

**The Thinking Schools Academy Trust**  
(A company limited by guarantee)

**Directors' report and financial statements**

**For the year ended 31 August 2014**



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**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

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**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

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**Reference and administrative details of the Academy Trust, its Directors and advisers**  
**For the year ended 31 August 2014**

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<b>Members</b>	Ms. D. Shepherd (resigned 5 February 2014) Mr. P. Martin Mrs. S. Earle Mr. J. Daffarn Mr. D. Morrison Mr. R. Cummins
<b>Directors</b>	Mr. P. Martin, Chair <sup>1,2</sup> Ms. D. Shepherd, Chief Executive <sup>1</sup> Mr. L. Miller, Finance Director (appointed 5 February 2014) Mrs. A. Barry (appointed 10 July 2014) Mrs. S. Earle <sup>1,2</sup> Mr. S. Gardner (appointed 4 February 2014) Mr. R. Hart (appointed 10 July 2014) Mr. D. Morrison <sup>1,2</sup> Mrs. P. Nagar (appointed 10 July 2014) Ms. J. Rider (appointed 10 July 2014, resigned 24 November 2014) Mrs. J. Spurgeon (appointed 10 July 2014) Mrs. A. Savage (resigned 5 February 2014) Mrs. H. Taylor (resigned 5 February 2014) <sup>1</sup> Mrs. P. Wozencroft (resigned 5 February 2014) <sup>1</sup>  <sup>1</sup> Member of Local School Finance Committee <sup>2</sup> Member of Audit Committee
<b>Company registered number</b>	07359755
<b>Principal and registered office</b>	The Rochester Grammar School Maidstone Road Rochester Kent ME1 3DY
<b>Company secretary</b>	Mr. L. Miller
<b>Senior management team</b>	Ms. D. Shepherd, Chief Executive Officer Mr. G. Bassan, Principal (Rochester Grammar School) Mrs. H. Taylor, Head Teacher (All Faiths' Children's Community School) Miss. N. Sheppard, Head Teacher (Portsmouth Academy for Girls) Mr. S. Gardner, Principal (Chatham Grammar School for Boys) Mr. C. Jackson, Head Teacher (Gordon Infant School and Gordon Junior School) Miss. S. Daye, Head Teacher (New Horizons Children's Academy) Mr. L. Miller, Finance Director
<b>Independent auditor</b>	UHY Kent LLP t/a UHY Hacker Young Chartered Accountants Thames House Roman Square Sittingbourne Kent ME10 4BJ
<b>Bankers</b>	Nat West Bank Plc Maidstone Road Rochester Kent. ME1 3DY
<b>Solicitors</b>	Browne Jacobson 6th Floor, 77 Gracechurch Street London. EC3V 0AS

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## **The Thinking Schools Academy Trust**

### **(A company limited by guarantee)**

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#### **Directors' report**

#### **For the year ended 31 August 2014**

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The Directors present their annual report and auditors' report of the Academy Trust for the year ended 31 August 2014.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

#### **Constitution**

The Academy Trust was incorporated on 27 August 2010 as a company limited by guarantee and an exempt charity. The memorandum and articles of association are the primary governing documents of the Academy Trust. The memorandum and articles of association were amended on 5 February 2014 to recognise the need to amend the governance structure of the organisation.

As part of this restructuring on 29 April 2014 the Academy Trust changed its name from The RGS/AFS Thinking Schools Academy Trust to The Thinking Schools Academy Trust.

Details of the Directors who served throughout the year, except as noted, are included in the Reference and Administrative Details.

#### **Members' liability**

Each member of the Academy Trust undertakes to contribute to the assets of the Academy Trust in the event of it being wound up whilst 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.

#### **Directors and Governors' indemnities**

The individual academies each maintain governors' and officers' liability insurance which gives appropriate cover for any legal action brought against governors, and against the Directors of the Academy Trust. The Academy Trust has also granted indemnities to each of its Directors and other officers to the extent permitted by law. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year and remain in force, in relation to certain losses and liabilities which the Directors, Governors or other officers may incur to third parties in the course of acting as Directors, governors or officers of the Academy Trust. Details of the insurance cover are provided in note 13 to the financial statements.

#### **Principal activities**

The Academy Trust has expanded in the year to now control the activities of the following schools:

- The Rochester Grammar School
- All Faiths' Children's Community School
- Portsmouth Academy for Girls (since 1st September 2013)
- Chatham Grammar School for Boys (since 1st January 2014)
- Gordon Infant School (since 1st March 2014)
- Gordon Junior School (since 1st March 2014)

All schools share a commitment to cognitive education and Thinking School status. Throughout the year ended 31 August 2014 the Trust's principal object and activity has therefore been to manage the schools within the Trust.

#### **Method of recruitment and appointment or election of Directors**

Under the terms of its Articles, since 5 February 2014 when a Board of Directors has held ultimate responsibility for managing the Trust. This Board comprises the following:

- 6 Directors appointed by members (one must include the Chair);
- 3 Directors appointed by local governing bodies; and
- 2 Directors appointed by their role.

No more than 3 Directors can be salaried and these are detailed in note 11 of the accounts.

A Directors term of office is four years (excluding the Chief Executive and Finance Director) but a Director is eligible for re-election at the meeting at which they retire.

Appropriate training is provided to all new Directors and local school governors, as required.

During the year under review the Directors met 2 times and there were 24 further Local Governing Body meetings. The training and induction provided for new Directors and governors will depend on their existing experience. Where necessary induction will provide training on charity and educational legal and financial matters. All new governors will be given a tour of their respective school and the chance to meet with staff and students. All governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as governors.

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## **The Thinking Schools Academy Trust**

### **(A company limited by guarantee)**

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#### **Directors' report (continued)**

#### **For the year ended 31 August 2014**

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##### **Organisation structure**

The Board of Directors retain the power to appoint governors to local governing bodies. They also have a scheme of delegation that details the powers that can be given to individual Governing bodies.

The Board of Directors have a Quality Assurance executive team that will review the performance of each academy and make recommendations to the Board about the level of delegated powers that should be given to each Local Governing Body.

The board have 2 committees that support the work of the board; the Audit committee that is made up of non-salaried Directors; and a Finance and operation committee.

##### **Risk management**

The Directors have assessed the major risks to which each academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the academy, and its finances. Each academy has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

##### **Connected organisations, including related parties**

Rochester Grammar School for Girls Charity is a separately registered charity, registration no. 307839. Its principal objects are the provision of items, services and facilities for the school by the making of grants to the school and individuals. This charity also owns the freehold to the school land and buildings, and leases this to the Academy Trust on a 125 year lease at an annual peppercorn rent.

There is also a Parent-Teacher Association, The Rochester Grammar School Association, also established as a separately registered charity, registration number 803801, which organises various fundraising events to provide facilities for the pupils of The Rochester Grammar School.

Each of the individual academies is a strategic partner in the The New Horizons Teaching School Alliance Limited (company number 08478647). The academies, and the many other schools affiliated with the organisation, work together to provide school-to-school support and staff training to aid school improvement.

## **OBJECTIVES AND ACTIVITIES**

### **Objects and aims**

The principal objects of the Academy Trust is the provision of education for pupils aged between 3 and 19.

### **Objective, strategies and activities**

The main objectives of the Academy Trust during the year ended 31 August 2014 are summarised below:

- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care;
- to raise the standard of educational achievement of all pupils;
- to improve the effectiveness of all academies by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- after school and weekend activities; and
- to conduct the academies' business in accordance with the highest standards of integrity, probity and openness.

### **Public benefit**

All schools within the Trust are state funded and strive to promote and support the advancement of education within the Medway and Portsmouth local authority areas.

### **Equal opportunities**

The Directors recognise that equal opportunities should be an integral part of good practice within the workplace. The Academy Trust aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

### **Disabled persons**

All academies have made appropriate provisions for disabled persons.

The policy of the Academy Trust is to support recruitment and retention of students and employees with disabilities. The academy does this by adapting the physical environment, by making support resources available and through training and career development.

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## The Thinking Schools Academy Trust

### (A company limited by guarantee)

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#### Directors' report (continued)

#### For the year ended 31 August 2014

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### STRATEGIC REPORT

#### Achievements and performance

The Thinking School Academy Trust has had a year of substantial changes and developments with four new schools joining the Trust and the build of a brand new school that opens for pupils in September 2014.

The Trust has now established two hubs (Medway and Portsmouth) where we are creating a 'family' of schools that can offer high quality school to school support.

