131,231</u>	<u>396,100</u>	<u>(328,425)</u>	<u>—</u>	<u>1,198,906</u>
Total funds	<u>19,727,093</u>	<u>10,006,675</u>	<u>(10,217,951)</u>	<u>(1,500,000)</u>	<u>18,015,817</u>

16 Funds (continued)

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

EFA revenue grant and other restricted funds

These grants relate to the Trust's development and operational activities.

General Annual Grant (GAG)

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

Fixed assets fund

These grants relate to capital funding to carry out works of a capital nature. The transfer between funds relates to fixed assets purchased using funds from the General Annual Grant.

Pension reserve

The pension reserve relates to the Trust's share of the assets and liabilities of the Local Government Pension Scheme.

Analysis of fund balance by School

Fund balances at 31 August 2016 were allocated as follows:

	2016 Total funds £	2015 Total funds £
The Charter School	1	1,173,337
The Charter School East Dulwich	1	—
MAT reserves	1,198,904	—
Total before fixed assets and pension reserve	1,198,906	1,173,337
Restricted fixed asset fund	19,163,911	19,285,756
Pension liability	(2,347,000)	(732,000)
Total	18,015,817	19,727,093

Upon the inception of the Charter Schools Academy Trust, any reserves held by previous schools transferred to the MAT and are treated by the Trustees as MAT reserves. For this reason, reserves are not allocated to individual schools above but have been aggregated for disclosure purposes.

16 Funds (continued)

Analysis of Schools by cost

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

	Teaching and educational support costs £	Other support staff costs £	Educational supplies £	Other costs (excluding depreciation) £	Total £
Charter School	6,167,614	915,349	329,564	1,666,509	9,079,036
The Charter School East Dulwich	163,513	21,745	10,559	278,586	474,403
Total	6,331,127	937,094	340,123	1,945,095	9,553,439

17 Analysis of net assets between funds

	Unrestricted funds £	Restricted General Funds £	Restricted Fixed Asset Fund £	Total 2016 £
Fund balances at 31 August 2016 are represented by:				
Tangible fixed assets	—	—	18,816,875	18,816,875
Current assets	1,593,516	—	347,036	1,940,552
Current liabilities	(394,610)	—	—	(394,610)
Pension scheme liability	—	(2,347,000)	—	(2,374,000)
Total net assets	1,198,906	(2,347,000)	19,163,911	18,015,817

18 Capital commitments

	2016 £	2015 £
Contracted for, but not provided in the financial statements	807,579	—

Capital commitments as at 31 March 2016 relate to the replacement of windows and the heating system at The Charter School which is being partially funded by CIF grants totalling £710,600 of which £512,542 was received during the year ended 31 August 2016.

19 Members' Liability

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

20 Pension and similar obligations

The 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 the London Borough of Southwark Pension Fund. 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 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

20 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

- ♦ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- ♦ the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

Valuation of the Teachers' Pension Scheme (continued)

The employer's pension costs paid to TPS in the period amounted to £602,000 (2015: £506,000).

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

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

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate Trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £216,000, of which employer's contributions totalled £132,000 and employees' contributions totalled £84,000.

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	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	3.4%	3.6%
Rate of increase for pensions in payment / inflation	1.9%	2.1%
Discount rate for scheme liabilities	2.0%	3.8%
Inflation assumption (CPI)	1.9%	2.1%
Commutation of pensions to lump sums	50%	50%

20 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	21.9	21.9
Females	26.5	26.4
<i>Retiring in 20 years</i>		
Males	24.1	24.0
Females	28.8	28.7

The Trust's share of the assets and liabilities in the scheme were:

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	1,801,000	1,654,000
Bonds	620,000	536,000
Property	541,000	387,000
Cash	43,000	23,000
Other	294,000	—
Total market value of assets	3,299,000	2,600,000
Present value of scheme liabilities	(5,646,000)	(3,332,000)
Deficit in the scheme	(2,347,000)	(732,000)

The actual return on scheme assets was £507,000 (2015: £121,000).

	2016 £	2015 £
Amounts recognised in statement of financial activities		
Current service costs (net of employee contributions)	90,000	100,000
Net interest cost	25,000	25,000
Total operating charge	115,000	125,000

Changes in the present value of defined benefit obligations were as follows:	2016 £	2015 £
At 1 September 2015	(3,332,000)	(3,015,000)
Current service cost	(222,000)	(235,000)
Interest cost	(128,000)	(113,000)
Employee contributions	(84,000)	(86,000)
Actuarial (loss)/gain	(1,904,000)	93,000
Benefits paid	24,000	24,000
At 31 August 2016	(5,646,000)	(3,332,000)

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Changes in the fair value of the Trust's share of scheme assets:	2016 £	2015 £
At 1 September 2015	2,600,000	2,282,000
Interest income	103,000	88,000
Actuarial gain	404,000	33,000
Employer contributions	132,000	135,000
Employee contributions	84,000	86,000
Benefits paid	(24,000)	(24,000)
At 31 August 2016	3,299,000	2,600,000

22 Related Party Transactions

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

There were no transactions in the year (2015: none).