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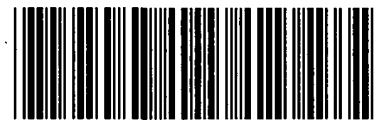
Registered number: England & Wales 07510578

**HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)**

GOVERNORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

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HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

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HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE UTC, ITS GOVERNORS AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Members	Dr G J Rodgers (registered 30 September 2015) Mrs J H Greening Brunel University London QED Academy Trust (terminated 30 September 2015) Heathrow Airport Limited (registered 3 December 2015)
Governors	Mr B W Hersom, Principal (appointed 4 January 2016) Dr G J Rodgers, Chairman (appointed 1 September 2015) Mr D B Berry, Principal (resigned 31 December 2015) Mrs J Body (appointed 1 September 2015) Wg Cdr S L Cawdery Mr R D Elgy (appointed 1 September 2015) Prof V T Ellis (resigned 8 March 2016) Ms C M P Harbord Ms A M Martin, Parent Governor Ms A Rodrigues, Parent Governor (resigned 28 October 2015) Ms S Hossain (appointed 8 March 2016) Mr S K Patel, Parent Governor (appointed 4 January 2016)
Secretary to the Governors	Mr R J Bush
Princial and Accounting Officer	Mr B W Hersom
Senior Leadership Team	Mr B W Hersom, Principal (appointed 4 January 2016) Mr B Berry, Principal (resigned 31 December 2015) Mr D Phillip, Vice Principal
Registered and principal office	Heathrow Aviation Engineering UTC Potter Street Northwood HA6 1QG
Registration number	England & Wales 07510578
Company name	Heathrow Aviation Engineering UTC
Independent Auditors	Price Bailey LLP Chartered Accountants Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

GOVERNORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The Governors present their Report together with the financial statements of Heathrow Aviation Engineering UTC ('the Academy Trust' or 'the Charitable Company') for the year 1st September 2015 to 31st August 2016 ('the year').

The financial statements have been prepared in accordance with the Academy Trust accounting policies and comply with the Academy Trust Articles of Association, the Companies Act 2006, the Education Funding Agency ('EFA') 'Academies Accounts Direction 2015 to 2016 (SORP 2005)' and the Charity Commission 'Accounting and Reporting by Charities' Statement of Recommended Practice' 2005.

STRUCTURE, GOVERNANCE and MANAGEMENT

Constitution and Regulation

The Academy Trust is a company limited by guarantee with no share capital, registered in England & Wales number 07510578 and is an 'exempt charity' as defined by Schedule 3 of the Charities Act 2011 being a 'qualifying Academy proprietor' as defined by section 12(2) of the Academies Act 2010.

The Academy Trust Articles of Association ('Articles') dated 20 February 2014 is its constitutional document and is governed by a governing body ('Governors') who are the Directors of the Academy Trust for the purposes of company law.

The Academy Trust is regulated by the Secretary of State for Education in accordance with its Funding Agreement.

Members' Liability

Each Member of the Academy Trust undertakes to contribute to the assets of the Charitable Company in the event of it being wound up whilst being a Member, or within one year after ceasing to be a Member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before ceasing to be a Member.

Governors' Indemnities

The Governors are covered by indemnity insurance purchased at the Academy Trust's expense to cover the liability of the Governors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust. Such indemnity will not apply to any act or omission which the Governors knew to be a breach of trust or breach of duty or which was committed by the Governors in reckless disregard to whether it was a breach of trust or breach of duty or not; nor will such indemnity extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Governors in their capacity as Directors of the Academy Trust.

Method of Recruitment and Appointment of Governors

The Governors are mainly recruited through the Academy Trust's connections with its sponsor organisations, the elected representatives of parents and the Principal (ex-officio). The arrangements for the appointment of Governors is set out in the Articles of Association of the Academy Trust.

Policies and Procedures Adopted for the Induction and Training of Governors

The Academy Trust is committed to providing the Governors with appropriate training to enable them to effectively perform their role and duties.

The Governors undertook facilitated training sessions in relation to their responsibilities during May and September 2016. The Academy Trust is a member the National Governors' Association and a number of Governors have engaged in the training provided by the Association, the Baker Dearing Trust and other organisations. Many of the Governors also take part in relevant training provided by their employers in their full-time professional roles.

Organisational Structure

The Board of Governors is responsible for the appointment and appraisal of the Principal and is accountable to the Members of the Academy Trust and the Department for Education.

The Board of Governors has established a 'Schedule of Responsibilities and Matters reserved for the Board of Governors'.

The Principal, acting as Chief Executive Officer, is responsible for all aspects of the day to day management and operation of the Academy Trust and is also the Accounting Officer.

HEATHROW AVIATION ENGINEERING UTC
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Connected Organisations including Related Party Relationships

Owing to the nature of the Academy Trust's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is possible that from time to time transactions may take place with an organisation in which a Governor may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's 'Prevention of Conflicts of Interest Policy'.

The Academy Trust has connections with the following organisations:

- Brunel University London as university sponsor.
- Heathrow Airport Limited as lead Employer sponsor.
- British Airways Plc as Employer sponsor.
- Royal Air Force (Northolt) as Employer sponsor.
- Virgin Atlantic Airways Limited as Employer sponsor.
- Royal Aeronautical Society as education and training adviser.
- Aviation Skills Partnership Limited as a training adviser.

