

E-ACT Free Schools Trust

Annual Report and Financial Statements 2013-14

THURSDAY



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E-ACT Free Schools Trust

Reference and administrative details

For the year ended 31 August 2014

Company numbers

E-ACT Free Schools Trust 07610574

Registered office

2-6 Cannon Street
London
EC4M 6YH

Operational address

Third Floor
10 Whitfield Street
London
W1T 2RE

Principal staff

Chief Executive Officer David Moran (appointed 4 October 2013)
Acting Director of Education David Hatchett (appointed 7 March 2014)
Director of Finance & Resources James Nicholson (appointed 7 July 2014)
Deputy Director of Governance and Values Samantha Roberts (appointed 8 November 2013)
Deputy Director for Human Resources Anne Conway (appointed 10 February 2014)
Permanent Director of Education Mike Westerdale (appointed 1 November 2014)

Trustees

Dr Ann Limb (Chair of the Board)
Clive Lewis (appointed 10 April 2014)
David Moran (appointed 9 December 2013)

Members

Dr Ann Limb (Chair of the Board)
Clive Lewis
David Moran (Chief Executive Office and Accounting Officer)

Company Secretary

BWB Secretarial Limited
2-6 Cannon Street
London
EC4M 6YH

Bankers

HSBC
60 Queen Victoria Street
London
EC4N 4TR

Solicitors

Bates Well and Braithwaite
2-6 Cannon Street
London
EC4M 6YH

Auditors

KPMG LLP
1 Forest Gate Brighton Road Crawley
West Sussex RH11 9PT

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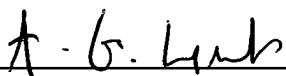
A Message from Dr Ann Limb Chair of the Board of Trustees

The academic year 2013-14 has been, in many ways, one of both challenge and change. However, by working together as One E-ACT, our trustees, staff, local governors and pupils have demonstrated how we can create an organisation which has a shared sense of direction with the highest of expectations, from the Boardroom to the classroom.

Following Ofsted's intensive inspection programme of 16 E-ACT academies, the Board of Trustees entered into discussions with the Department for Education regarding the size, scope and shape of E-ACT to ensure that the organisation's focus is centred on where it can provide the most effective support to its academies. The Trustees commissioned the Executive Leadership Team to internally review the school improvement requirements of each academy, alongside the Trust's capacity to meet these needs.

Following this review, Trustees took the decision to transfer ten E-ACT academies to alternative sponsors, including the two Free Schools E-ACT sponsored. As a result of these transfers, E-ACT Free Schools Trust no longer sponsor any Free Schools, and as such the Trustees have made the decision to close E-ACT Free Schools Trust.

Alongside this, E-ACT has reduced its Head Office by 73% in order to create a lean group of experts at Trust level to effectively support all remaining E-ACT academies in the core areas of: education; finance; HR; and governance. Trustees are now confident that E-ACT is well placed to take forward and fully support the remaining 24 academies within the group, and over the course of the year have driven forward increased communications, accountability and transparency across the Trust.

A handwritten signature in black ink, appearing to read 'A. G. Limb', is written over a horizontal line.

Dr Ann Limb

Report of the Trustees – including Strategic Report

Our Purpose and Strategic Objectives

E-ACT Free Schools Trust forms part of E-ACT. E-ACT launched in 2009 with a mission to break the link between poverty and under-achievement in education. We currently sponsor 24 academies across the country. Our vision is a relentless one:

To transform the educational landscape of the UK, working with educationally under-performing schools in disadvantaged socioeconomic areas to accelerate student achievement and contribute to community cohesion – transforming school performance and students' life chances.

The current context within which E-ACT operates includes:

- **50.9%** of children at E-ACT secondary academies are in receipt of **free school meals** compared to a national average of **26.7%**
- **54%** of children at E-ACT primary academies are in receipt of **free school meals** compared to a national average of **26.2%**
- **31.2%** of children at E-ACT secondary academies speak **English as an additional language** compared to a national average of **13%**
- **26.2%** of children at E-ACT primary academies speak **English as an additional language** compared to a national average of **17.5%**
- On all other indicators including: **special educational needs** and **prior attainment** children at E-ACT academies start their educational experience disadvantaged compared to others.

By working together as 'One E-ACT', the Board of Trustees has established high expectations for every one of E-ACT's academies within the Trust. These are:

- No academy under the attainment floor standard at primary or secondary
- No further academies in Ofsted categories
- 'Inadequate' schools to good in 18 months
- 'Requires Improvement' schools to 'Good' or better in 12 months
- 'Good' schools to 'Outstanding' within 24 months
- 'Outstanding' schools to lead the system in continuing to create inspirational places to learn
- Sixth form provision only when educationally and financially appropriate
- School improvement solutions driven (and derived) from academies themselves

We aspire to become an outstanding school improvement organisation. Our aspiration and work is focused on two core objectives:

- Education Excellence; and
- Operational Excellence

Educational Excellence

We believe the better educated and more highly skilled people are, the better their life chances and the more likely they are to succeed in today's globalised world.

In order to achieve educational excellence across all E-ACT academies, we are focused on:

1. Raising our Sights: Ensuring all E-ACT academies achieve "Good" or "Outstanding" at their Ofsted inspections;
2. Introducing an academy improvement cycle into every E-ACT academy;

Report of the Trustees (continued)

3. Identifying and implementing cross-chain enablers of performance; and
4. Creating an environment of competitive collaboration within our academies.

Operational Excellence

To achieve operational excellence we are seeking to put resources directly back into our classrooms, to ensure we are providing high quality, value for money services to support our academies on their individual journeys to "Outstanding". We are doing this by:

1. Investing in and developing our people and infrastructures;
2. Providing consistently high quality, value for money support services to all our academies;
3. Ensuring effective legal and financial compliance across E-ACT; and
4. Establishing outstanding governance and stakeholder engagement structures throughout E-ACT.