The Directors were very pleased with the achievements and performance of all academies under their control during the year. The individual schools' specific achievements can be best summarised as follows:

#### *The Rochester Grammar School*

Rochester Grammar School is a larger than average secondary school. It is a single sex girls' selective school with a mixed sixth form. The school has higher than national average BME and 7.7% EAL. The school has lower than national average FSM and SEN. Attendance is well above national average at 96.7% and persistent absence well below national average at 0.8%. Attainment on entry is significantly above national average at 32.8; however, within the context of grammar schools the RGS is not "super selective" and entry is comparable with most grammar schools in East Kent and Medway with the top 25% of ability as deemed by the 11+ gaining places within the school.

It was judged as outstanding by OFSTED in 2008 and regular external reviews by a Lead Ofsted Inspector have re-affirmed this status in visits between 2009-2014. On 22-23 September 2014, this Lead Inspector carried out an inspection of the school and said "based on the evidence available the school's overall effectiveness is undoubtedly outstanding" and "Rochester Grammar School is a truly outstanding school where the quality of education provided is quite exceptional and rarely matched."

For the third consecutive year, A2 results have been over 80% with 83% A\*-B being achieved in 2014 (84% with the IB grades included). The IB average was 37, 8 points higher than the world average. GCSE results were outstanding at 69% A\*/A and AS secured its highest outcomes in the school's history with 68% A-B and 90% A-C. Year 10 accelerated students achieved over 90% A\*/A in all of their early entry subjects including 100% A\*/A in English Language and Literature.

A new Principal was appointed in January and there were several significant achievements in 2014, including:

- The school choir, N-Chant were runners up in the BBC's Songs of Praise Choir of the Year competition;
- For the 4th consecutive year, RGS students won the District Athletics Championships; and
- Two RGS students took first and second place in the National School's Memory championships.

One student has started at Princeton, USA, studying Economics. This is our second Ivy League student.

Changes planned for the coming year include the creation of an upper and lower school. Discussions will start this term with SLT and the CEO. Also, governors will be attached to elements of the SEF and will QA the key areas for improvement within it.

#### *All Faiths' Children's Academy*

All Faiths is a state funded primary school which strives to promote and support the advancement of education within the Medway and Kent area. The School provides specialist teaching for deaf pupils, a Nurture Group on behalf of its Partnership of Schools and a Children's Centre (Gun Lane Children's Centre) providing services for about 600 local families and activities beyond the school day – all designed to contribute to the overall education of our pupils.

The School is situated in the Medway town of Strood, although pupils come from a wider area - particularly our deaf pupils. Admission criteria mirror those of Medway Local Authority.

- In 13/14, Year 6 pupils exceeded the attainment predicted in the Fischer Family Trust D forecast, attained above the national average for L4+ in the combined subjects of reading, writing and mathematics and made significantly better progress than the national average;
- 100% attained L4+ in reading, writing and mathematics, 100% made at least 2 levels of progress in writing, 100% in reading and 100% in maths;
- All pupils achieved very well compared to their low starting points. Small, complex cohorts make year on year comparisons almost meaningless. This year's cohort comprised 26 pupils, each 3.8% and did not include any profoundly deaf pupils;
- Ofsted in June 2013, judged the school's leadership and management and the behaviour and safety of pupils to be outstanding. Achievement to be good and the quality of teaching to be good with a growing proportion to be outstanding; and
- The School obtained Thinking Schools status.

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## The Thinking Schools Academy Trust

### (A company limited by guarantee)

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#### Directors' report (continued)

#### For the year ended 31 August 2014

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#### Achievements and performance (continued)

##### *Portsmouth Academy for Girls*

The PafG is a smaller than average secondary school (NOR 626). It is a single sex girls' non-selective school that caters for ages 11-16. The school has a higher than national average number of pupils entitled to the pupil premium (45%). There are 19.5% of pupils on the DSEN register and 22% have EAL.

Attainment on entry is significantly below the national average at around 26 APS. The % of middle attainers is comparable with national but the proportion of low attainers is much higher and the proportion of higher attainers is lower.

In February, 2013 Ofsted placed the school in special measures with 'Inadequate' for Achievement; Quality of teaching and Leadership and 'Requires improvement' for behaviour. In April, 2013 TSAT took over the leadership of the school and the school became an academy on 1 September 2013 in the midst of high turbulence in staffing. A permanent Principal was appointed and took up post in October 2013.

Currently, the academy is 'without designation' and expecting a Section 5 anytime from January 2015.

The school roll has been falling for several years but shows some sign of recovery (Year 7 2014 number 103 compared to 82 for 2013). In order to budget for this, staffing was stripped back in 2013-2014 with 28 members of staff leaving. Of these, 6 were teachers, 4 were members of the learning support team and 8 were admin or cleaning staff. In the majority of teaching and learning support staff, tackling their underperformance led to them moving on. 10 teachers were recruited (two of these part-time and for one year only) and one new member of the learning support team.

In addition, staff absence was robustly tackled and this has reduced it considerably and minimised supply costs. A surplus of £200k in the staffing budget was generated as a result.

194 pupils made up the 2014 Y11 cohort. FFT expected progress was between 46-56%. 10 pupils were educated off-site and their achievement was minimal. 24 pupils were PAs (5 of these were educated off-site).

Attainment on entry has been significantly below average yet KS4 attainment is showing an upward trend, especially in relation to maths, English and Science and aspects of the school are in-line with NA.

Attainment in maths has improved from 47% in 2012 to 62% in 2013 and held steady at 60% in 2014. The JCQ provisional national figure is 58% so it is better than national.

Attainment in English has also improved significantly (56.7% 2012 to 72% 2013) but dropped to 62% in 2014. JCQ provisional figure is 64% so it is line with national average.

Subjects that performed above national average included Art 79% (76%); Triple Science (100%); Catering 75% (58%); Leisure and Tourism 50% (34%); Psychology 92% (57%), RE 89% (72%) and Double Science 97% (65%). Spanish and German also performed well although with very few numbers of pupils.

68.2% of all examinations taken in the science department were A\*-C. This was above the whole school average (61.3%) and the other core subjects and represents good achievement. Where subjects performed well, they were also highly accurate in their assessment.

Notable successes include:

- Art 79% A\*-C 82% 3LOP 41% 4LOP Residual: 2.35 62% accuracy
- RE 89% A\*-C 96% 3LOP 67% 4LOP Residual: 7.22 89% accuracy

Despite improvements, Best 8 has been significantly below national average for the last 3 years. This is due to an inappropriate curriculum offer as well as a culture of low expectations in relation to achievement, inconsistent teaching and a lack of accountability for leaders. The academy has made strides in changing the culture and ethos of the school and this is particularly notable in pupil behaviour.

In the Academic year 2012-13, attendance was well below the national average at 91%. This has improved over the last year to 93.33% which is much closer to the national average. The Attendance of FSM pupils has also risen from 88% in 2012-13, to 90% in 2013/14.

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**The Thinking Schools Academy Trust**  
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**Directors' report (continued)**  
**For the year ended 31 August 2014**

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**Achievements and performance (continued)**

The key objectives for 2014-2015 are:

- 1) Y11 attainment and progress to significantly improve;
- 2) Progress of groups – DSEN and Pupil Premium – to significantly improve;
- 3) Sustain the improvement in T& L and continue to develop visual thinking tools; and
- 4) Conduct a major review of the curriculum and assessment in preparation for 2016/2017.

*Chatham Grammar School for Boys*

Intake

- CGSB is a selective boys Grammar school with a mixed Sixth Form;
- Admission to the school in Year 7 is by the Medway Test;
- Admission Year 8-11 is done through the use of Nationally Approved tests such as NFER CAT tests;
- Admission into the Sixth Form requires students to achieve 5 A\*-C grades and a grade B in at least 3 out of the 4 subjects;
- The school's roll is approximately 900 students; and
- The school serves the second poorest population of any Grammar School nationally.

Ofsted rating

- The school was placed in Special Measures in September 2013;
- In October 2013 the school had its first monitoring visit and approved the action plan for improvement;
- In February 2014 the school had its second monitoring visit, a full Section 8, which found that the school was making good progress to coming out of Special Measures; and
- The school has just received a monitoring visit that was converted to a section 5 inspection. This has removed the school from Special measures. It is now graded as GOOD.

Examination results

- The school's examination results in 2014 were the best in the school's history this year at both GCSE and A Level;
- At A Level 51% of grades were A\*-B and 4 students gained places at Oxford or Cambridge University;
- At GCSE 32% of grades were A\*/A; and
- Levels of progress in English and Maths were well above the national average.

Staffing

- The school has had a significant turnover of staff during 2013/14 including a restructure of support staff; and
- There has been a significant change in leadership at the school during 2013/14 with the departure of the Headteacher, a Deputy Headteacher, an Assistant Headteacher and the Bursar.

2014/15

- The school will look to continue to improve the site especially the new roof in the Gym;
- The school will be continuing its drive to raise standards setting aspirational targets of 40% A\*/A at GCSE and 55% A\*-B at A2;
- The school will need to engage in a TLR restructure to reflect the changing nature of leadership at the school; and
- The school will come out of Special Measures and is aspiring towards a rating of "Good".