Public Benefit

The Governors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission. The Academy Trust has operated in accordance with its Department for Education Funding Agreement as a non-charging, not-for-profit organisation throughout the year.

STRATEGIC AND OPERATIONAL REVIEW

Objectives and Strategy

The principal objective of the Academy Trust is, inter alia, to advance for the public benefit education in the United Kingdom by establishing, maintaining, managing and developing a University Technical College ('UTC') providing a broad and balanced curriculum of secondary education including the specialist provision of technical education particularly that related to aviation and aerospace engineering.

The long term strategy is to develop an academically successful learning community which benefits from the provision of the resources provided and enable its graduate students to continue with their studies in higher or further education or to enter into an apprenticeship training.

Principal Activities

In the fourth year of operation of the Academy Trust has continued its mission to ensure that the UTC's students achieve their potential in public examinations and be fully prepared to enter employment and further training in industry or academic settings. Students are also encouraged to participate in various extra-curricular activities notably the successfully established Combined Cadet Force (RAF) unit and a programme of educational field days and visiting lecturers.

The second year of operation of the UTC in its new premises in Northwood Middlesex has enabled it to provide education throughout from years 10 to 13 inclusive however, in common with many other UTCs, the student numbers registered are well below those originally planned and agreed with the Department for Education.

The average number of registered and originally planned students during the Year was as follows:-

	2016		2015	
	Registered	Planned	Registered	Planned
Year 10	42	150	41	75
Year 11	41	75	0	0
Year 12	105	150	84	75
Year 13	41	75	0	0
Total	229	450	125	150

HEATHROW AVIATION ENGINEERING UTC
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Achievements and Performance

Validated data for the 2016 examinations is not yet available. The October DfE performance tables are provisional and do not include the Key Stage 4 EAL engineering course. This has an impact on the school's published results. The January issue of the data should include engineering.

This is the first year of the new performance tables and this report is based on the new measures.

Key Stage 4

Progress 8

This is the main measure of Key Stage 4 performance and will be critical in how we are judged.

The published result places the school in the average band with a Progress 8 score of -0.09. The confidence interval is -0.45 to +0.27. This is the second highest Progress 8 score of UTCs in England. Once engineering is included we expect the figure to increase to -0.06.

Hillingdon schools achieved +0.07 with a confidence interval +0.03 to +0.11.

The national comparisons are 0.00 for all schools with all state funded schools scoring -0.03.

Other measures

Attainment 8	47.85 (with engineering 49.56)	England 48.2
English and maths	54%	England 58.7%
English Baccalaureate	5%	England 22.8%

As a matter of policy the school does not teach the English Baccalaureate though some students take examinations in heritage languages.

Post 16

The performance of students resitting GCSE English and mathematics.

English and maths progress measure	
Number of students included in English progress measure (without at least an English GCSE grade C by end of key stage 4)	14
Average progress made in English	0.29
Number of students included in maths progress measure (without at least a maths grade C by end of key stage 4)	10
Average progress made in maths	0.3

Some Sixth Form students studied Performing Engineering Operations (Level 2). At the time of writing the certification process has not been completed.

Level 3 courses

A level cohort and results	
Number of students entered for A level qualifications (for average grade measure)	20
Average point score per A level entry expressed as a grade	E+
Average point score per A level entry (new point system, see guide)	14.55
Academic cohort and results	
Number of students entered for academic qualifications (for average grade measure)	20
Average point score per academic entry expressed as an A level grade	E+
Average point score per academic entry (new point system, see guide)	14.55

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Applied general cohort and results	
Number of students entered for applied general qualifications (for average grade measure)	3
Average point score per applied general entry expressed as a vocational grade	Merit-
Average point score per applied general entry (new point system, see guide)	21.67
Tech level cohort and results	
Number of students entered for tech level qualifications (for average grade measure)	18
Average point score per tech level entry expressed as a vocational grade	Merit+
Average point score per tech level entry (new point system, see guide)	28.90

Student destinations

16 year old leavers	Number	18 year old leavers	Number
Numbers on roll	40	Numbers on roll	39
Number continuing to study at the UTC next year	14	Number going into Higher Education	4
Number going to post 16 provision in other schools	2	Number going onto courses in FE colleges	8
Number going to post 16 provision in FE colleges	18	Number staying for Y14 or repeating Y13	7
Number going into apprenticeships	4	Number going into apprenticeships	10
Number going into employment	0	Number going into employment	2
Number unknown / not going into employment, education or training	2.00	Number unknown / not going into employment, education or training	8

After clearing - all university candidates were offered places. Four students progressed immediately to university, others took a gap year or followed an alternative path.

Performance Objectives and Key Performance Indicators

Recruitment of students

The number of students on roll fluctuates. It is the convention to report on student numbers as of the termly census and for some purposes the spring census. As of the autumn census 2016 the school had recruited 90 Year 12 students and 16 Year 10 students. These numbers are disappointing and stem from the difficult start the UTC made in temporary accommodation

Retention

Just over a third of Year 11 students progressed to our Sixth Form. In future years we would expect this figure to increase significantly.

Year 12 students follow a Level 3 course and are expected to remain at Heathrow UTC for 2 years. Other students take a Level 2 course which ends after 1 year. Approximately two thirds of the Level 3 cohort progressed to year 2 of the course.