E-ACT Free Schools transferred to alternative sponsors in 2013/14

Academy	Date joined E-ACT	Date transferred to alternative sponsor
Aldborough E-ACT Free School	September 2011	31 May 2014
Hartsbrook E-ACT Free School	September 2012	31 August 2014

Further information regarding our academies can be found on our website at www.e-act.org.uk

Structure, Governance and Management

Board of Trustees

E-ACT Free Schools Trust is a charitable company limited by guarantee (number 07610574) and is governed by its Memorandum and Articles of Association. The Board of Trustees, who are also directors of the Company for the purposes of the Companies Act, have overall responsibility for the direction, management and control of E-ACT. As discussed below, the Board is supported in discharging these responsibilities by its Committees. Overall operational management of E-ACT across all 24 of its academies is delegated to the Executive Leadership Team.

Board Composition

The Board may be comprised of no fewer than 3, and currently consists of 3, including the Chief Executive as an ex officio Trustee. All members of the Board are unpaid in their roles as Trustees.

At the time of approving the accounts, the Board of Trustees is currently made up as follows:-

- 2 Trustees appointed by the Members (Articles 50); and
- 1 Trustee appointed as ex-officio (the CEO, Article 46)

Each Trustee serves a term of four years, which is renewable. The Secretary of State is entitled to appoint a Member under Article 12b though has not chosen to exercise this entitlement.

Applications for Board membership are invited by national external advertisement. Applicants are interviewed by the Nominations and Governance Committee and are appointed according to the relevant skills, competencies and experience required on the Board at that time.

Committee Composition

The Board appoints members of the Audit and Risk Committee, the Finance Committee, the Nominations and Governance Committee and the Remuneration Committee. The Nominations and Governance Committee appoints Chairs of the Local Governing Bodies, reporting all appointments to the Board meeting following the appointment. The committees are made up of Trustees and other individuals with relevant skills and experience. Both external and internal auditors are invited to attend the Audit and Risk Committee meetings.

The Master Funding Agreements and early Supplemental Funding Agreements stipulate the number of Parent and Local Governors on each Local Governing Body. Since January 2011, the DfE model no longer stipulates this and the composition of the Local Governing Bodies' reflects the individual agreements that have been entered into.

Induction, Training, and Performance Appraisal of Trustees

Newly appointed Trustees receive a half day induction and training meeting with the Chief Executive, the Director of Education, the Director of Finance & Resources, and the Deputy Director of Governance and Values, immediately after their appointment. In preparation for this meeting they are provided with a Trustees handbook, which includes key policies such as the Conflicts of Interest Policy and the Trustee Expenses Policy, the Articles of Association, and the Committee Terms of References. Key information regarding the role and duties of a trustee are also provided, for example through guidance documentation such as CC3 Essential Trustee guidance.

Trustees are kept up to date with developments through regular communications and they are included in training programmes, where appropriate. In line with the UK Corporate Governance Code, the Board of Trustees appraises its own performance and contribution on an annual basis. This year a half day workshop session was conducted to share the findings of their performance in terms of:

Report of the Trustees (Continued)

structures, processes, meetings and behaviours. This has led to the creation of an action plan which will be implemented in the year ahead.

In addition, Trustees are appraised on an annual basis by the Chair of the Board (with the Vice Chair appraising the Chair) and discussions around the personal development of trustees in their role are held, alongside the identification of future training needs.

Organisational Structure

The Board meets a minimum of four times per annum and additionally as required. The Board met five times in the course of the year under review, including a two day session in 2014 where all Trustees, Principals and Chairs of Governors met to review ways in which E-ACT can strengthen its local governance. There was also one extraordinary meeting held on 26 February, called by the Chair of the Board using the powers granted under article 91.

The Board has the following Committee Structure:-

- Audit and Risk Committee
- Finance Committee
- Remuneration Committee
- Nominations and Governance Committee
- Local Governing Bodies

These Committees meet regularly through the year on a cycle to compliment the Board meetings. Much of our detailed work is undertaken within our committees, and they address matters delegated to them in accordance with their terms of reference. Throughout the year, the Trustees and Executive Leadership Team have continued to monitor effectiveness and overall terms of reference for the various committees of the Board, to ensure that they are following best practice in the sector.

Our local governing bodies and their committees have clear delegated authority, are required to carry on their activities as committees of the Board, and are required to run their meetings and cycle of business to fit into the E-ACT Board cycle and in the same style, i.e with interests declared and noted, proper agendas, papers circulated in advance of meetings, minutes produced promptly and actions implemented. These Local Governing Bodies have their own committees subject to the same rigour. Individual local governors have additional responsibilities (as set out in the E-ACT Local Governor Handbook) as chairs of finance and assets committees, safeguarding or special educational needs governors, health and safety governors and serving on committees for delivery of new buildings.

On 11 March 2013 E-ACT was issued with a Financial Notice to Improve (FNtI) by the Education Funding Agency (EFA), highlighting a number of financial and governance issues which needed to be improved. In response, the Board of Trustees submitted a comprehensive action plan to address the concerns raised, and put arrangements in place for the action plan to be monitored at both an operational and strategic level. A *Trustees Strategic Review Oversight Group* was established, comprising of the Chair of the Board of Trustees, the Chair of the Audit and Risk Committee, and the Chair of the Finance Committee, with attendance from the Chief Executive, the EFA, and our external auditors. This group has continued to meet throughout 2013-14 where its remit was widened to scrutinise both E-ACT's progress against the Financial Notice to Improve action plan and progress with transferring the approved academies to alternative sponsors. The Strategic Review and Oversight Group met on 4 occasions throughout the year, and progress is reported upwards to the Board of Trustees following each meeting.

In July 2014 the Education Funding Agency received a number of serious allegations regarding financial management within E-ACT. The EFA dealt with the allegations under their Whistleblowing

Report of the Trustees (Continued)

policy and subsequently conducted a full investigation. Following the investigation, the EFA confirmed that the allegations were unfounded.