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## **The Thinking Schools Academy Trust**

### **(A company limited by guarantee)**

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#### **Directors' report (continued)**

#### **For the year ended 31 August 2014**

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#### **Achievements and performance (continued)**

##### *Gordon Schools Federation*

The Academy Trust took responsibility for the Federation on 1 March 2014. The Federation comprises an infant and junior school which share the same site. The schools are state funded and strive to promote and support the advancement of education within the Medway and Kent area. The Federation provides education for 5-11 year old, (Reception to Year 6).

Admission criteria mirror those of Medway Local Authority. The Junior School has 40 more places than the Infant School to allow for the placement of pupils moving into years from other infant schools in the area.

The Gordon Schools Federation has a history of underachievement, especially at Year 6. There are considerable environmental issues which will be addressed along with the key priority of radically improving the quality of teaching and learning:

- Emergency measures were put in place immediately after The Trust took over on 1 March 2014. Attainment improved due to these measures however, there simply wasn't time before the SATs on 12 May for a significant impact to be made;
- Year 6 Sats results were poor with only 54% of pupils achieving L4+ in reading, writing and maths combined. Progress measures are equally poor;
- Ofsted in December 2013, judged the Infant School to be good. The Junior School was in the Ofsted category of "serious weakness" until conversion on 1st March 2014; and
- There is a comprehensive plan in place to address the key priorities at the school. The environment and staffing issues are being rigorously addressed.

#### **Going concern**

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

#### **Key performance indicators**

The Directors consider that the following are key performance indicators for the Academy Trust:

- School performance as detailed by the regulator;
- Percentage of income received from EFA spent on teaching staff;
- Percentage of income received from EFA spent on total staff costs;
- Pupil numbers (leading directly to EFA funding level); and
- General financial stability - aim for income to match expenditure each year.

The Directors have established a quality assurance executive team that oversees the performance of all academies within the Trust. It regularly reviews a dashboard completed by the Chief Executive along with information provided by commissioned reviews. As a result of these reviews academies are placed in a RAG rated category which determines the intervention and support required to drive school improvement. The Directors have been pleased that expectations for all key performance indicators listed have been successfully met during the year.

#### **Financial review**

Most of the Academy Trust's recurrent income is obtained from the EFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2014 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Trust has had a year of significant expansion which has needed to be matched with a fundamental review of how the Trust operates to ensure that the Trust has the capacity to effectively lead the academies in sustainable way. As part of this review the Trust has created a central services environment whereby academies fund certain activities that are required to manage the Trust as a whole and to support this the Trust was supported by a sponsorship capacity grant from the DfE.

The academies that the Trust took control of during the year were all sponsored and required intensive school improvement strategies to deliver these. As a result restructure costs were significantly higher than the previous year. One of the schools in particular was transferred from a previous Trust (The Chatham Grammar School for Boys Trust) and whilst the assets of this Trust have been included in this transfer the Academy had significant financial concerns and required a restructure of staff to ensure that it could deliver a balanced budget in 2014/15.

The Trust has also received funding from Medway local authority connected to the fit out of a new school that is opening in September whose funding agreement will be with the Trust.

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## **The Thinking Schools Academy Trust**

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#### **Directors' report (continued)**

#### **For the year ended 31 August 2014**

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#### **Financial position**

The Academy Trust held fund balances at 31 August 2014 of £41.2m.

These funds included restricted fixed asset funds of £43.6m, other restricted funds of £916k, and unrestricted funds of £1.17m. Additionally there is a pension fund reserve with a deficit of £4.5m. Each of the individual pension fund reserves are in deficit, but does not mean that immediate liabilities crystallise. The deficit results in a cash flow effect in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income of each academy.

#### **Principal risks and uncertainties**

The main risks that each academy is exposed to are summarised below. For each of these risks the probability, impact and seriousness have been considered together with appropriate action and avoidance plans:

*Strategic and Reputational* - This covers unfavourable Ofsted reports, risk of uncontrollable events and insufficient demand for academy service. Competition from other schools with similar objects and little scope for differentiation. Also includes the capacity of existing buildings to deliver teaching and learning to students. The Rochester Grammar School, for example, is very close to maximum capacity and this may be a real issue linked to possible increases in 6th form pupils.

*Finance risk* - The risk of each academy not operating within its budget and running a deficit. Risks linked to income not increasing at the same rate of inflation (for example, especially for 6th form pupils at The Rochester Grammar School) over the coming years. There are also risks in connection with the deficit on the Local Government Pension Scheme, although the Directors are comfortable with the current level of employer contributions the academies are required to pay.

#### **Financial and risk management objectives and policies**

None of the individual academies use complex financial instruments. Each academy manages its activities using cash and various items such as trade debtors and trade creditors that arise directly from operations.

The main risks arising from the academies' financial activities are liquidity risk, cash flow interest rate risk, and credit risk, as detailed below:

*Liquidity risk* - each academy manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing.

*Interest rate risk* - each academy earns interest on cash deposits. With interest rates currently low, the Governors of each Local Governing Body consider action to increase the income from these deposits, whilst ensuring it does not jeopardise the liquidity or security of the academy's assets.

*Credit risk* - this arises from the possibility that amounts owed to the academies will not be repaid. Neither academies partakes in credit activities so is only exposed to credit risk as it arises from normal business. Credit risk is managed through the use of approved banks and the prompt collection of amounts due.

#### **Reserves policy**

The Directors review the reserve levels of the Academy Trust, and of each individual academy, on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The Directors have determined that the permitted level of free reserves for recurrent costs should be maintained in order to provide sufficient working capital to cover delays between spending and receipt of grants, and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

#### **PLANS FOR FUTURE PERIODS**

The Directors main plans for future periods are:

1. To expand the number of schools in the Trust in the Medway and Portsmouth areas;
2. To ensure all current Trust schools are good or better by August 2015;
3. Embed a new Trust central team and ensure lines of accountability are clear to ensure value for money and a sound business and financial model; and
4. To ensure there is a shared vision from Trust schools and coherence in terms of core values and priorities and high performing governance for the Trust that holds the CEO and senior school leaders to account for children's outcomes.

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**Directors' report (continued)**  
**For the year ended 31 August 2014**

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**DISCLOSURE OF INFORMATION TO AUDITORS**

In so far as the Directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all the steps 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.

**AUDITORS**

The auditors, UHY Hacker Young, have indicated their willingness to remain in office, and the audit process will be reviewed in detail and re-appointment of the auditors will be considered in due course.

This report, incorporating the Strategic report, was approved by order of the Board of Directors, on 11 December 2014 and signed on the Board of Director's behalf by:



Mr. P. Martin, Chair of Directors

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## **The Thinking Schools Academy Trust**

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#### **Governance Statement**

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##### **Scope of Responsibility**

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

The Board of Directors has delegated the day-to-day responsibility to the Chief Executive, 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 Thinking Schools Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control.

##### **Governance**

The information on governance included here supplements that described in the Directors' report and in the Directors' responsibilities statement.

An external governance review was commissioned by the legal advisors of the Trust and recommended the change from an Executive Committee to a Board of Directors.

The members, as listed in the Reference and administrative details, held one Annual General Meeting during the year. They have also met a further 3 times whilst the transition from the previous Executive committee to the new Board of Directors was taking place.

The Board of Directors has formally met 2 times during the year. Attendance during the year at meetings of the Board of Directors was as follows:

Director	Meetings attended	Out of a possible
Mr. P. Martin, Chair	2	2
Ms. D. Shepherd, Chief Executive	2	2
Mr. L. Miller, Finance Director	2	2
Mrs. A. Barry	1	1
Mrs. S. Earle	2	2
Mr. S. Gardner	1	2
Mr. R. Hart	0	1
Mr. D. Morrison	2	2
Mrs. P. Nagar	1	1
Ms. J. Rider	1	1
Mrs. J. Spurgeon	1	1

Mrs. A. Savage, Mrs. H. Taylor and Mrs. P. Wozencroft all resigned from the Board of Directors prior to the first Board of Directors' meeting.

The structural change was deemed necessary to reflect the change in the multi-academy trust (MAT) from two schools to an organisation that has the capacity to grow as a MAT. The Board of Directors now have membership that includes National Leaders in Education for Secondary and Primary; finance and HR professional and those with expertise in Business.

##### **Governance reviews:**

The review was led by our legal professionals and resulted in updated Articles of Association and schemes of delegation that clearly identify responsibilities held at Board level and those delegated to local governing bodies. The level of delegation is differentiated on school performance and at the end of the year the Trust had a mixture of local governing bodies that either have full delegation; partial delegation or have an Interim Management Board in place.

During the autumn term all Local Governing Bodies are undertaking a self-review process that will be externally quality assured in the spring term 14/15.