Attendance

The provisional attendance for Key Stage 4 for 2015-16 is 91.3%. This compares against the national figure of 94.7% (2014-15). The relatively low attendance is mainly accounted for by a small number of students with histories of poor attendance and the long distances some students travel.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Discipline

Discipline, as measured by exclusions, improved markedly through the year. In the autumn term 20 students had one or more exclusions. By the spring 11 students were excluded and in the summer term there were no exclusions.

Performance of leadership

The founding Principal left the UTC at the end of the autumn term 2015. An Interim Principal took over in the spring 2016 and he was joined by a new Assistant Principal (Head of Engineering) at Easter. The school underwent a period rapid change with permanent staff joining the school and the number of temporary / short notice staff reduced.

The quality of the teaching team improved and systems and processes were developed to provide an improved and more consistent educational experience for students.

Plans for Future Periods

The Governors main concern at the present time is the recruitment of a sufficient number of well-motivated students to fill the available capacity of the UTC's premises and thereby secure its long term financial viability. In view of this concern the Governors considered applying to the Department for Education to allow the UTC to be available to students in Year 9 and so provide for three year GCSE courses.

FINANCIAL REVIEW

The principal source of funding for the Academy Trust during the year were the Capital and General Annual Grants ('GAG') received from the Education Funding Agency ('EFA') supplemented by sponsor donations in kind. All expenditure on fixed assets, funded by EFA Capital Grants, are capitalised.

The financial results for the year and year end position, as shown in the Audited Financial Statements, are considered by the Governors to be unsatisfactory. The Governors acknowledge that the Academy Trust is reporting a deficit in respect of its general restricted reserves at the end of the Year. This includes a GAG pupil number adjustment ('clawback') of £156,071 (2015: £ 211,916) and arrangements for the repayment of the 'clawback' are to be discussed with the EFA subject to the terms of a Financial Notice to Improve.

Notwithstanding the foregoing the financial projections, agreed with the EFA, indicate that the Academy Trust has sufficient financial resources to deliver its educational programme in 2016 – 2017.

Financial and Risk Management Objectives and Policies

The Audit, Compliance and Risk Committee of the Board of Governors has assessed the major risks to which the Academy Trust is exposed. The control over expenditure has been maintained through the establishment of the Financial Management and Infrastructure Committee of the Board and the development of the Financial Policy and Procedures including Scheme of Delegation Manual.

Principal Risks and Uncertainties

The Governors consider that the Academy Trust's risk management and internal controls are in compliance with the EFA Academies Financial Handbook 2015, and that improvements to these controls and the management of risk generally will continue to be made as the UTC develops.

The Governors assess the principal long term risks and uncertainties facing the UTC as follows:-

- Students: Inability to recruit a financially viable number of students in Year 10 and Year 12 and the retention of those students subsequently.
- Grant income: A material decrease in income affecting provision resulting from the inability to recruit a viable number of students.
- Staff recruitment: Inability to attract and retain the required specialist academic staff.

Reserves Policy

The Academy Trust has no free reserves.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Investment Policy

The Academy Trust has no investments.

Going Concern

The Governors, having made appropriate enquiries and after taking into account the arrangements made with the EFA as noted above, have a reasonable expectation that the Academy Trust has adequate resources to continue with in operation 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.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are Governors at the time when this Governors' Report is approved has confirmed that:

- each is aware, there is no relevant audit information of which the Academy Trust's Auditors are unaware, and
- each has taken all the steps that ought to have been taken as a Governor in order to be aware of any information needed by the Academy Trust's Auditors in connection with preparing their report and to establish that the Academy Trust's Auditors are aware of that information.

Approved by order of the Board of Governors on 14th November 2016 and signed on its behalf by:

Dr G J Rodgers
Chairman



HEATHROW AVIATION ENGINEERING UTC

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Governors, we acknowledge we have overall responsibility for ensuring that Heathrow Aviation Engineering UTC 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 Governors has delegated the day-to-day responsibility to the Principal, 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 Heathrow Aviation Engineering UTC and the Secretary of State for Education. They are also responsible for reporting to the Governors any material weaknesses or breakdowns in internal control.

GOVERNANCE

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

Governor	Meetings attended	Out of a possible
Mr B W Hersom (Note 2)	4	4
Dr G J Rodgers (Chairman)	5	6
Mr D B Berry (Note 1)	2	2
Mrs J Body	3	6
Wg Cdr S L Cawdery	5	6
Mr R D Elgy	4	6
Prof V T Ellis	2	4
Ms C M P Harbord	1	6
Ms A M Martin (Parent Governor)	6	6
Ms A Rodrigues (Note 3)	1	1
Ms S Hossain	1	2
Mr S K Patel (Note 4)	3	4

Notes:

1. Principal and Accounting Officer 01.09.2015 – 31.12.2015
2. Principal and Accounting Officer 04.01.2016 – to date
3. Parent Governor 01.09.2015 – 28.10.2015
4. Parent Governor 04.01.2016 - to date