In July 2014 the EFA issued an updated FNTI to E-ACT. The Strategic Review and Oversight Group remains in operation to scrutinise the completion of the outstanding issues related to the FNTI.

Throughout the course of the year the Board has also developed its structure in order to establish pathways in which E-ACT's stakeholders – including its Principals, teachers and Chairs of Governors – can more effectively contribute to the decision making process. As such, a network of steering groups have been created, including an Education Steering Group and a Local Governance Steering Group, and development of the Corporate Risk Group, with membership from across our stakeholders as well as regular invitations to external attendees to contribute their thoughts to relevant issues. The steering groups' thoughts and recommendations are then channelled into the appropriate Board Committees and the Board itself, where any formal decisions are made.

Alongside this, two Principals have been elected from amongst their peers to attend the Board meetings for a 12 month period, and a system of 'Link Trustees' has been established whereby E-ACT Trustees are linked to specific academies, enabling stakeholders to have direct access to the Trustees in which to report any issues or concerns.

Organisational Governance

Whilst the Board recognises that there is still much work to be done, some key governance developments throughout the year have included:

- **Clarifying the Scheme of Delegation and Financial Delegation:** Following an extensive consultation exercise with Principals, Chairs of Governors, Governors and Head Office Staff, the Board of Trustees has approved a Scheme of Delegation and Financial Delegation in October 2013 which sets out the delegations from the Board to: the Committees of the Board; the Chief Executive; the Principal; the Local Governing Body; the sub-Committees of the LGB; and the academy Principals.
- **Creating strong accountability frameworks:** The Academy Support Package and the new E-ACT Governance Framework provide transparency across the Trust in relation to the level of support each academy can expect from E-ACT, alongside a clear governance framework within which the Board will seek to provide increased or decreased delegation freedom based on academy performance in all areas of educational performance; people management; and financial management.
- **Strengthening the Board's Performance:** The Board of Trustees undertook a comprehensive Board Effectiveness Review in October 2013, which investigated the Board's performance in the areas of: Structures, Processes, Meetings and Behaviours. The Board and the Executive Leadership Team completed anonymous surveys in which they carried out a self-evaluation of their performance, before holding a half day workshop session to reflect on the findings and plan for the year ahead.
- **Strengthening the Board's Membership:** The Nominations and Governance Committee led on an open, national and transparent recruitment campaign, following an assessment of the skills required on the Board. Following an application and interview process, the Trustee's search resulted in increasing both the business and educational skills base of the Board, with three Trustee appointments in October 2013 and a further appointment in April 2014.

Relationship with the Charity Commission and Department for Education

Academies and academy proprietors (otherwise known as Academy Trusts or Academy Companies) are Exempt Charities, which means they are exempt from Charity Commission supervision (The Charities Act 1993). These charities cannot register with the Charity Commission and are outside their monitoring and investigative power, but they have the same status and tax benefits as other charities in England & Wales and must comply with general Charity Law. They are subject to the jurisdiction of the Courts and can ask the Charity Commission to exercise their support powers when necessary, for example, to authorise an action not otherwise allowed by their governing document.

The principal regulator is the Department for Education (DfE), assisted by the Education Funding Agency.

The Charity Commission and DfE entered into a memorandum of understanding in July 2012 to formalise the details of the relationship as principal regulators. It is designed to ensure that academies are regulated appropriately and effectively as charities but through oversight mechanisms to ensure that regulation is proportionate and avoids duplication.

Trustees' Liability and Indemnities

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

Trustees and Governors are covered by E-ACT's insurance policy with Royal Sun Alliance under the Trustees and Officers policy – Head Office and Board £5m and academies £2m, for any one claim.

Connected Organisations and Related Party Relationships

E-ACT as the parent company has two subsidiary companies, E-ACT Free Schools Trust (Company Number 07610574) and E-ACT Enterprises Limited (Company Number 7474228). E-ACT Enterprises Limited was dissolved on 30 September 2014.

Financial Review

E-ACT Free Schools Trust income is mainly derived from the DfE. Revenue and small capital grants are paid annually to each academy, and head office receives project management income to contribute to the cost of opening new academies. These grants and associated expenditure are shown as Restricted Funds in the Statement of Financial Activities.

During the year ended 31 August 2014 the total expenditure (excluding restricted fixed assets and pension funds) was £5.6m and income (excluding restricted fixed assets and pension funds) was £2.5m. Overall all funds (including the pension deficit) have been reduced to £nil, as both schools moved to alternative sponsor at the end of the year.

Principal Financial Risks and Uncertainties

This is not applicable to Free Schools, due to the transfer out of all schools. The intention is that this company will be dissolved as soon as possible.

Reserves Policy

Academies are funded on a monthly basis by DfE grants and income fairly matches expenditure, where around 70% is spent on teaching and other staffing.

The existing Master Funding Agreement allows academies to retain revenue reserves up to 2% cumulatively of the General Annual Grant, plus a further 10% cumulatively for capital purposes. Pupil Premium funding can be carried forward without restriction. Start-up Grants can be carried forward during the period of years that they are paid, however in the case of Free schools any surplus funds are paid over to the new sponsor.

Investment Policy

The Board, on the recommendation of the Finance Committee, approved a revised Treasury Management Policy in January 2012. The principal consideration in this policy is risk minimisation.

Plans for Future Periods

E-ACT Free Schools Trust, a company limited by guarantee and an exempt charity, is currently in the process of being dissolved as E-ACT's two form free schools, Aldborough and Hartsbrook, have transferred to alternative sponsors.

Funds Held as Custodian Trustee on behalf of others

None.

Going Concern

The going concern basis is set out in note 1 of the E-ACT financial statements.

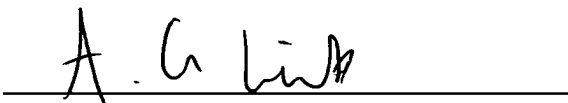
Auditor

KPMG are the auditors for E-ACT Free Schools Trust.