Chatham Grammar School for Boys joined the Trust on 1 January and as part of a Specialist Leader of Education (Business Management) the Finance Director was deployed to work on average one day a week in the school between October and April to review processes and drive improvements. External audit was used to close down the previous Trust.

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## **The Thinking Schools Academy Trust**

### **(A company limited by guarantee)**

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#### **Governance Statement (continued)**

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Each academy has their own independent Finance Committee acting as a sub-committee of their Local Governing Body. The purpose of the Finance Committees is to assist the decision making of their Local Governing Body, by enabling more detailed consideration to be given to the best means of fulfilling the Governing Body's responsibility to ensure sound management of the school's finances and resources, including proper planning, monitoring and probity.

The Board has now established a Finance and Operations committee that will meet 3 times a year and will review the financial position of all the schools in the Trust and quality assure the work within local finance committees.

The Trust has reviewed the terms of reference and membership of the Audit Committee and new membership has been established with a schedule of termly meetings.

The Audit Committee is also a sub-committee of the main Board of Directors. Its purpose is to review the risks to internal financial control at the Academy Trust, liaising with internal and external auditors as necessary. During the year the Audit Committee has considered the risks the Trust faces, and directed the work of the internal auditors towards these areas, and established a programme of internal audit checks extending into the 2014/15 academic year to provide assurance on the operation of the systems and controls in the academies that have joined the Trust during the year and since the year end.

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
Mr. P. Martin	3	3
Mrs. S. Earle	3	3
Mr. D. Morrison	3	3
Mrs. S. Ashton	3	3

Mrs. S. Ashton sits on the Audit Committee Board in an independent adviser capacity and has not been appointed as a Director.

#### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 The Thinking Schools Academy Trust for the year 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements.

#### **Capacity to Handle Risk**

The Board of Directors has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks, that has been in place for the year 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

#### **The Risk and Control Framework**

The 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 Directors;
- regular reviews by the Finance 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; and
- identification and management of risks.

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**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

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**Governance Statement (continued)**

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The Board of Directors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Directors have appointed:

- Mrs. S. Earle, a Director and local governor at The Rochester Grammar School, as Responsible Officer (RO) for both Rochester Grammar School and All Faiths' School.;
- UHY Hacker Young, the external auditor, to perform additional checks for Portsmouth Academy for Girls, The Gordon Schools and Chatham Grammar School for Boys.

The appointees' role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. The Audit Committee has designed a programme of work across the Trust which varies from academy to academy based on the relative risks. Appointees have performed regular system checks throughout the year, and have reported to the Board of Directors on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities. The Directors have arranged a fully outsourced programme of internal audit checks for 2014/2015.

During the year ended 31st August 2014 the internal audit function has been fully delivered in line with the requirements of the Education Funding Agency, and as planned. No material control issues have arisen and any recommendations for improvements are reported and monitored by the Audit Committee. Chatham Grammar School for Boys joined the Trust on 1st January and whilst no internal checks took place until later on in the year an external audit was used to close down the previous Trust. These accounts have been submitted to the EFA and the Trust has now been disbanded.

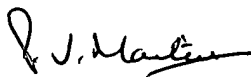
**Review of Effectiveness**

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

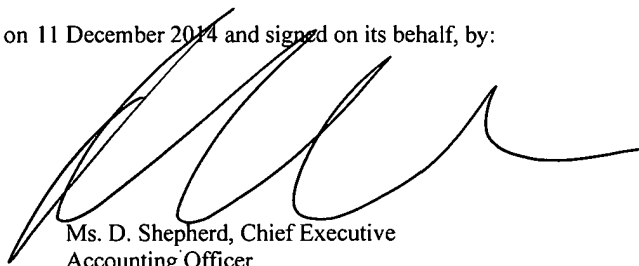
- the work of the Responsible Officer;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Board of Directors on 11 December 2014 and signed on its behalf, by:



Mr. P. Martin  
Chair of Directors



Ms. D. Shepherd, Chief Executive  
Accounting Officer

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**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

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**Statement on Regularity, Propriety and Compliance**

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As Accounting Officer of The Thinking Schools Academy Trust I have considered my responsibility to notify the Academy Trust Board of Directors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2013).

I confirm that I and the Academy Trust Board of Directors are able to identify any material, irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook (2013).

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

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

Ms. D. Shepherd, Chief Executive  
Accounting Officer

Date: 11 December 2014

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**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

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**Directors' responsibilities statement**  
**For the year ended 31 August 2014**

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The Trustees (who are also the Directors of the Academy Trust for the purposes of company law) are responsible for preparing the Directors' report (including the Strategic report) and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Academy Trust and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Academy Trust will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Academy Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Academy 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 Academy Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that in its conduct and operation the Academy 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 EFA/DfE have been applied for the purposes intended.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Academy 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 Directors on 11 December 2014 and signed on its behalf by:



Mr. P. Martin  
Chair of Directors



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## **The Thinking Schools Academy Trust**

### **(A company limited by guarantee)**

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#### **Independent auditor's report to the Board of Directors of The Thinking Schools Academy Trust**

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We have audited the financial statements of The Thinking Schools Academy Trust for the year ended 31 August 2014 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

This report is made solely to the Academy 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 Academy 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 Academy Trust and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

#### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' responsibilities statement, the Directors (who are also the directors of the Academy Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

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**Independent auditor's report to the Board of Directors of The Thinking Schools Academy Trust**

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

*UHY Kent LLP*

Allan Hickie BSc FCA (Senior statutory auditor)  
for and on behalf of

**UHY Kent LLP**

Chartered Accountants  
and Statutory Auditors

Thames House

Roman Square

Sittingbourne

Kent

ME10 4BJ

Date: *16 December 2014*

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**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

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**Independent reporting accountant's assurance report on regularity to The Thinking Schools Academy Trust and the Education Funding Agency**

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In accordance with the terms of our engagement letter dated 25 September 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Thinking Schools Academy Trust during the year 1 September 2013 to 31 August 2014 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 Thinking Schools Academy Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Thinking Schools Academy Trust and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Thinking Schools Academy Trust and EFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of The Thinking Schools Academy Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of The Thinking Schools Academy Trust's funding agreement with the Secretary of State for Education dated 26 August 2014, and the Academies Financial Handbook extant from 1 September 2013, 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 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2013 to 31 August 2014 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 2013 to 2014 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

We conducted our work in accordance with Technical Release TECH 08/12 AAF issued by the Institute of Chartered Accountants In England and Wales. In accordance with that Technical Release we have carried out the procedures we consider necessary to be able to report on whether anything has come to our attention which suggests that in all material respects expenditure disbursed and income received have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them. Other than those procedures undertaken for the purposes of our audit of the financial statements of The Thinking Schools Academy Trust for the year ended 31 August 2014 which provide evidence on regularity, our work was limited to only those additional procedures necessary to provide limited assurance.

The work undertaken to draw to our conclusion included:

- an assessment of the risk of material irregularity and impropriety across all of the Academy 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.

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**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

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**Independent reporting accountant's assurance report on regularity to The Thinking Schools Academy Trust and the Education Funding Agency (continued)**

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**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 year 1 September 2013 to 31 August 2014 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Allan Hickie*

Allan Hickie BSc FCA  
for and on behalf of

**UHY Kent LLP**  
Chartered Accountants  
and Statutory Auditors  
Thames House  
Roman Square  
Sittingbourne  
Kent  
ME10 4BJ

*Date: 16 December 2014.*

**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

**Statement of financial activities**  
**(incorporating income and expenditure account and statement of total recognised gains and losses)**  
**For the year ended 31 August 2014**