Audit, Compliance and Risk Committee

The Audit, Compliance and Risk Committee is a sub-committee of the Board of Governors whose purposes are, inter alia: (1) to review the audit aspects of the Annual Financial Statements including the effectiveness of the external Auditors, (2) to monitor the effectiveness of risk management and internal control, (3) to monitor the UTC's policy on fraud and irregularity and ensure any significant losses have been investigated and reported, (4) to ensure that arrangements are in place to promote efficiency, effectiveness and value for money, (5) to report to and advise the Board of Governors.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Mrs J Body (Committee Chairman)	2	2
Mr R D Elgy	1	2
Ms A M Martin	1	1
Mr D B Berry (Principal & Non-voting Attendee)	0	0
Mr B W Hersom (Principal & Non-voting Attendee)	2	2

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

GOVERNANCE STATEMENT (continued)

Financial Management and Infrastructure Committee

The Financial Management and Infrastructure Committee is a sub-committee of the Board of Governors whose purposes are, inter alia: (1) to review the periodic management accounts of the UTC, (2) to review the pay policy and annual budgets of the UTC, (3) to review the effectiveness of the Chief Financial Officer and Business Manager, (4) to monitor all aspects of the financial management, systems and infrastructure of the UTC, (5) to review the effectiveness and value for money of contracted service providers, and (6) to report to and advise the Board of Governors.

Attendance at meetings of the Committee in the Year was as follows:-

Governor	Meetings attended	Out of a possible
Dr G J Rodgers (Committee Chairman)	3	3
Wg Cdr S L Cawdery	2	3
Mr D B Berry (Principal to 31.12.2016)	1	1
Mr B W Hersom (Principal from 04.01.2016)	2	2

Governance Review

The Board of Governors has established a suite of sub-committees to monitor and review the management and activities of the UTC and advise the Board as follows:-

- Audit, Compliance and Risk
- Financial Management and Infrastructure
- Human Resources and Safeguarding
- Teaching and Learning

In addition the Board of Governors has appointed 'link' governors to monitor and advise them in connection with (1) student 'Safeguarding', (2) Health and Safety, (3) 'Prevent' and 'British Values', (4) students with special educational and accessibility needs, (5) 'Looked After Children', (6) Combined Cadet Force (RAF), and (7) Baker Dearing Trust.

During the year the Board of Governors undertook a facilitated governance review and assessed the need to 1) appoint a Governor with secondary headship experience, (2) appoint a Governor with recent financial management experience, (3) to improve the quality of academic and financial performance information provided to the Board of Governors, (4) to document the Board of Governor's terms of reference, and (5) to consider the opportunities provided by becoming part of, or associated with, a multi-academy trust.

REVIEW OF VALUE FOR MONEY

As Accounting Officer, the Principal has responsibility for ensuring that the UTC delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the UTC's use of its resources has provided good value for money during each academic year, and reports to the Governors where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the UTC has delivered improved value for money during the year by:

- It's Procurement Policy which requires that when contracts come to an end the price and service level are reviewed, benchmarked and quotes from other suppliers are sought to ensure best value for money is maintained.
- Staff salary reviews being based on staff performance and on the achievement of targets.
- Undertaking a review of the services provided by contractors in respect of catering, cleaning, information technology support and facilities management. Subsequently the catering and cleaning contracts have been reassigned.

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 UTC 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 Heathrow Aviation Engineering UTC for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the Annual Report and financial statements.

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

GOVERNANCE STATEMENT (continued)

CAPACITY TO HANDLE RISK

The Governors have reviewed the key risks to which the UTC is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the UTC's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the Annual Report and financial statements. This process is regularly reviewed by the Governors.

THE RISK AND CONTROL FRAMEWORK

The UTC'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 Governors;
- regular reviews by the Financial Management and Infrastructure 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.

The Board of Governors has considered the need for an internal audit and has appointed a suitably qualified member of the finance department at Brunel University London to undertake an examination of the UTC's accounting and internal control systems each term commencing Spring Term 2016. The purpose of the internal audit is to identify any non-compliance with the terms of the Funding Agreement and the Procedures Manual and make recommendations where procedures can be improved.

The examinations carried out have involved the compliance testing of sample transactions in respect of payroll, purchasing and banking. The findings of the examinations have been reported to and considered by the Audit, Compliance and Risk Committee of the Academy Trust and any recommendations incorporated into the Procedures Manual.

The appointee delivered their schedule of work as planned and no material control issues arose.

REVIEW OF EFFECTIVENESS

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

- the work of the external Auditors,
- the work of the Internal Auditors,
- the work of the Acting Chief Financial Officer who has responsibility for the development and maintenance of the internal control system,
- the work of the Audit, Compliance and Risk Committee of the Academy Trust.

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

Approved by order of the Board of Governors on 14 November 2016 and signed on their behalf, by:

Dr G J Rodgers
Chairman

Mr B W Hersom
Accounting Officer

HEATHROW AVIATION ENGINEERING UTC
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Heathrow Aviation Engineering UTC I have considered my responsibility to notify the Academy Trust Board of Governors and the Education Funding Agency (EFA) 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 for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the Academy Trust Board of Governors 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 2015.

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 Governors and EFA.