In so far as the Trustees are aware:

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

This report was approved by the Trustees on 11 December 2014 and signed on their behalf by



Dr Ann Limb

Chair of E-ACT

Governance

This information on governance supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities.

The **Finance Committee** is a sub-committee of the Board. During the year it met on four occasions. Its principal responsibilities and areas of work are to:

- Take responsibility on behalf of the Board for overseeing all financial aspects of the operations of E-ACT, so as to ensure short and long-term viability;
- Make recommendations to the Board on the long-term budget strategy, annual budget and financial forward plan, and monitor these once they are approved;
- Determine the treasury management strategy, and monitor compliance and performance thereof; and
- Monitor any financial targets and key performance indicators included within the Corporate Plan and Annual Business Plan.

The **Audit and Risk Committee** is a sub-committee of the Board. During the course of the year it met on four occasions. Its principal responsibilities and areas of work are to:

- Oversee the appointment and performance of external auditors;
- Review the annual financial statements and external auditors report thereon;
- Approve arrangements for ensuring effective internal control across E-ACT; and
- Oversee arrangements for insurance and risk management, whistleblowing and fraud prevention.

The **Remuneration Committee** is a sub-committee of the Board which deals with the overall pay and reward of all staff and with the appraisals and pay of the Chief Executive and of the Executive Leadership Team. It met on three occasions throughout the year. The Committee's principal responsibilities and areas of work are to:

- Review the Chair's annual appraisal of the Chief Executive, discuss the Chief Executive's targets for the year ahead; report the outcome of the appraisal and recommend the targets and incentive award or bonus to the Board;
- Approve the design of, and determine the targets for, any performance related pay schemes operated within E-ACT and approve the total annual payments made under such schemes;
- Receive the Chief Executive's annual appraisal of Executive Leadership Team members for comment and discussion;
- Annually review and make recommendations to the Board about the remuneration of the Chief Executive, Executive Leadership Team and Academy Principals. The recommendations of Executive Leadership Team will be based on consultation with the Chief Executive;
- Consider and approve any performance management policy for the Principals, the Executive Leadership Team and other head office staff, and make recommendations to the Board as appropriate; and

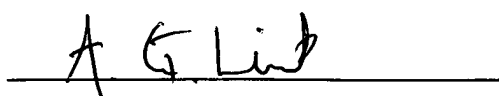
Governance (continued)

- Keep under review policies relating to recruitment, equalities, equal opportunities and other related employment policies and make recommendations to the Board for the approval and adoption of any such policies.
- Review the making of severance payments to employees on termination of any contract of employment where such payment has been made, and report to the Board on this term annually. Severance payments made will be reported to the next available Committee meeting.

Our **Nominations and Governance Committee** keeps our governance under review and deals with appointments to the Board and its committees. During the year the committee met on three occasions. It is a Committee of the Board and its principal responsibilities and areas of work are to:

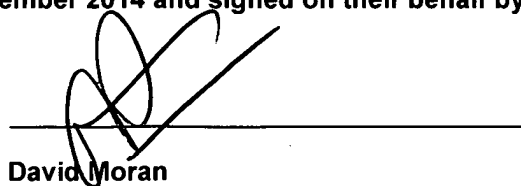
- Annually review the current size, structure and composition of the Board and of Board Committees, and recommend to the Board any proposed changes;
- Evaluate the balance of skills, knowledge and experience required by the Board from its Trustee membership, and report to the Board on any recommendations for changes. In carrying out this process, the Committee will pay due regard to the need for diversity among Trustees and Board Committee members;
- Manage the process of search, selection and interview of potential Trustee candidates, and put forward to the Board, for Board decision, candidates for Trustee appointment;
- Provide oversight to the induction and continuous professional development of trustees;
- Help the Board ensure that it gives consideration to succession planning in good time prior to the retirement of the Chair, Vice Chair and Board Committee Chairs.
- Keep under review all other governance arrangements, to commission appropriate consultative support and advice if needed, to carry out preparatory work for annual Board effectiveness reviews, and to make recommendations thereon to the Board;
- Ensure that E-ACT's governance policies and procedures are fit for purpose and appropriate to its status as a major academy sponsor, and that all governance arrangements are compliant with charity and company law;
- Scrutinise and support the performance of local governing bodies across E-ACT, ensuring the necessary interventions and support mechanisms are in place to support effective governance; and
- Approve the appointments and removals of Chairs of Local Governing Bodies, based on the recommendation of the Executive Leadership Team and an assessment of the skills required on the LGB.

This report was approved by the Trustees on 11 December 2014 and signed on their behalf by



Dr Ann Limb

Chair of E-ACT



David Moran

Chief Executive Officer and Accounting Officer

Statement on Regularity, Propriety and Compliance - New

As Accounting Officer of E-ACT Free Schools Trust I have considered my responsibility to notify the academy trust Board and the Education Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the funding agreements in place between E-ACT and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

This Regularity Opinion relates to the period 1 September 2013 to 31 August 2014 in which the EFA reviewed E-ACT's processes and systems helping the charity to move towards operating at the highest level in its sector. The EFA also investigated a whistle blowing incident in July 2014 concluding that the allegations were totally unfounded.

During the year experienced Directors of Finance and Resources, and Human Resources were appointed. The central finance team was further enhanced by the appointment of a Financial Controller who has significant experience working in education. There has been a sharp focus on addressing the financial issues of the organisation through openness, transparency and a review of systems and processes. There has been an emphasis on communications, quality training and an appreciation of the importance that better value for money in procurement equates to increased investment in education. To engage schools and to disseminate best practice across the charity focus groups have been established covering the following areas;


- o Finance,
- o Procurement
- o Estates
- o Technology
- o Health and Safety
- o Risk

They will direct attention and resources to agreed priority areas which both academies and head office will work on together.