	Note	Unrestricted funds 2014 £	Restricted funds 2014 £	Restricted fixed asset funds 2014 £	Total funds 2014 £	Total funds 2013 £
<b>Incoming resources</b>						
Incoming resources from generated funds:						
Transfer from Local Authority on conversion or from other academy trusts	2	215,024	(2,130,543)	21,573,831	19,658,312	-
Other voluntary income	2	77,729	113,537	-	191,266	85,014
Activities for generating funds	3	379,143	257,589	-	636,732	395,069
Investment income	5	7,256	-	-	7,256	3,152
Incoming resources from educational activities	4	-	17,378,862	542,654	17,921,516	7,619,402
<b>Total incoming resources</b>		<b>679,152</b>	<b>15,619,445</b>	<b>22,116,485</b>	<b>38,415,082</b>	<b>8,102,637</b>
<b>Resources expended</b>						
Costs of activities for generating funds	6	22,144	74,546	-	96,690	147,083
Educational activities	7	73,185	17,090,584	428,726	17,592,495	6,892,114
Governance costs	8	-	103,506	-	103,506	269,502
<b>Total resources expended</b>	<b>6</b>	<b>95,329</b>	<b>17,268,636</b>	<b>428,726</b>	<b>17,792,691</b>	<b>7,308,699</b>
<b>Net incoming / (outgoing) resources before transfers</b>		<b>583,823</b>	<b>(1,649,191)</b>	<b>21,687,759</b>	<b>20,622,391</b>	<b>793,938</b>
Transfers between Funds	19	(251,591)	55,000	196,591	-	-
<b>Net income for the year</b>		<b>332,232</b>	<b>(1,594,191)</b>	<b>21,884,350</b>	<b>20,622,391</b>	<b>793,938</b>
Actuarial gains and losses on defined benefit pension schemes	25	-	(581,000)	-	(581,000)	(45,000)
<b>Net movement in funds for the year</b>		<b>332,232</b>	<b>(2,175,191)</b>	<b>21,884,350</b>	<b>20,041,391</b>	<b>748,938</b>
<i>Total funds at 1 September 2013</i>		<i>841,327</i>	<i>(1,403,782)</i>	<i>21,718,288</i>	<i>21,155,833</i>	<i>20,406,895</i>
<b>Total funds at 31 August 2014</b>		<b>1,173,559</b>	<b>(3,578,973)</b>	<b>43,602,638</b>	<b>41,197,224</b>	<b>21,155,833</b>

The Academy Trust's activities derive from a mixture of continuing and acquired operations. Further details are provided in note 24.

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

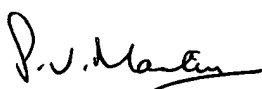
The notes on pages 22 to 41 form part of these financial statements.

**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**  
**Registered number: 07359755**

**Balance sheet**  
**As at 31 August 2014**

	Note	£	2014 £	£	2013 £
<b>Fixed assets</b>					
Tangible assets	14		43,555,260		21,430,545
<b>Current assets</b>					
Stocks	15	1,506		1,506	
Debtors	16	891,291		384,341	
Cash at bank and in hand		2,769,783		1,452,312	
			3,662,580	1,838,159	
<b>Creditors: amounts falling due within one year</b>	17	(1,473,372)		(426,729)	
<b>Net current assets</b>			2,189,208		1,411,430
<b>Total assets less current liabilities</b>			45,744,468		22,841,975
<b>Creditors: amounts falling due after more than one year</b>	18		(52,244)		(73,142)
<b>Net assets excluding pension scheme liability</b>			45,692,224		22,768,833
Pension scheme liabilities	25		(4,495,000)		(1,613,000)
<b>Net assets including pension scheme liability</b>			41,197,224		21,155,833
<b>Funds of the academy</b>					
<b>Restricted funds</b>					
General Annual Grant	19	501,126		85,480	
Other restricted funds	19	414,901		123,738	
Restricted fixed asset funds	19	43,602,638		21,718,288	
			44,518,665	21,927,506	
Restricted funds excluding pension liability					
Pension reserve		(4,495,000)		(1,613,000)	
<b>Total restricted funds</b>			40,023,665		20,314,506
Unrestricted funds	19		1,173,559		841,327
<b>Total funds</b>			41,197,224		21,155,833

The financial statements were approved by the Directors, and authorised for issue, on 11 December 2014 and are signed on their behalf, by:



Mr. P. Martin  
**Chair of Directors**

The notes on pages 22 to 41 form part of these financial statements.

**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

**Cash flow statement**  
**For the year ended 31 August 2014**

	<b>Note</b>	<b>2014 £</b>	<b>2013 £</b>
Net cash flow from operating activities	21	1,767,162	604,456
Returns on investments and servicing of finance	22	7,256	3,152
Capital expenditure and financial investment	22	(446,500)	63,295
<b>Cash inflow before financing</b>		<b>1,327,918</b>	<b>670,903</b>
Financing	22	(10,447)	-
<b>Increase in cash in the year</b>		<b>1,317,471</b>	<b>670,903</b>

**Reconciliation of net cash flow to movement in net funds**  
**For the year ended 31 August 2014**

	<b>2014 £</b>	<b>2013 £</b>
Increase in cash in the year	1,317,471	670,903
Cash outflow from decrease in debt and lease financing	10,447	-
<b>Movement in net funds in the year</b>	<b>1,327,918</b>	<b>670,903</b>
Net funds at 1 September 2013	1,368,721	697,818
<b>Net funds at 31 August 2014</b>	<b>2,696,639</b>	<b>1,368,721</b>

The notes on pages 22 to 41 form part of these financial statements.

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## **The Thinking Schools Academy Trust**

### **(A company limited by guarantee)**

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#### **Notes to the financial statements**

##### **For the year ended 31 August 2014**

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## **1. Accounting policies**

### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 to 2014 issued by EFA, applicable accounting standards and the Companies Act 2006.

### **1.2 Fund accounting**

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

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

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

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

### **1.3 Incoming resources**

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

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

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

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

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

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

### **1.4 Resources expended**

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

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

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

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



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**The Thinking Schools Academy Trust**  
**(A company limited by guarantee)**

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**Notes to the financial statements**  
**For the year ended 31 August 2014**

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**1. Accounting policies (continued)**

**1.5 Going concern**

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

**1.6 Tangible fixed assets and depreciation**

All equipment costing more than £2,500 and property improvements costing more than £10,000 are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of financial activities and are carried forward in the Balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.

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 are stated at cost or valuation less depreciation. Depreciation is not charged on leasehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold Land & buildings	-	over 125 year term of lease
Furniture, plant & equipment	-	15-25%
Computer equipment & software	-	33.33%

**1.7 Operating leases**

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

**1.8 Stocks**

Unsold uniform stocks are valued at the lower of cost or net realisable value

**1.9 Taxation**

The Academy 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 Academy 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.

**The Thinking Schools Academy Trust**  
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**Notes to the financial statements**  
**For the year ended 31 August 2014**

**1. Accounting policies (continued)**

**1.10 Pensions**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 25, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

**2. Voluntary income**

The Academy Trust inherited assets and liabilities from Local Authority schools that joined the Trust on conversion to academy status. The Academy Trust also inherited the assets and liabilities of The Chatham Grammar School for Boys Trust (company number 07535073) when management of Chatham Grammar School for Boys passed to the trust during the year. A summary of the assets and liabilities inherited is shown below, full details are provided in note 24.

	<b>Unrestricted funds 2014 £</b>	<b>Restricted funds 2014 £</b>	<b>Total funds 2014 £</b>	<b>Total funds 2013 £</b>
Fixed assets inherited	-	21,564,288	21,564,288	-
Other assets inherited	215,024	-	215,024	-
LGPS pension liabilities inherited	-	(2,121,000)	(2,121,000)	-
Transfer from Local Authority on conversion or from other academy trusts	215,024	19,443,288	19,658,312	-
Other donations	77,729	113,537	191,266	85,014
Voluntary income	292,753	19,556,825	19,849,578	85,014

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**Notes to the financial statements**  
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**3. Activities for generating funds**

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
School trips income	-	222,975	222,975	131,186
Catering income	637	-	637	520
Hire of facilities	125,470	60	125,530	29,378
Other income	253,036	34,554	287,590	233,985
	<u>379,143</u>	<u>257,589</u>	<u>636,732</u>	<u>395,069</u>

**4. Funding for Academy's educational operations**

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
<b>DfE/EFA revenue grants</b>				
General Annual Grant (GAG)	-	14,839,598	14,839,598	6,415,770
Other DfE/EFA grants	-	1,766,548	1,766,548	358,989
	<u>-</u>	<u>16,606,146</u>	<u>16,606,146</u>	<u>6,774,759</u>
<b>Other government grants</b>				
Other government grants	-	772,716	772,716	361,702
	<u>-</u>	<u>772,716</u>	<u>772,716</u>	<u>361,702</u>
<b>DfE/EFA capital grant</b>				
Devolved capital grant	-	81,765	81,765	31,121
ACMF grant	-	460,889	460,889	451,820
	<u>-</u>	<u>542,654</u>	<u>542,654</u>	<u>482,941</u>
	<u>-</u>	<u>17,921,516</u>	<u>17,921,516</u>	<u>7,619,402</u>

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**Notes to the financial statements**  
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**5. Investment income**

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Investment income	7,256	-	7,256	3,152

**6. Resources expended**

	Staff costs 2014 £	Non Pay Premises 2014 £	Expenditure Other costs 2014 £	Total 2014 £	Total 2013 £
Costs of activities for generating funds	-	-	96,690	96,690	147,083
<b>Academy Trust's educational operations:</b>					
Direct costs	10,357,943	282,224	957,474	11,597,641	5,482,024
Support costs	2,223,411	1,385,268	2,386,175	5,994,854	1,410,090
	12,581,354	1,667,492	3,343,649	17,592,495	6,892,114
<b>Governance</b>	35,983	-	67,523	103,506	269,502
	12,617,337	1,667,492	3,507,862	17,792,691	7,308,699