Mr B W Hersom
Accounting Officer

Date: 14 November 2016

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

GOVERNORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 AUGUST 2016

The Governors (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for preparing the Governors' 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 Governors to prepare financial statement for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statement; and
- prepare the financial statement on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statement comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by order of the Board of Governors on 14 November 2016 and signed on its behalf by:



Dr G J Rodgers
Chairman

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HEATHROW AVIATION ENGINEERING UTC**

We have audited the financial statements of Heathrow Aviation Engineering UTC (The Charitable Company) for the year ended 31 August 2016 which comprise the Statement of Financial Activities Incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable UTC's Members those matters we are required to state in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable UTC and its Members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

As explained more fully in the Governors' Responsibilities Statement, the Governors (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Charitable Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' 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 Charitable Company's affairs as at 31 August 2016 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, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

EMPHASIS OF MATTER

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.4 to the financial statements concerning the academy's ability to continue as a going concern. The Charitable Company incurred net expenditure before other recognised gains and losses of £486,790 during the year ended 31 August 2016 and, at that date, the Academy had net current liabilities of £455,772. These conditions, along with the other matters explained in note 1.4 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Charitable Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Charitable Company was unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HEATHROW AVIATION ENGINEERING UTC**

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 Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Governors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Gary Miller (Senior Statutory Auditor)

for and on behalf of

Price Bailey LLP

Chartered Accountants
Statutory Auditors

Causeway House
1 Dane Street
Bishop's Stortford
Hertfordshire
CM23 3BT
19 December 2016

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEATHROW AVIATION ENGINEERING UTC AND THE EDUCATION FUNDING AGENCY

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

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

RESPECTIVE RESPONSIBILITIES OF HEATHROW AVIATION ENGINEERING UTC'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The Accounting Officer is responsible, under the requirements of Heathrow Aviation Engineering UTC's funding agreement with the Secretary of State for Education dated 1 August 2013, and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

APPROACH

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

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

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 UTC's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Consideration and corroboration of the evidence supporting the Accounting Officers statement on regularity, propriety and compliance.
- Evaluation of the general control environment of the Academy Trust, extending the procedures required for financial statements to include regularity.
- Discussions with and representations from the Accounting Officer and other key management personnel.
- An extension of substantive testing from our audit of the financial statements to cover matters pertaining to regularity, propriety and compliance in particular checking that selected items were appropriately authorised, and appropriate.

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEATHROW
AVIATION ENGINEERING UTC AND THE EDUCATION FUNDING AGENCY (continued)**

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 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Reporting Accountant

Price Bailey LLP

Chartered Accountants

19 December 2016

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	As restated Total funds 2015 £
INCOME FROM:						
Donations and capital grants	2	-	2,568	30,368	32,936	2,664,401
Charitable activities	3	19,576	2,029,241	-	2,048,817	1,063,186
Other trading activities	4	20,596	-	-	20,596	13,957
Investments	5	652	-	-	652	-
TOTAL INCOME		40,824	2,031,809	30,368	2,103,001	3,741,544
EXPENDITURE ON:						
Charitable activities		40,824	2,256,923	292,044	2,589,791	1,749,075
TOTAL EXPENDITURE	6	40,824	2,256,923	292,044	2,589,791	1,749,075
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS		-	(225,114)	(261,676)	(486,790)	1,992,469
Transfers between funds	15	-	(106,751)	106,751	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		-	(331,865)	(154,925)	(486,790)	1,992,469
Impairment losses on fixed assets	12	-	-	(17,026)	(17,026)	-
Actuarial losses on defined benefit pension schemes	20	-	(15,000)	-	(15,000)	-
NET MOVEMENT IN FUNDS		-	(346,865)	(171,951)	(518,816)	1,992,469
RECONCILIATION OF FUNDS:						
Total funds brought forward		-	(138,241)	11,091,322	10,953,081	8,960,612
TOTAL FUNDS CARRIED FORWARD		-	(485,106)	10,919,371	10,434,265	10,953,081

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)
REGISTERED NUMBER: ENGLAND & WALES 07510578

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	£	2016 £	As restated 2015 £
FIXED ASSETS				
Tangible assets	12		10,913,037	11,091,322
CURRENT ASSETS				
Debtors	13	42,000	205,517	
Cash at bank and in hand		93,310	69,319	
		<u>135,310</u>	<u>274,836</u>	
CREDITORS: amounts falling due within one year	14	(591,082)	(410,077)	
NET CURRENT LIABILITIES			<u>(455,772)</u>	<u>(135,241)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,457,265	10,956,081
Defined benefit pension scheme liability	20	(23,000)	<u>(23,000)</u>	<u>(3,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>10,434,265</u>	<u>10,953,081</u>
FUNDS OF THE ACADEMY				
Restricted income funds:				
Restricted income funds	15	(462,106)	(135,241)	
Restricted fixed asset funds	15	10,919,371	11,091,322	
Restricted income funds excluding pension liability		10,457,265	10,956,081	
Pension reserve		<u>(23,000)</u>	<u>(3,000)</u>	
Total restricted income funds			<u>10,434,265</u>	<u>10,953,081</u>
TOTAL FUNDS			<u>10,434,265</u>	<u>10,953,081</u>

The financial statements were approved by the Governors. and authorised for issue, on 14 November 2016 and are signed on their behalf, by:



Dr G J Rodgers
Chairman

The notes on pages 20 to 35 form part of these financial statements.