Significant resources were directed towards procurement during the year and this has resulted in a marked increase in compliance across the charity. Audit testing has shown a reduction in potential issues as the year under review unfolded so that by the third quarter procurement compliance was 92%. This is the percentage for the group as a whole, as with group free schools did not have 100% compliance in year. A revised procurement strategy and accompanying guidance has been prepared during the summer and there has been extensive training to broadcast the changes that aim to make it more user friendly whilst remaining fully compliant. As part of the charitable company's commitment to transparency and accountability the updated process encompasses all of the schools working together to the detailed regulations set out by the Education Funding Agency in its Academy Finance Handbook. Planned and amalgamated procurement also brings with it value for money which has been seen in the year through a company-wide energy procurement contract which it is estimated will save 10% per year on fuel costs. A payroll tender process also commenced in the year and will see the number of outsourced payroll providers drop from sixteen to one from April 2015 once again saving significant sums of money as well as time in administration.

I confirm that I and the Board are able to identify any material irregular or improper use of funds by E-ACT, or material non-compliance with the terms and conditions of funding under E-ACT's Master Funding Agreement and the Academies Financial Handbook.

I can confirm that any instances of potential material irregularity, impropriety or funding non-compliance discovered to date have been notified to the governing body and the Education Funding Agency. This report was approved by the Trustees on 11 December 2014 and signed on their behalf by



David Moran
Chief Executive Officer and Accounting Officer

Statement on Trustees' Responsibilities for the Financial Statements

The Trustees for charitable activities of E-ACT Free Schools Trust are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

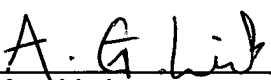
- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material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

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

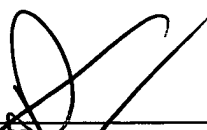
The Trustees are responsible for ensuring that in its conduct and operation the Trust applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for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

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

This report was approved by the Trustees on 11 December 2014 and signed on their behalf by



Dr Ann Limb
Chair of E-ACT



David Moran
Chief Executive Officer and Accounting Officer

Independent auditor's report to the Trustees of E-ACT Free Schools Trust

We have audited the financial statements of E-ACT Free Schools Trust for the year ended 31 August 2014 set out on pages 17 to 30. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2013 to 2014 and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 and in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency ('EFA') on terms that have been agreed. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and, in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2013 to 2014 issued by the EFA, those matters that we have agreed to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 12, the Trustees (who act as Directors of the charitable company for the purposes of company law) are responsible for the preparation of financial statements which 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 auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Emphasis of matter - non-going concern basis of preparation

In forming our opinion on the E-ACT Free Schools Trust financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information in the Annual Report, which constitutes the Strategic Report and the Directors' Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Michael Rowley Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

18 December 2014

Independent Reporting Accountant's Assurance Report on Regularity to E-ACT Free Schools Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 28 November 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 during the period 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 E-ACT Free Schools Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the E-ACT Free Schools Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of E-ACT Free School Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of the E-ACT Free School Trust's funding agreement with the Secretary of State for Education dated 29 July 2008 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 period 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.

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the Academy Trust;
- Reviewing the evidence supporting the representations included in the Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the output from the self-assessment questionnaires completed by all staff with Budget Holder responsibility, Principals and Local Governing Bodies;

- Testing compliance with delegated authorities for a sample of material transactions;
- Testing transactions with connected parties to determine whether the Trust has complied with the not for profit principles set out in the relevant provisions of the Academies Financial Handbook 2013;
- Confirming through enquiry and sample testing that the Trust has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a negative conclusion on regularity consistent with the requirements of Part 10.4 of the Academies Accounts Direction 2013 to 2014.

Conclusion

In the course of our work, except for the matters listed in the Accounting Officer Statement on Regularity, Propriety and Compliance on page 11 nothing has come to our attention which suggests in all material respects the expenditure disbursed and the income received during the period 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Michael Rowley Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

18 December 2014

E-ACT Free Schools Trust
Financial Statements for year ended 31 August 2014

Statement of Financial Activities. All operations are discontinuing as of 31 August 2014

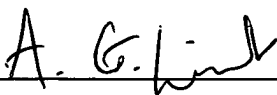
	Notes	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 31 st August 2014 £'000	Total 31 st August 2013 £'000
Incoming Resources						
<i>Incoming resources from generated funds:</i>						
Activities for generating funds	3	51	-	-	51	46
<i>Incoming resources from charitable activities:</i>						
Funding for the Academy trust's educational operations	4	-	1,901	576	2,477	2,846
Total Incoming resources		51	1,901	576	2,528	2,892
Resources expended						
<i>Cost of generating funds:</i>						
Transfers of existing Academies out of the Trust	5	-	415	2,933	3,348	-
<i>Charitable activities:</i>						
Free Schools educational operations	6	-	1,960	267	2,227	1,783
Governance costs		-	13	-	13	10
Total resources expended	5	-	2,388	3,200	5,588	1,793
Net incoming / (outgoing) resources before transfers		51	(487)	(2,624)	(3,060)	1,099
Gross transfers between funds		(51)	51	-	-	-
Net income/(expenditure) for the year		-	(436)	(2,624)	(3,060)	1,099
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes.		-	(42)	-	(42)	(4)
Net movement in funds			(478)	(2,624)	(3,102)	1,095
Reconciliation of funds						
Total funds brought forward at 1 September 2013			478	2,624	3,102	2,001
Total funds carried forward at 31 August 2014		-	-	-	-	3,096