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**Notes to the financial statements**  
**For the year ended 31 August 2014**

**7. Charitable Activities - academy's educational operations**

	<b>Total funds 2014 £</b>	<i>Total funds 2013 £</i>
<b>Direct costs - educational operations</b>		
Wages and salaries	8,454,402	4,076,234
National insurance	832,299	263,343
Pension cost	1,071,242	555,384
Depreciation	407,190	211,226
Books, apparatus and stationery	247,728	96,865
Examination fees	202,478	138,330
Staff development	108,819	65,721
Other direct costs	273,483	74,921
	<u>11,597,641</u>	<u>5,482,024</u>
<b>Support costs - educational operations</b>		
Wages and salaries	1,443,774	443,549
National insurance	120,699	27,011
Pension cost	658,938	143,508
Depreciation	21,536	11,117
Recruitment and support	270,112	53,428
Maintenance of premises and equipment	776,717	107,728
Cleaning	108,827	15,749
Rent and rates	107,191	47,863
Heat and light	253,099	109,333
Insurance	139,434	56,400
Transport	182,679	8,095
Catering	154,021	47,363
Technology costs	724,978	82,723
Bank interest and charges	4,096	1,399
Other support costs	1,028,753	254,824
	<u>5,994,854</u>	<u>1,410,090</u>
	<u><u>17,592,495</u></u>	<u><u>6,892,114</u></u>

**8. Governance costs**

	<b>Unrestricted funds 2014 £</b>	<b>Restricted funds 2014 £</b>	<b>Total funds 2014 £</b>	<i>Total funds 2013 £</i>
Auditor's remuneration	-	19,300	19,300	11,490
Auditor's non audit costs	-	20,667	20,667	2,485
Support costs	-	17,016	17,016	11,249
Charitable expenditure	-	-	-	11,190
Legal and professional fees	-	10,540	10,540	192,710
Wages and salaries	-	35,983	35,983	40,378
	<u>-</u>	<u>103,506</u>	<u>103,506</u>	<u>269,502</u>

**The Thinking Schools Academy Trust**  
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**Notes to the financial statements**  
**For the year ended 31 August 2014**

**9. Net incoming / (outgoing) resources**

This is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the Academy Trust	428,727	222,343
Auditor's remuneration	19,300	11,490
Auditor's remuneration - non-audit	20,667	2,485
Operating lease rentals:		
- plant and machinery	78,907	46,019
	<u>428,727</u>	<u>222,343</u>

**10. Staff**

**a. Staff costs**

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	9,538,932	4,389,692
Social security costs	952,998	290,354
Other pension costs (Note 25)	1,730,180	698,892
	<u>12,222,110</u>	<u>5,378,938</u>
Supply teacher costs	218,695	168,157
Staff restructuring costs	176,532	22,500
	<u>12,617,337</u>	<u>5,569,595</u>

**b. Staff severance payments**

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £64,000 (2013: £22,500). Four of the non-statutory/non-contractual payments exceeded £5,000 individually, and these were for £19,000, £15,500, £15,000 and £10,000.

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**For the year ended 31 August 2014**

**10. Staff (continued)**

**c. Staff numbers**

The average number of persons employed by the Academy Trust during the year expressed as full time equivalents was as follows:

	<b>2014</b>	<i>2013</i>
	<b>No.</b>	<i>No.</i>
Teachers	181	75
Administrative and support	164	55
Management	31	13
	<u>376</u>	<u>143</u>

The average number of persons employed by the Academy Trust during the year expressed on a head count basis, as required by the Companies Act, was as follows:

	<b>2014</b>
	<b>No.</b>
Teachers	198
Administrative and support	280
Management	32
	<u>510</u>

**d. Higher paid staff**

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

	<b>2014</b>	<i>2013</i>
	<b>No.</b>	<i>No.</i>
In the band £ 60,001 - £ 70,000	1	2
In the band £ 70,001 - £ 80,000	2	0
In the band £ 80,001 - £ 90,000	0	1
In the band £ 90,001 - £ 100,000	1	0
In the band £ 120,000 - £ 130,000	1	0
In the band £ 130,000 - £ 140,000	0	1
In the band £ 170,000 - £ 180,000	1	0
	<u>6</u>	<u>4</u>

Five of the employees shown above participated in the Teachers' Pension Scheme, with one contributing towards the Local Government Pension Scheme. During the year ended 31 August 2014, employer's Teachers' Pension Scheme contributions for these staff amounted to £66,361 (2013: £47,635) and employer's Local Government Pension Scheme contributions amounted to £9,825 (2013: £Nil).

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**Notes to the financial statements**  
**For the year ended 31 August 2014**

**11. Directors' remuneration and expenses**

The Executive Principal and other staff Directors only receive remuneration in respect of services they provide undertaking the roles of Executive Principal and staff, and not in respect of their services as Directors. Other Directors did not receive any payments, other than expenses, from the Academy Trust in respect of their role as Directors. The value of Directors' remuneration, including employer's pension contributions, fell within the following bands:

	2014 £	2013 £
Ms. D. Shepherd	190,000-195,000	<i>150,000-155,000</i>
Mrs. H. Taylor (resigned 5 February 2014)	35,000-40,000	<i>75,000-80,000</i>
Mr. S. Gardner (appointed 4 February 2014)	95,000-100,000	<i>Not a Director</i>
Mr. L. Miller (appointed 5 February 2014)	45,000-50,000	<i>Not a Director</i>

Remuneration stated above relates to the proportion of the year for which the individual was a Director, and does not include remuneration received before becoming or ceasing to be a Director.

During the year, no Directors received any benefits in kind (2013 - £NIL).

During the year one Director received reimbursements totaling £345 in respect of expenses for travelling between schools in the multi academy trust (2013: £NIL)

**12. Central services**

The Academy Trust has provided the following central services to its academies during the year:

- Chief Executive Leadership time and support
- Finance Director time and support
- HR services and policy development
- Finance system and license costs
- Audit fees (both internal and external)
- Legal advice and support
- Trust governance and risk management
- Trust IT staff and website development
- ICT and capital strategy and development
- External quality assurance consultants

The Academy Trust charges for these services on the following basis:

Each academy school pays a 'top slice' of their General Annual Grant income to the Trust's central services fund. This payment is at a set percentage which is dependent on Ofsted rating, being 3% for schools deemed good or outstanding and 4% for schools requiring improvement. Any unused surplus is redistributed to the schools on the same percentage basis noted above.

The actual amounts paid during the year were as follows:

	2014 £
The Rochester Grammar School	171,000
Gordon Schools Federation	30,460
Portsmouth Academy for Girls	189,901
Chatham Grammar School for Boys	114,709
	<hr/>
Total	506,070 <hr/>

All Faiths' Children's Community School did not pay any contributions to central services during the year.



**The Thinking Schools Academy Trust**  
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**Notes to the financial statements**  
**For the year ended 31 August 2014**

**13. Directors' and officers' insurance**

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect Directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2014 was £2,798 (2013 - £2,057). The cost of this insurance is included in the total insurance cost.

**14. Tangible fixed assets**

	Leasehold land & buildings £	Furniture, plant & equipment £	Computer equipment & software £	Total £
<b>Cost or valuation</b>				
At 1 September 2013	21,661,248	94,619	163,618	21,919,485
Additions	866,201	38,146	84,807	989,154
Inherited on conversion or from other trusts	21,446,386	77,697	40,205	21,564,288
At 31 August 2014	43,973,835	210,462	288,630	44,472,927
<b>Depreciation</b>				
At 1 September 2013	401,785	27,459	59,696	488,940
Charge for the year	282,224	38,435	108,068	428,727
At 31 August 2014	684,009	65,894	167,764	917,667
<b>Net book value</b>				
At 31 August 2014	43,289,826	144,568	120,866	43,555,260
At 31 August 2013	21,259,463	67,160	103,922	21,430,545

Included in land and buildings is leasehold land at a valuation of £3,758,000 (2013 - £1,500,000) which is not depreciated.

**15. Stocks**

	2014 £	2013 £
School uniforms	1,506	1,506

**16. Debtors**

	2014 £	2013 £
Trade debtors	219,764	2,461
Other debtors	308,573	160,280
Prepayments and accrued income	362,954	221,600
	891,291	384,341

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**Notes to the financial statements**  
**For the year ended 31 August 2014**

**17. Creditors:**  
**Amounts falling due within one year**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Other loans	20,900	10,449
Trade creditors	584,676	54,723
Other taxation and social security	207,938	92,991
Other creditors	193,356	70,133
Accruals and deferred income	466,502	198,433
	<u>1,473,372</u>	<u>426,729</u>

The other loan shown above relates to an approved loan agreement with Salix Finance, a not for profit company funded by the DECC and the Welsh and Scottish governments, which operates a Schools Energy Efficient Loans Programme.

	<b>£</b>
<b>Deferred income</b>	
Deferred income at 1 September 2013	150,286
Resources deferred during the year	78,055
Amounts released from previous years	(150,286)
Deferred income at 31 August 2014	<u>78,055</u>

The deferred income above relates to income received for trips to take place in the 2014/15 academic year of £15,021 (2013: £73,875), grant money received in advance of £55,534 (2013: £76,411) and lettings income received in advance of £7,500 (2013: £NIL).

**18. Creditors:**  
**Amounts falling due after more than one year**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Other loans	<u>52,244</u>	<u>73,142</u>

The loan above is the same Salix Finance agreement referred to in note 17.

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**Notes to the financial statements**  
**For the year ended 31 August 2014**

**19. Statement of funds**

	<b>Brought Forward £</b>	<b>Incoming resources £</b>	<b>Resources Expended £</b>	<b>Transfers in/out £</b>	<b>Gains/ (Losses) £</b>	<b>Carried Forward £</b>
<b>Unrestricted funds</b>						
General fund	841,327	679,152	(95,329)	(251,591)	-	1,173,559
<b>Restricted funds</b>						
General Annual Grant (GAG)	85,480	14,842,456	(14,525,911)	99,101	-	501,126
Other DfE/EFA	121,342	1,377,494	(1,388,830)	-	-	110,006
Other government grants	-	1,159,978	(894,905)	-	-	265,073
Other restricted	2,396	360,517	(278,990)	(44,101)	-	39,822
Pension reserve	(1,613,000)	(2,121,000)	(180,000)	-	(581,000)	(4,495,000)
	<u>(1,403,782)</u>	<u>15,619,445</u>	<u>(17,268,636)</u>	<u>55,000</u>	<u>(581,000)</u>	<u>(3,578,973)</u>
<b>Restricted fixed asset funds</b>						
DfE/EFA capital grants	560,452	1,271,623	(43,342)	-	-	1,788,733
Donated asset funds	20,815,875	20,813,292	(317,679)	-	-	41,311,488
Capital expenditure from other funds	341,961	31,570	(67,705)	196,591	-	502,417
	<u>21,718,288</u>	<u>22,116,485</u>	<u>(428,726)</u>	<u>196,591</u>	<u>-</u>	<u>43,602,638</u>
Total restricted funds	<u>20,314,506</u>	<u>37,735,930</u>	<u>(17,697,362)</u>	<u>251,591</u>	<u>(581,000)</u>	<u>40,023,665</u>
Total of funds	<u>21,155,833</u>	<u>38,415,082</u>	<u>(17,792,691)</u>	<u>-</u>	<u>(581,000)</u>	<u>41,197,224</u>

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

General Annual Grant (GAG) must be used for the normal running costs of the academies. The net transfer in comprises a transfer of £232,510 from unrestricted funds to cover a deficit on the individual GAG fund at Chatham Grammar School for Boys, less a transfer of £133,409 to the restricted fixed asset fund (see below).

The other DfE/EFA grants fund is used to track non-GAG grants received from the EFA, the DfE or executive agencies of the DfE and includes Pupil Premium.

The other government grants fund is used to track grants provided by government departments and includes Individually Assigned Resources funding and Teaching School grants.

Other restricted funds track income such as school trips and other non-grant restricted income.

The pension reserve deficit is a restricted fund to account for the liability arising under The Local Government Pension Scheme.

The restricted fixed asset funds are carried forward to meet the specific costs of fixed asset projects and to cover the depreciation charges that will be required on these projects going forward and the current fixed assets held. The transfer to the restricted fixed asset fund of £196,591 represents the total capital expenditure from the General Annual Grant of £133,409 and total capital expenditure from the restricted fund of £63,182 during the year.

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2014.

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**Notes to the financial statements**  
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**19. Statement of funds (continued)**

**Analysis of academies by fund balance**

Fund balances at 31 August 2014 were allocated as follows:

	<b>Total £</b>
The Rochester Grammar School	1,187,466
All Faiths' Children's Community School	183,308
Portsmouth Academy for Girls	280,629
Chatham Grammar School for Boys	187,854
Gordon Schools Federation	26,402
Central Services	223,927
	<hr/>
Total before fixed asset fund and pension reserve	2,089,586
Restricted fixed asset fund	43,602,638
Pension reserve	(4,495,000)
	<hr/>
Total	41,197,224
	<hr/> <hr/>

The Trust entered a funding agreement for New Horizons Children's Academy on 1 September 2014, £165,228 of the year end funds balance held by Central Services is attributable to funding for this new school.

**Analysis of academies by cost**

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

	<b>Teaching and educational support staff costs £</b>	<b>Other support staff costs £</b>	<b>Educational supplies £</b>	<b>Other costs excluding depreciation £</b>	<b>Total £</b>
The Rochester Grammar School	3,559,197	539,699	338,416	1,302,665	5,739,977
All Faiths' Children's Community School	1,217,899	187,233	73,559	230,299	1,708,990
Portsmouth Academy for Girls	2,518,796	870,408	208,448	1,397,857	4,995,509
Chatham Grammar School for Boys	2,136,504	384,644	246,640	481,680	3,249,468
Gordon Schools Federation	649,020	112,200	15,960	147,344	924,524
Central Services	276,527	165,210	27,204	276,556	745,497
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	10,357,943	2,259,394	910,227	3,836,401	17,363,965
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Details of the Trust's policy on charging for central services are disclosed in note 12.

For the purposes of the above Gordon Infant School and Gordon Junior School are disclosed as a combined total, as Gordon Schools Federation. The two schools are officially individual academies, but were in federation prior to converting to academy status and work very closely together. The schools work in such a way (for example shared staff) and operate a financial system which means that it is not possible to determine an accurate split between the two schools. The Directors believe that the time involved calculating a meaningful split would not be a wise use of resources.

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**Notes to the financial statements**  
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**20. Analysis of net assets between funds**

	<b>Unrestricted funds 2014 £</b>	<b>Restricted funds 2014 £</b>	<b>Restricted fixed asset funds 2014 £</b>	<b>Total funds 2014 £</b>	<b>Total funds 2013 £</b>
Tangible fixed assets	-	-	43,555,260	43,555,260	21,430,545
Current assets	2,610,043	989,171	63,366	3,662,580	1,838,159
Creditors due within one year	(1,436,484)	(20,900)	(15,988)	(1,473,372)	(426,729)
Creditors due in more than one year	-	(52,244)	-	(52,244)	(73,142)
Provisions for liabilities and charges	-	(4,495,000)	-	(4,495,000)	(1,613,000)
	<u>1,173,559</u>	<u>(3,578,973)</u>	<u>43,602,638</u>	<u>41,197,224</u>	<u>21,155,833</u>

**21. Net cash flow from operations**

	<b>2014 £</b>	<b>2013 £</b>
Net incoming resources before revaluations	20,622,391	793,938
Returns on investments and servicing of finance	(7,256)	(3,152)
Depreciation of tangible fixed assets	428,727	222,343
Capital grants and other capital income	(22,106,942)	(482,942)
(Increase)/decrease in debtors	(506,950)	106,224
Increase/(decrease) in creditors	1,036,192	(95,955)
Inherited pension scheme deficit	2,121,000	-
FRS 17 pension cost less contributions payable	75,000	21,000
FRS 17 pension finance costs	105,000	43,000
<b>Net cash inflow from operations</b>	<u>1,767,162</u>	<u>604,456</u>

**22. Analysis of cash flows for headings netted in cash flow statement**

	<b>2014 £</b>	<b>2013 £</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	<u>7,256</u>	<u>3,152</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(989,154)	(419,646)
Capital grants from EFA/DfE	<u>542,654</u>	<u>482,941</u>
<b>Net cash (outflow)/inflow capital expenditure</b>	<u>(446,500)</u>	<u>63,295</u>
<b>Financing</b>		
Repayment of loans	<u>(10,447)</u>	<u>-</u>

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**Notes to the financial statements**  
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**23. Analysis of changes in net funds**

	1 September 2013 £	Cash flow £	Other non-cash changes £	31 August 2014 £
Cash at bank and in hand:	1,452,312	1,317,471	-	2,769,783
<b>Debt:</b>				
Debts due within one year	(10,449)	-	(10,451)	(20,900)
Debts falling due after more than one year	(73,142)	-	20,898	(52,244)
<b>Net funds</b>	<b>1,368,721</b>	<b>1,317,471</b>	<b>10,447</b>	<b>2,696,639</b>

**24. Conversion to an academy trust and assets inherited from other academy trusts**

On 1 September 2014 the City of Portsmouth Girls' School (now Portsmouth Academy for Girls) converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Thinking Schools Academy Trust from Hampshire County Council for £NIL consideration.

On 1 March 2014 Gordon Infant School and Gordon Junior School (now Gordon Schools Federation) converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Thinking Schools Academy Trust from Kent County Council for £NIL consideration.

On 1 January 2014 the Trust took over the management of Chatham Grammar School for Boys from another academy trust. All the operations and assets and liabilities were transferred to The Thinking Schools Academy Trust from Chatham Grammar School for Boys Trust (company number 07535073, now dissolved) for £NIL consideration.

The transfers have been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the Balance sheet under the appropriate headings with a corresponding net amount recognised as net incoming resources in the Statement of financial activities as voluntary income.

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

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
<b>Tangible fixed assets</b>				
Leasehold land and buildings - City of Portsmouth Girls' School	-	-	5,845,000	5,845,000
Leasehold land and buildings - Gordon Infant School & Gordon Junior School	-	-	3,325,000	3,325,000
Fixed and net current assets inherited - Chatham Grammar School for Boys	215,024	-	12,394,288	12,609,312
LGPS pension deficit - City of Portsmouth Girls' School	-	(824,000)	-	(824,000)
LGPS pension deficit - Gordon Infant School & Gordon Junior School	-	(420,000)	-	(420,000)
LGPS pension deficit - Chatham Grammar School for Boys	-	(877,000)	-	(877,000)
<b>Net assets/(liabilities)</b>	<b>215,024</b>	<b>(2,121,000)</b>	<b>21,564,288</b>	<b>19,658,312</b>

Leasehold land and buildings inherited by the Academy Trust are held under leases of 125 years. None of the above net assets and liabilities were transferred as cash.

## The Thinking Schools Academy Trust

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#### Notes to the financial statements

##### For the year ended 31 August 2014

#### 24. Conversion to an academy trust and assets inherited from other academy trusts (continued)

Due to the transfer of operations, assets and liabilities of the City of Portsmouth Girls' School, Gordon Infant School and Gordon Junior School on conversion to academy status along with the transfer of operations, assets and liabilities of Chatham Grammar School for Boys on joining the multi academy trust during the year, the Trust's activities derive from a mixture of continuing and acquired operations. The split between continuing and acquired operations, using the main headings of the Statement of Financial Activities, is as follows:

	Continuing operations £	Acquired operations £	2014 £
Total incoming resources	9,283,006	29,248,307	38,531,313
Total expended resources	(8,582,409)	(9,381,861)	(17,964,270)
Actuarial gains/(losses) on defined benefit pension scheme	(74,000)	(507,000)	(581,000)
Net movement in funds per Statement of Financial Activities	626,597	19,359,446	19,986,043

#### 25. Pension commitments

The Academy Trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kent County Council and Hampshire County Council. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2013.

Contributions amounting to £126,740 (TPS) and £24,990 (LGPS) were payable to the schemes at 31 August 2014 (2013: £50,241 (TPS) and £10,947 (LGPS)) and are included within creditors.

##### Teachers' Pension Scheme

##### Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

##### Valuation of the Teachers' Pension Scheme

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions.

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## **The Thinking Schools Academy Trust**

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#### **Notes to the financial statements**

##### **For the year ended 31 August 2014**

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#### **25. Pension commitments (continued)**

The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

#### **Teachers' Pension Scheme Changes**

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in from April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatting Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatting scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Academy Trust has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy Trust has set out above the information available on the scheme.

#### **Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £616,000 (2013: £253,000), of which employer's contributions totalled £473,000 (2013: £197,000) and employees' contributions totalled £143,000 (2013: £56,000). The agreed contribution rates for future years are 20.1% for employers in Medway and 13.1% for employers in Hampshire, and between 5.5 and 7.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding local government pension scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.



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**For the year ended 31 August 2014**

**25. Pension commitments (continued)**

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

	<b>Expected return at 31 August 2014 %</b>	<b>Fair value at 31 August 2014 £</b>	<b>Expected return at 31 August 2013 %</b>	<b>Fair value at 31 August 2013 £</b>
Equities	6.90	3,642,000	6.60	1,081,000
Bonds	3.50	485,000	4.40	180,000
Property	6.10	523,000	4.60	120,000
Gilts	3.00	429,000	3.50	-
Cash	2.50	227,000	0.50	60,000
Other	6.20	219,000	5.00	60,000
Total market value of assets		<u>5,525,000</u>		<u>1,501,000</u>
Present value of scheme liabilities		<u>(10,020,000)</u>		<u>(3,114,000)</u>
Deficit in the scheme		<u>(4,495,000)</u>		<u>(1,613,000)</u>

The amounts recognised in the Balance sheet are as follows:

	<b>2014 £</b>	<b>2013 £</b>
Present value of funded obligations	(10,020,000)	(3,114,000)
Fair value of scheme assets	<u>5,525,000</u>	<u>1,501,000</u>
Net liability	<u>(4,495,000)</u>	<u>(1,613,000)</u>

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the year. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The amounts recognised in the Statement of financial activities are as follows:

	<b>2014 £</b>	<b>2013 £</b>
Current service cost	(548,000)	(218,000)
Interest on obligation	(350,000)	(106,000)
Expected return on scheme assets	<u>245,000</u>	<u>63,000</u>
Total	<u>(653,000)</u>	<u>(261,000)</u>
Actual return on scheme assets	<u>389,000</u>	<u>181,000</u>

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**25. Pension commitments (continued)**

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Opening defined benefit obligation	3,114,000	2,582,000
Current service cost	548,000	218,000
Interest cost	350,000	106,000
Contributions by scheme participants	143,000	56,000
Actuarial Losses	806,000	163,000
Benefits paid	(106,000)	(11,000)
Transfers in from academies joining the Trust	5,165,000	-
	<u>10,020,000</u>	<u>3,114,000</u>

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Opening fair value of scheme assets	1,501,000	1,078,000
Expected return on assets	245,000	63,000
Actuarial gains and (losses)	225,000	118,000
Contributions by employer	473,000	197,000
Contributions by employees	143,000	56,000
Benefits paid	(106,000)	(11,000)
Transfers in from academies joining the Trust	3,044,000	-
	<u>5,525,000</u>	<u>1,501,000</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £811,000 (2013 - loss of £230,000).

The Academy Trust expects to contribute £519,000 to its Defined benefit pension scheme in 2015.

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

	<b>2014</b>	<b>2013</b>
Discount rate for scheme liabilities	3.90 %	4.70 %
Rate of increase in salaries	4.30 %	5.10 %
Rate of increase for pensions in payment / inflation	2.60 %	2.90 %
Inflation assumption (CPI)	2.60 %	2.90 %

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

	<b>2014</b>	<b>2013</b>
Retiring today		
Males	22.7	20.1
Females	25.1	24.1
Retiring in 20 years		
Males	24.9	22.1
Females	27.4	26.0

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**25. Pension commitments (continued)**

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

Defined benefit pension schemes

	2014 £	2013 £	2012 £	2011 £
Defined benefit obligation	(10,020,000)	(3,114,000)	(2,582,000)	(1,352,000)
Scheme assets	5,525,000	1,501,000	1,078,000	616,000
Deficit	(4,495,000)	(1,613,000)	(1,504,000)	(736,000)
Experience adjustments on scheme liabilities	101,000	-	-	-
Experience adjustments on scheme assets	225,000	118,000	37,000	(21,000)

**26. Operating lease commitments**

At 31 August 2014 the Academy Trust had annual commitments under non-cancellable operating leases as follows:

	2014 £	2013 £
<b>Expiry date:</b>		
Within 1 year	45,373	-
Between 2 and 5 years	38,687	47,135

**27. Related party transactions**

Owing to the nature of the Academy Trust's operations and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which the Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures. However no transactions were undertaken with the Directors or local governors, or any businesses in which the Directors or local governors have business interests, during the year. The following transactions did take place with related charitable organisations:

The Academy Trust leases the Rochester Grammar School land and buildings from a related charity, Rochester Grammar School for Girls Charity, registration number 307839, at an annual peppercorn rent.

The Chatham Grammar School for Boys School Fund, registration number 1114935, a related charity, donated £97,219 to the Trust during the year, this donation is included in unrestricted other income.

The Rochester Grammar School Association, registered charity number 803801 donated £31,000 to the Trust during the year, this donation is included in unrestricted other donations.

**28. Ultimate controlling party**

Each academy is run by their respective management teams on a day to day basis. Strategic decisions for the Academy Trust are made by the Directors with support from the local Governing Bodies. There is no ultimate controlling party.

**29. Post balance sheet events**

On 1 September 2014 the Trust entered a funding agreement for New Horizons Children's Academy, a new Primary School in Medway. On 1 November 2014 Isambard Brunel Junior School and Newbridge Junior School in Portsmouth joined the Trust when they converted to academy status.