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	17	123,756	(198,431)
Cash flows from investing activities:			
Dividends, interest and rents from investments		652	-
Purchase of tangible fixed assets		(130,785)	(2,439,435)
Capital grants from DfE/EFA		30,368	2,663,195
Net cash (used in)/provided by investing activities		(99,765)	223,760
Change in cash and cash equivalents in the year		23,991	25,329
Cash and cash equivalents brought forward		69,319	43,990
Cash and cash equivalents carried forward	18	93,310	69,319

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

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

Heathrow Aviation Engineering UTC (the UTC) constitutes a public benefit entity as defined by FRS 102 incorporated in England, United Kingdom.

First time adoption of FRS 102

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

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

Any reconciliations to previous UK GAAP for the comparative figures are included in note 22.

1.2 Income

All income is recognised once the UTC has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of Financial Activities Incorporating Income and Expenditure Account 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 Statement of Financial Activities Incorporating Income and Expenditure Account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Other income, 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.

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.3 Expenditure

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

Charitable activities and governance costs are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

1.4 Going concern

The Governors 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 UTC to continue as a going concern. The Governors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

Having assessed cash flow forecasts for the appropriate period, while the Governors have not received assurance from creditors, they are confident that liabilities reported in the financial statements will not be called in while the UTC continues to experience financial difficulties. A three year financial recovery plan has been submitted to the principal regulator to demonstrate that sound financial management will continue to ensure the viability of the UTC's operations in the medium to long term. The principal regulator is also the largest creditor by value.

In light of the foregoing, the Governors have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and that any uncertainties about the Academy Trust's ability to continue as a going concern are mitigated by the actions they have taken. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Tangible fixed assets and depreciation

All assets costing more than £1,000 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. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities Incorporating Income and Expenditure Account and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities Incorporating Income and Expenditure Account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Assets under construction are capitalised at cost but are not depreciated until brought into use.

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

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets are carried at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long Term Leasehold Property	-	50 years straight line
Long Term Leasehold Land	-	125 years straight line
Plant and machinery	-	20 years straight line
Computer equipment	-	5 years straight line

1.6 Taxation

The UTC 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 UTC 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.

1.7 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the UTC anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.8 Pensions

Retirement benefits to employees of the UTC are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the UTC.

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

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

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

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.9 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the Actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	As restated Total funds 2015 £
Donations	2,568	-	2,568	1,206
Capital grants	-	30,368	30,368	2,663,195
	<hr/>	<hr/>	<hr/>	<hr/>
Total donations and capital grants	2,568	30,368	32,936	2,664,401
	<hr/>	<hr/>	<hr/>	<hr/>

In 2015, of the total income from donations and capital grants, £ NIL was to unrestricted funds, £1,206 was to restricted funds and £2,663,195 was to restricted fixed asset funds.

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	As restated Total funds 2015 £
DfE/EFA grants				
General Annual Grant (GAG)	-	1,632,441	1,632,441	979,944
Other DfE / EFA grants	-	133,218	133,218	6,670
Start up grant	-	228,725	228,725	75,000
	-	1,994,384	1,994,384	1,061,614
Other government grants				
Local authority grants	-	26,251	26,251	1,000
	-	26,251	26,251	1,000
Other funding				
Catering income	19,576	-	19,576	572
Cadet bursary funding	-	8,606	8,606	-
	19,576	8,606	28,182	572
	19,576	2,029,241	2,048,817	1,063,186

In 2015, of the total income from charitable activities, £ 572 was to unrestricted funds and £1,062,614 was to restricted funds.

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Hire of facilities	-	-	-	729
Other income	20,596	-	20,596	13,228
	20,596	-	20,596	13,957

In 2015, of the total income from other trading activities, £13,957 was to unrestricted funds and £ NIL was to restricted funds.

5. INVESTMENT INCOME

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Bank Interest	652	-	652	-

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

6. EXPENDITURE

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	As restated Total 2015 £
Provision of Education:					
Direct costs	1,214,977	-	301,893	1,516,870	869,578
Support costs	250,974	302,747	519,200	1,072,921	879,497
	<u>1,465,951</u>	<u>302,747</u>	<u>821,093</u>	<u>2,589,791</u>	<u>1,749,075</u>

In 2016, of the total expenditure, £40,824 (2015 - £14,529) was to unrestricted funds, £2,256,923 (2015 - £1,731,546) was to restricted funds and £292,044 (2015 - £484,900) was to restricted fixed asset funds.

7. CHARITABLE ACTIVITIES

	2016 £	2015 £
Direct costs - educational operations	1,516,870	869,578
Support costs - educational operations	1,072,921	879,497
	<u>2,589,791</u>	<u>1,749,075</u>
Total		

	2016 £	2015 £
Analysis of support costs		
Support staff costs	250,974	210,077
Depreciation	292,044	261,140
Governance costs	80,980	32,270
Technology costs	4,913	47,091
Premises costs	302,747	203,141
Other support costs	141,263	125,778
	<u>1,072,921</u>	<u>879,497</u>
Total		

8. NET (RESOURCES EXPENDED)/INCOMING RESOURCES

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned or leased by the UTC	292,044	261,140
Auditors' remuneration - audit	5,650	5,450
Auditors' remuneration - non-audit	3,350	6,650
	<u></u>	<u></u>

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

9. STAFF COSTS

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	954,205	688,760
Social security costs	49,133	60,680
Operating costs of defined benefit pension schemes	146,290	71,441
	<u>1,149,628</u>	<u>820,881</u>
Supply teacher costs	312,323	-
Compensation payments	4,000	-
	<u><u>1,465,951</u></u>	<u><u>820,881</u></u>

The average number of persons employed by the UTC during the year was as follows:

	2016 No.	2015 No.
Teaching	16	15
Administration & support	13	4
Management	1	0
	<u>30</u>	<u>19</u>

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

	2016 No.	2015 No.
In the band £ 60,001 - £ 70,000	1	1
In the band £ 70,001 - £ 80,000	0	1

During the period ended 31 August 2016, a non-contractual severance payment totaling £4,000 (2015: £Nil) was paid to a member of staff.