E-ACT Free Schools Trust
Financial Statements for year ended 31 August 2014

Balance Sheet as at 31 August 2014

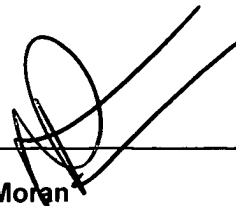
	Notes	31 st August 2014 £'000	31 st August 2013 £'000
Fixed Assets			
Tangible assets	11	-	2,512
Current Assets			
Stock		-	-
Debtors	12	444	989
Cash at bank and in hand		1,473	507
		<u>1,917</u>	<u>1,496</u>
Current liabilities			
Creditors: Amount falling due within one year	13	(1,917)	(903)
Net current assets		<u>-</u>	<u>593</u>
Total assets less current liabilities		<u>-</u>	<u>3,105</u>
Pension scheme liability	17	-	(9)
Net assets including pension scheme liability		<u>-</u>	<u>3,096</u>
Funds of the academy trust:			
Restricted funds			
Fixed asset fund	14	-	2,624
General fund	14	-	481
Pension reserve	14	-	(9)
Total restricted funds		<u>-</u>	<u>3,096</u>
Unrestricted funds			
General fund		-	-
Total unrestricted funds		<u>-</u>	<u>-</u>
Total funds		<u>-</u>	<u>3,096</u>

The financial statements on page 17 to 30 were approved by the trustees on 11 December 2014 and signed on their behalf by:



Dr Ann Limb

Chair of E-ACT



David Moran

Chief Executive Officer and Accounting Officer

E-ACT Free Schools Trust

Financial Statements for year ended 31 August 2014

Company Number 7610574

1: Statement of Accounting Policies

These financial statements consolidate the results of E-ACT, E-ACT Free Schools Trust and E-ACT Enterprises Limited.

Basis of Preparation

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

Going Concern

As of the 31st August 2014, the two schools which made up the Trust were transferred to another sponsor.

Incoming Resources

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

- **Grants receivable**
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.
- **Sponsorship income**
Sponsorship income is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt.
- **Donations**
Donations are recognised in the Statement of Financial Activities in the period in which they are receivable, where there is certainty of receipt.
- **Donated services and gifts in kind**
The value of donated services and gifts in kind are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the E-ACT 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 accounting policies.
- **Interest receivable**
Interest earned on cash balances is recognised in the Statement of Financial Activities in the period in which it is receivable.
- **Other income**
Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or completion of the service.

Resources Expended

All 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, and depreciation charges allocated on the portion of the asset's use.

- **Costs of generating funds**
These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.
- **Charitable activities**
These are costs incurred on E-ACT's educational operations.

E-ACT Free Schools Trust
Financial Statements for year ended 31 August 2014

- **Governance costs**

These include the costs attributable to the company's compliance with constitutional and statutory requirements, including audit, strategic management, legal costs associated with the governance of the company, trustee's expenses and a proportion of staff costs and overheads.

- **Support costs**

The majority of support relates to the academies' educational operations, a small proportion relates to governance and these have been allocated on the basis of time spent.

All resources expended are inclusive of any irrecoverable VAT.

Tangible Fixed Assets

Assets costing more than £500 are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Items bought in bulk which individually cost less than £500 may be 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 or valuation and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with accounting policy.

The Trust has received gifted land, buildings and equipment, both of which are accounted for as gifted assets in the restricted fixed asset funds, in accordance with the Charities SORP. Gifted Land and Buildings are subject to an independent valuation by qualified Chartered Surveyor. Equipment is valued on a historic cost basis.

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

- Freehold Buildings – over 50 years
- Leasehold Land – over the length of lease
- Long leasehold buildings - lower of 50 years, length of lease, or useful economic life
- Short leasehold buildings - over the period of the lease
- ICT equipment and software - 3 years
- Fixtures, fittings and equipment - 5 years
- Motor vehicles - 5 years

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

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

Leased Assets

Rentals under operating leases are charged to the Statement of Financial Activities evenly over the lease term.

The Trust occupies a number of buildings on an operating lease basis. These have been treated as donated facilities, at the value to the Trust in these financial statements.

The Trust occupies a number of buildings on finance lease basis. These have been treated as gifted fixed assets, at the value to the Trust in these financial statements.

Stock

Unsold uniforms and catering stocks are valued at the lower of cost or net realisable value.

Taxation

E-ACT 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 E-ACT is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

The Group's staff are members of one of three pension schemes, two of which are defined benefit schemes.

Define benefit schemes

i) Teachers' Pension Scheme

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 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 28, 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.

ii) Local Government Pension Scheme (LGPS)

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

Defined Contribution Scheme

iii) Head office Pension Scheme

Head office employees have the option of joining a defined contribution scheme operated by Scottish Widows. The pension costs for the scheme represent the contributions payable in the period.

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees. Restricted fixed 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 with restrictions imposed by the funder/donor and include grants from the [Education Funding Agency/Department for Education].

E-ACT Free Schools Trust
Financial Statements for year ended 31 August 2014

2 General Annual Grant (GAG)

The calculations of the carry forward limits and any breach of funds are not applicable this, as all funds are to be transferred out of the Trust and gifted to the new sponsors. This took effect as of the 31st August 2014.

3 Activities for Generating Funds

	Total 31 st August 2014 £'000	Total 31 st August 2013 £'000
Hire of facilities		1
Catering income	29	23
Other income	22	22
	<u>51</u>	<u>46</u>

4 Funding for the Academy's educational operations

	Unrestricted Funds £'000	Restricted Funds £'000	Total 31 st August 2014 £'000	Total 31 st August 2013 £'000
DfE\EFA Capital Grants				
Academy fixed assets grants	-	576	576	959
		<u>576</u>	<u>576</u>	<u>46</u>
DfE\EFA Revenue Grant				
General Annual grant (GAG)	-	1,673	1,673	1,533
Start-up grants	-	160	160	264
Project management grants	-	-	-	-
Other DfE\EFA grants	-	68	68	90
	<u>-</u>	<u>1,901</u>	<u>1,901</u>	<u>1,887</u>
	<u>-</u>	<u>2,477</u>	<u>2,477</u>	<u>2,846</u>

5 Resources Expended

	Staff Costs £'000	Non Pay Premises £'000	Expenditure Other Costs £'000	Total 31 st August 2014 £'000	Total 31 st August 2013 £'000
Transfers on existing academies moving out of the trust	-	3,348	-	3,348	-
Trusts Educational Operations					
Direct Costs	1,111	-	206	1,317	709
Allocated support costs	153	-	742	895	1,074
Project Management and other operations	-	-	15	15	-
	<u>1,264</u>	<u>-</u>	<u>963</u>	<u>2,227</u>	<u>1,783</u>
Governance costs including allocated allocated support costs					
	-	-	13	13	10
	<u>-</u>	<u>-</u>	<u>13</u>	<u>13</u>	<u>10</u>
	<u>1,264</u>	<u>3,348</u>	<u>976</u>	<u>5,588</u>	<u>1,793</u>

E-ACT Free Schools Trust
Financial Statements for year ended 31 August 2014

5 Resources Expended (continued)

	Total 31 st August 2014	Total 31 st August 2013
Outgoing resources for the year include:		
Depreciation	267	277
Fees payable to auditor	10	10
	<hr/>	<hr/>

6 Charitable Activities – Academy's educational operations

	Total 31 st August 2014 £'000	Total 31 st August 2013 £'000
Direct costs – educational operations		
Teaching and educational support staff costs	1,111	648
Educational supplies	86	44
Examination fees	-	-
Staff development	35	8
Educational consultancy	84	9
	<hr/>	<hr/>
	1,316	709
Support costs		
Support staff costs	153	352
Depreciation	267	277
Recruitment and support	11	24
Maintenance of premises and equipment	-	8
Technology costs	30	36
Other occupancy costs	110	161
Catering	65	46
Legal and professional fees	11	35
Bank interest and charges	-	1
Other support costs	248	132
Project management and other operations	16	2
	<hr/>	<hr/>
	911	1,074
	<hr/>	<hr/>
	2,227	1,783

7 Governance costs

	Total 31 st August 2014 £'000	Total 31 st August 2013 £'000
Legal and Professional Fees	-	-
Auditors Remuneration	10	10
Support costs including Trustees expenses	-	-
Governors reimbursed expenses	3	-
	<hr/>	<hr/>
	13	10

**8 Staff
a Staff Costs**

Staff costs during the period were:

	Total 31 st August 2014 £'000	Total 31 st August 2013 £'000
Wages and salaries	893	778
Social security costs	67	56
Pension costs	121	112
	<hr/>	<hr/>
	1,081	946
Supply teacher costs	183	55
	<hr/>	<hr/>
	1,264	1,001

b Staff severance payments

The Charity made no non-contractual payments during the financial year.

E-ACT Free Schools Trust
Financial Statements for year ended 31 August 2014

8 Staff (continued)
c Staff numbers

	2014	2013
Charitable Activities		
Teachers	14	12
Administration	23	15
Management	2	1
	<u>39</u>	<u>28</u>

Staff (continued)

d Higher paid staff

The number of employees whose emoluments exceeded £60,000 was:

	2014 No	2013 No
£60,001 - £70,000	<u>1</u>	<u>1</u>

The above employees participated in the Teachers' Pension Scheme (31 August 2013: 1).

9 Trustees Remuneration and Expenses

Trustees are not remunerated other than the Chief Executive, whose salary and employers pension contribution was paid by E-ACT. No remuneration was by E-ACT Free Schools Trust to Trustee's during the year.

10 Governors' , Trustees' and Officers Insurance

The Group has purchased insurance to protect governors, officers and trustees from claims arising from negligent acts, errors or omissions committed in good faith whilst on academy business. The insurance provides total cover of up to £5m per annum.

11 Tangible Fixed Assets

	Land and Buildings £'000	Furniture and Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Assets in the course of construction £'000	Total 31 st August 2014 £'000
Cost						
At 1 September 2013	2,385	415	121	-	-	2,921
Transfers out	(2,542)	(934)	(313)	-	-	(3,789)
Additions	157	28	192	-	-	377
Transfer from E-ACT	-	491	-	-	-	491
Disposals	-	-	-	-	-	-
At 31 August 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation						
At 1 September 2013	256	83	70	-	-	409
Transfers out in year	137	45	85	-	-	267
Transfers out accumulated	(393)	(226)	(155)	-	-	(774)
Transfer from E-ACT	-	98	-	-	-	98
Disposals	-	-	-	-	-	-
At 31 August 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book values						
At 31 August 2013	2,129	332	51	-	-	2,512
At 31 August 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

E-ACT Free Schools Trust
Financial Statements for year ended 31 August 2014

12 Debtors	Total 31 st August 2014 £'000	Total 31 st August 2013 £'000
Trade Debtors	-	-
Prepayments and accrued income	5	713
VAT recoverable	287	255
Amounts due from EFA for transferring academy's.	81	-
Other debtors	71	20
	<u>444</u>	<u>988</u>

13 Creditors: amounts falling due within one year.

	Total 31 st August 2014 £'000	Total 31 st August 2013 £'000
Trade creditors	87	224
Other taxation and social security	-	22
Amounts due to new sponsors of transferring academy's	507	-
Other creditors	285	-
Accruals and deferred income	115	75
Amounts owed to the E-ACT group	923	582
	<u>1,917</u>	<u>903</u>

The deferred income balance as at the end of the financial year was due to the Group holding funds received in advance mainly relating to devolved formula capital grant and lettings booked in advance.

14 Funds

	Balance at 1 st September 2013 £'000	Transfer in during the year £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses and Transfers £'000	Balance at 31 st August 2014 £'000
Restricted General Funds						
General annual grant (GAG)	481	-	1,673	(2,974)	820	-
Start up grant	-	-	160	(160)	-	-
Other DfE/EFA grants	-	-	68	(68)	-	-
Other government grants	-	-	-	-	-	-
Pension Reserve	(9)	-	-	79	(70)	-
	<u>472</u>	<u>-</u>	<u>1,901</u>	<u>(3,123)</u>	<u>750</u>	<u>-</u>
Restricted fixed asset funds						
DfE/EFA capital grants	2,624	-	576	(3,200)	-	-
	<u>2,624</u>	<u>-</u>	<u>576</u>	<u>(3,200)</u>	<u>-</u>	<u>-</u>
Total restricted funds	<u>3,096</u>	<u>-</u>	<u>2,477</u>	<u>(6,323)</u>	<u>750</u>	<u>-</u>
Unrestricted funds						
Unrestricted funds	-	-	51	(51)	-	-
Total Unrestricted funds	<u>-</u>	<u>-</u>	<u>51</u>	<u>(51)</u>	<u>-</u>	<u>-</u>
Total funds	<u>3,096</u>	<u>-</u>	<u>2,528</u>	<u>(6,374)</u>	<u>750</u>	<u>-</u>

E-ACT Free Schools Trust Financial Statements for year ended 31 August 2014

Fund balances at 31 August 2014 are represented by:

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Balance 31 st August 2014	Balance 31 st August 2013
	£'000	£'000	£'000	£'000	£'000
Tangible fixed assets	-	-	-	-	2,512
Current assets	-	1,917	-	1,917	1,496
Current liabilities	-	(1,917)	-	(1,917)	(903)
Pension scheme liability	-	-	-	-	(9)
Total net assets	-	-	-	-	3,096

15 Financial commitments

As part of the transfer of the two schools leaving the Trust, all contracts have moved to the new sponsor.

16 Members Liability

Each member of the Group undertakes to contribute to the assets of the Group 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.

17 Pension and similar obligations

As of the 31st August both schools transferred out of the Trust. The liability as at 31st August 2014 therefore being £nil.

Free School employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by scheme managers listed below. 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.

London Borough of Redbridge - Aldborough Academy
London borough of Haringey - Hartsbrook Academy

Contributions amounting to £4,080 (2013:£9,509) were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

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

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 for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

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

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 since 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 is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy 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 has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £250,000, of which employer's contributions totalled £201,000 and employees' contributions totalled £49,000. No contribution rate has been agreed for future years due to all Academies transferring out of the organisation.

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

	31 st August 2014 Range (top)	31 st August 2014 Range (bottom)	31 st August 2013 Range (top)	31 st August 2013 Range (top)
Rate of increase salary	4.5%	3.5%	5.10%	4.60%
Rate of increase for pension in payment/inflation	2.7%	2.7%	2.80%	2.80%
Discount rate for scheme liabilities	3.7%	3.7%	4.60%	4.60%
Inflation assumption (CPI)	2.7%	2.7%	0.00%	0.00%

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

	31 st August 2014 Range (top)	31 st August 2014 Range (bottom)	31 st August 2013 Range (top)	31 st August 2013 Range (top)
Retiring Today				
Males	22.0	21.9	21.9	21.9
Females	24.1	24.1	24.7	24.7
Retiring in 20 years				
Males	24.3	24.2	23.8	23.3
Females	26.7	26.5	26.5	26.1

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

	Expected Return		Fair Value	Expected Return		Fair Value
	31 st August 2014 Range (top)	31 st August 2014 Range (bottom)	£'000	31 st August 2013 Range (top)	31 st August 2013 Range (bottom)	£'000
Equities	6.3%	6.3%	115	6.60%	6.60%	63
Bonds	3.1%	2.9%	37	3.80%	3.50%	22
Property	4.5%	4.5%	15	4.70%	4.70%	8
Cash	3.3%	3.3%	3	3.60%	3.60%	1
Private Equity	0.0%	0.0%	-	0.00%	0.00%	-
Total Market Value of Assets			<u>170</u>			<u>94</u>
Present Value of Scheme Liabilities - Funded			(239)			(102)
(Deficit)\Surplus in Schemes			<u>(69)</u>			<u>(8)</u>

The overall expected rate of return is based on the reports provided by the scheme Actuaries.

The actual return on scheme assets was £15,000

Amounts recognised in the statement of financial activities.

	2014	2013
	£'000	£'000
Current Service cost (net of employee contributions)	56	56
Past Service cost	-	-
Total Operating cost	<u>56</u>	<u>56</u>
Analysis of pension finance		
Expected return on pension scheme assets	7	3
Interest on pension liabilities	6	3
Pension finance income/(costs)	<u>13</u>	<u>6</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £40,000 loss (2013: £4,000 loss).

Movements in the present value of defined benefit	2014	2013
	£'000	£'000
At 1 September	102	26
Current service cost	74	56
Interest cost	6	3
Employee contributions	18	12
Actuarial (gain)/loss	39	5
Academies Transferring out	(239)	-
At 31 August	<u>-</u>	<u>102</u>

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Movements in fair value Free School shares of scheme assets	2014	2013
	£'000	£'000
At 1 September	94	22
Expected return on assets	7	3
Actuarial (gain)/loss	(3)	1
Employer contributions	54	55
Employee contributions	18	12
Academies Transferring out	(170)	-
At 31 August	<u>-</u>	<u>93</u>

The estimated value of employer contributions for the year ended 31 August 2015 is £0

The history of experience adjustments is as follows:

	2014 £'000	2013 £'000
Present value of defined benefit obligations	(239)	102
Fair value of share of scheme assets	170	93
Less Academies transferring out	69	
(Deficit)/Surplus in the scheme	<u>-</u>	<u>(9)</u>
Experience adjustments on share of scheme assets Amount £'000	(3)	1
Experience adjustments on scheme liabilities Amount £'000	(2)	-

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18 Analysis of Funds breakdown by Academy

Fund balances at 31 August 2014 were allocated as follows:

	£'000
Hartsbrook Academy	-
Aldborough Academy	-
Total before fixed asset fund and pension reserve	-
	£'000
Restricted Fixed Asset Fund	-
Pension Reserve	-
Total	-

Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs (excluding Depreciation) £'000	Total £'000
Aldborough Academy	604	68	41	165	878
Hartsbrook Academy	507	85	45	458	1,095
	1,111	153	86	623	1,973