The key management personnel of the Academy Trust comprise the Governors and the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £107,859 (2015: £153,697).

10. GOVERNORS' REMUNERATION AND EXPENSES

One Governor has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Principal only receives remuneration in respect of services they provide undertaking the role of Principal under their contracts of employment, and not in respect of their role as Governor. The value of Governors' remuneration and other benefits was as follows:

D Berry (Principal) resigned 31 December 2015
Remuneration £25,000-£30,000 (2015: £75,000-£80,000)
Employer's pension contributions paid £0-£5,000 (2015: £10,000-£15,000)

During the year ended 31 August 2016, expenses totalling £Nil (2015: £912) were reimbursed or paid directly to 0 Governor (2015: 1 Governor) in their role as Governors.

The UTC made payments of £66,150 (2015 - £Nil) to Mr B W Hersom in respect of his services as Principal of which £34,020 (2015 - £Nil) was included within trade creditors at the year end. This arrangement has been agreed with the EFA.

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

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11. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect Governors and Officers from claims arising from negligent acts, errors or omissions occurring whilst on its business. The insurance provides cover up to £10,000,000 on any one claim and the cost for the year ended 31 August 2016 was included in the total insurance cost.

12. TANGIBLE FIXED ASSETS

	Long term leasehold property £	Long term leasehold land £	Plant and machinery £	Computer equipment £	Total £
Cost or valuation					
At 1 September 2015	8,845,332	1,718,286	365,852	432,156	11,361,626
Additions	130,785	-	-	-	130,785
Impairment charge	-	-	16,957	(33,983)	(17,026)
At 31 August 2016	8,976,117	1,718,286	382,809	398,173	11,475,385
Depreciation					
At 1 September 2015	168,383	22,910	11,321	67,690	270,304
Charge for the year	179,523	13,746	19,140	79,635	292,044
At 31 August 2016	347,906	36,656	30,461	147,325	562,348
Net book value					
At 31 August 2016	8,628,211	1,681,630	352,348	250,848	10,913,037
At 31 August 2015	8,676,949	1,695,376	354,531	364,466	11,091,322

13. DEBTORS

	2016 £	2015 £
VAT recoverable	17,190	96,533
Prepayments and accrued income	24,810	108,984
	42,000	205,517

14. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	174,578	129,305
Other taxation and social security	2,489	15,368
Other creditors	-	15,050
GAG clawback	324,891	211,916
VAT refundable to the DfE/EFA	-	35,554
Accruals	89,124	2,884
	591,082	410,077

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14. CREDITORS: Amounts falling due within one year (continued)

	2016 £	2015 £
Deferred income		
Deferred income at 1 September 2015	-	27,246
Resources deferred during the year	27,246	-
	<u>27,246</u>	<u>-</u>

Deferred income relates to grants received for use in the following academic year.

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15. STATEMENT OF FUNDS

	Brought forward As restated £	Income £	Expenditure £	Transfers in/out £	Gains/ (losses) £	Carried forward £
Unrestricted funds						
General Funds	-	40,824	(40,824)	-	-	-
Restricted funds						
General Annual Grant (GAG)	(135,241)	1,632,441	(1,852,555)	(106,751)	-	(462,106)
Other DfE/ EFA grants	-	99,956	(99,956)	-	-	-
Trip income	-	2,337	(2,337)	-	-	-
Start Up Grant	-	228,725	(228,725)	-	-	-
Pupil premium	-	33,262	(33,262)	-	-	-
Restricted cadets	-	8,837	(8,837)	-	-	-
SEN	-	26,251	(26,251)	-	-	-
Pension reserve	(3,000)	-	(5,000)	-	(15,000)	(23,000)
	(138,241)	2,031,809	(2,256,923)	(106,751)	(15,000)	(485,106)
Restricted fixed asset funds						
Restricted fixed asset funds	11,091,322	-	(292,044)	130,785	(17,026)	10,913,037
DfE/EFA Capital Grants	-	24,034	-	(24,034)	-	-
Devolved formula capital (DFC)	-	6,334	-	-	-	6,334
	11,091,322	30,368	(292,044)	106,751	(17,026)	10,919,371
Total restricted funds	10,953,081	2,062,177	(2,548,967)	-	(32,026)	10,434,265
Total of funds	10,953,081	2,103,001	(2,589,791)	-	(32,026)	10,434,265

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

General Funds

This fund represents grants received for the Academy Trust's operational activities and development.

General Annual Grant (GAG)

This represents funding from the EFA to be used for the normal running costs of the Academy Trust, including education and support costs.

Other DfE/EFA grants

This represents funding for rates relief payments and other income received for specific projects of the Academy Trust.

Trip income

This represents income derived from parents' donations towards student trips.

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NOTES TO THE FINANCIAL STATEMENTS
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15. STATEMENT OF FUNDS (continued)

Start Up Grant

This fund is specifically to assist with the costs of establishment of the UTC.

Pupil premium

This represents funding to help raise achievement and improve outcomes for pupils from low income families who are eligible for free school meals.

Restricted cadets

This represents grant income received for the cadets.

SEN funding

This represents funding from the Local Authority and it is used towards the education of pupils with special educational needs and disabilities.

Restricted other

This represents donations received in the year for equipment, books and other educational resources.

Restricted Fixed Asset Funds

Restricted fixed asset fund represents the value of fixed assets held in line with the charitable objectives of the UTC. The transfer between funds represents a revision of a grant receivable that had been carried forward on restricted general funds in 2015.

DfE/EFA capital grant

This represents funding from the EFA specifically for the maintenance and improvement of the UTC's buildings and facilities.

Devolved formula capital (DFC)

The UTC is to use the DFC allocation to maintain and improve its buildings and facilities.

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

The UTC is carrying a net deficit of £(462,107) on restricted general funds (excluding pension reserve) plus unrestricted funds for the reason that it failed to meet projected pupil numbers.

The UTC is taking the following action to return these funds to surplus:

- The UTC has an abatement of GAG which has been represented in creditors in the year.
- The UTC has submitted a finance recovery plan to agree additional funding and a repayment plan to the EFA over an agreed period of time.

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16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	10,913,037	10,913,037	11,091,322
Current assets	-	135,310	-	135,310	274,836
Creditors due within one year	-	(597,416)	6,334	(591,082)	(410,077)
Provisions for liabilities and charges	-	(23,000)	-	(23,000)	-
	<u>-</u>	<u>(485,106)</u>	<u>10,919,371</u>	<u>10,434,265</u>	<u>10,953,081</u>

17. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016 £	2015 £
Net (expenditure)/income for the year (as per Statement of Financial Activities)	(486,790)	1,992,469
Adjustment for:		
Depreciation charges	292,044	261,140
Decrease in debtors	163,517	2,264,572
Increase/(decrease) in creditors	181,005	(2,056,417)
Capital grants from DfE and other capital income	(30,368)	(2,663,195)
Defined benefit pension scheme adjustment	5,000	3,000
Interest received	(652)	-
Net cash provided by/(used in) operating activities	<u>123,756</u>	<u>(198,431)</u>

18. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash in hand	93,310	69,319
Total	<u>93,310</u>	<u>69,319</u>

19. MEMBERS' LIABILITY

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

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20. PENSION COMMITMENTS

The UTC'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 Hymans Robertson LLP. Both are Multi-Employer Defined Benefit Pension Schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £NIL were payable to the schemes at 31 August 2016 (2015 - £2,858) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge (currently 14.1%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations; and
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

The employer's pension costs paid to TPS in the period amounted to £105,927 (2015 - £64,001).

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

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

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20. PENSION COMMITMENTS (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate governor-administered funds. The total contribution made for the year ended 31 August 2016 was £40,000 (2015 - £1,000), of which employer's contributions totalled £32,000 (2015 - £NIL) and employees' contributions totalled £8,000 (2015 - £1,000). The agreed contribution rates for future years are 13% for employers and 5.5% - 12.5% 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.

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.10 %	3.80 %
Rate of increase in salaries	3.10 %	3.60 %
Rate of increase for pensions in payment	2.10 %	2.70 %

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

	2016	2015
Retiring today		
Males	22.7	22.7
Females	24.7	24.7
Retiring in 20 years		
Males	24.3	24.3
Females	26.9	26.9

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20. PENSION COMMITMENTS (continued)

The UTC's share of the assets in the scheme was:

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	26,000	1,000
Bonds	11,000	-
Property	5,000	-
Cash	2,000	-
Total market value of assets	44,000	1,000

The actual return on scheme assets was £4,000 (2015 - £NIL).

The amounts recognised in the Statement of Financial Activities Incorporating Income and Expenditure Account are as follows:

	2016 £	2015 £
Current service cost (net of employee contributions)	(37,000)	(3,000)

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

	2016 £	2015 £
Opening defined benefit obligation	4,000	-
Current service cost	37,000	3,000
Interest cost	1,000	-
Contributions by employees	8,000	1,000
Actuarial losses	18,000	-
Closing defined benefit obligation	68,000	4,000

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

	2016 £	2015 £
Opening fair value of scheme assets	1,000	-
Interest income	1,000	-
Actuarial gains and (losses)	3,000	-
Contributions by employer	32,000	-
Contributions by employees	8,000	1,000
Closing fair value of scheme assets	45,000	1,000

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21. RELATED PARTY TRANSACTIONS

Owing to the nature of the UTC's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, transactions may take place with organisations in which a Governor has an interest. All transactions involving such organisations are conducted and are in accordance with the UTC's financial regulations and normal procurement procedures.

The UTC generated income from Brunel University (a member of the UTC during the year represented by G J Rodgers) of £Nil (2015 - £7,250).

The above transactions were all made at cost and in accordance with financial regulations and procurement procedures.

22. FIRST TIME ADOPTION OF FRS 102

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

The policies applied under the UTC's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure.