

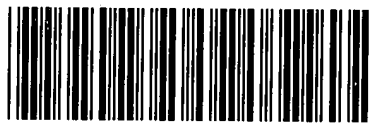
Registered number: 07972029

The Two Counties Trust

Annual Report and Financial Statements

For the year ended 31 August 2016

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The Two Counties Trust
(A company limited by guarantee)

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The Two Counties Trust
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Reference and Administrative Details of the Academy, its Trustees and Advisers
For the year ended 31 August 2016

Members	Gordon Wilson Richard Stones Linda Maguire Kevin Hearn Richard Vasey
Trustees	Linda Maguire, Staff Trustee (resigned 1 April 2016) Kerry Barnes (resigned 1 April 2016) ¹ Charlotte Garrad, Staff Trustee (resigned 1 April 2016) Linda Hill (resigned 17 November 2015) Shaun Pollard (resigned 1 April 2016) ¹ Richard Stones (resigned 1 April 2016) ¹ Richard Vasey, Chief Executive Officer and Accounting Officer ¹ Ruth Wheelhouse ¹ Gordon Wilson (resigned 1 April 2016) ¹ Craig Brooks (resigned 1 April 2016) ¹ Michelle Jenkins (resigned 1 April 2016) ¹ David Scott (resigned 1 April 2016) ¹ Malcolm Townsend (resigned 1 April 2016) ¹ Kevin Hearn, Chief Financial Officer ¹ Paul Shields, Staff Trustee (resigned 1 April 2016) Ian Richardson (resigned 1 April 2016) ¹ Rosemary Forrest (appointed 1 April 2016) Ian Greenaway (appointed 1 April 2016) Gillian Haslam, Chair of Trustees (appointed 1 April 2016) Karen Potts (appointed 1 April 2016) Roman Ruszczynski (appointed 1 April 2016) William Unsworth (appointed 1 April 2016)

¹ Member of the finance committee

Company registered number	07972029
Company name	The Two Counties Trust
Principal and registered office	Sutton Road Kirkby in Ashfield Nottinghamshire NG17 8HP
Chief executive officer	Richard Vasey
Senior management team	Richard Vasey, Chief Executive Officer and Headteacher - Ashfield School John Maher, Headteacher - Selston High School (from 1 April 2016) Jonathan Fawcett, Headteacher - Swanwick Hall School (from 1 April 2016) Nicola Hillyard, Assistant Headteacher (until 31 March 2016) Tanya Hall, Assistant Headteacher (until 31 March 2016) Derek Nicholls, Assistant Headteacher (until 31 March 2016) Alan Smith, Assistant Headteacher (until 31 March 2016) Philip Taylor, Assistant Headteacher (until 31 March 2016) Kevin Hearn, Chief Financial Officer (from 1 April 2016) Martin Hough, School Business Manager (until 31 March 2016)

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Reference and Administrative Details of the Academy, its Trustees and Advisers
For the year ended 31 August 2016

Advisers (continued)

Independent auditors Dains LLP
Charlotte House
Stanier Way
The Wyvern Business Park
Derby
DE21 6BF

Bankers Barclays Bank Plc
Level 4
Chapel Quarter
Maid Marian Way
Nottingham
NG1 6HQ

Solicitors Brown Jacobson LLP
The Arc
NG2 Business Park
Enterprise Way
Nottingham
NG2 1EN

The Two Counties Trust
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Trustees' Report
For the year ended 31 August 2016

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of The Two Counties Trust (the Multi Academy Trust) for the year ended 31 August 2016. The Trustees confirm that the Annual report and financial statements of the Academy and the group comply with the current statutory requirements, the requirements of the Academy and the group's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

Structure, governance and management

a. Constitution

The Academy and the group is a charitable company limited by guarantee and an exempt charity.

The Multi Academy Trust and the group is a charitable company limited by guarantee and was incorporated by its Memorandum and Articles of Association dated 1 March 2012. The Academy has exempt charity status and its principal regulator is the Department for Education (DfE).

The Two Counties Trust came into being on 1 April 2016 having converted to Multi Academy Trust status from Academy Status as Ashfield School. A Funding Agreement was signed with the Secretary of State on 26 March 2012 and the charitable company was registered at Companies House on 1 March 2012. On the 1st April 2016 Ashfield School converted to a Multi Academy trust and renamed to 'The Two Counties Trust'.

The Trustees for the charitable activities of The Two Counties Trust are also the directors of the Charitable Company for the purposes of company law.

The Charitable Company is known as 'The Two Counties Trust'.

Details of the Trustees who served during the year are included in the Reference and administrative details on page 1.

b. Members' liability

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

c. Trustees' indemnities

Subject to the provisions of the Companies Act 2006 every Trustee, Governor or other officer or auditor of the Academy Trust shall be indemnified out of the assets of The Two Counties Trust against any liability incurred by him in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of The Two Counties Trust.

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Trustees' Report (continued)
For the year ended 31 August 2016

d. Method of recruitment and appointment or election of Trustees

The number of Trustees shall be not less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum.

Subject to Articles 48-49 and 53, the Academy Trust shall have the following Trustees:

- up to 5 Trustees, appointed under Article 50;
- not used;
- a minimum of 2 Parent Trustees elected or appointed under Articles 53-56 in the event that no Local Governing Bodies are established under Article 100a or if no provision is made for at least 2 Parent Local Governors on each established Local Governing Body pursuant to Article 101A.

The Academy Trust may also have any Co-opted Trustee appointed under Article 58.

The first Trustees shall be those persons named in the statement delivered pursuant to sections 9 and 12 of the Companies Act 2006.

Future Trustees shall be appointed or elected, as the case may be, under these Articles. Where it is not possible for such a Trustee to be appointed or elected due to the fact that an Academy has not yet been established, then the relevant Article or part thereof shall not apply.

The Members may appoint by ordinary resolution up to 5 Trustees.

The Members may appoint Staff Trustees through such process as they may determine.

The total number of Trustees including the Chief Executive Officer if they so choose to act as Trustee under Article 57 who are employees of the Academy Trust shall not exceed one third of the total number of Trustees.

The term of office for any Trustee shall be four years, save that this time limit shall not apply to any post which is held ex officio. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected at a General Meeting.

e. Policies and procedures adopted for the induction and training of Trustees

On appointment, new Trustees receive comprehensive information relating to the Multi Academy Trust, attend a briefing and receive an induction pack on the role and responsibilities of Trustees. New Trustees are given access to a range of Multi Academy Trust policies, procedures, minutes, accounts, budgets, plans and other documents as necessary to effectively undertake their role as a Trustee.

The training and induction provided for new Trustees will depend on their existing experience.

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Trustees' Report (continued)
For the year ended 31 August 2016

f. Organisational structure

The members hold at least 1 annual meeting per year and has delegated authority to the Board of Trustees.

The Board of Trustees hold at least 1 meeting per term and has delegated authority to a number of Local Governing Bodies 1 per Academy. The CEO is the Accounting Officer for the Academy and together with the CFO are ex-officio Trustees. There is no Company Secretary.

The Clerk to the Trustees is managed by the Chair of Trustees. The Clerk has access to regular training.

Each Local Governing Body has documented and agreed Terms of Reference which detail the level of devolved authority from the Board of Trustees to the Local Governing Body. These are updated and reviewed annually.

The Local Governing bodies are responsible for setting general policy, adopting an annual improvement plan and budget, monitoring the schools performance and making major decisions about the direction of the Academy, its staffing and associated costs produced in a budget approved by the Board of Trustee's.

The day to day management of each Academy is delegated to the Head Teachers who direct the Leadership Teams.

Budgets are devolved to each Academy by the Board of Trustees. The Multi Academy Trust develop and approve Financial Limits of Authority across the Academies, these are reviewed on an annual basis.

The management and governance responsibilities are interlinked and mutually supportive. The Governors define the aims, objectives, principles and strategies of the Academies, the Management team ensures that all operational decisions are in accord with those principles. Executive decisions made by the CEO & Head Teachers and have to be approved by the Governors in relation to Exclusions, Admissions, Staffing Complement, Staff Discipline and Grievance and Staffing Structure.

Governors approve targets for the Academy and for the Head Teachers and Deputy Head Teachers. These targets are reviewed by the appropriate committee.

The Head teacher has a Leadership Team which manages the performance and effectiveness of the Middle Leaders in the Academy, who in turn manage the effectiveness and performance of the teaching staff.

Decisions are made in a coherent and transparent process through staff consultation and discussion. Executive decisions will be made by the Head Teacher or the Deputy Head Teachers.

g. Pay policy for key management personnel

The pay ranges for the Leadership Team are determined in accordance with the criteria specified in the School Teachers Pay and Conditions Document. Consideration is given to the significant responsibility given to the Leadership Team that is not required of all classroom teachers or TLR holders; in particular their focus on teaching and learning, use of professional skills and judgement, leading and management of the Multi Academy Trust, leading and developing teaching of staff to result in a positive impact on the educational progress of pupils.

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Trustees' Report (continued)
For the year ended 31 August 2016

h. Related Parties and other Connected Charities and Organisations

The Academies enjoy a number of partnerships and collaborations, both formal and informal, which have been established to further the Principal Activities. The Chief Executive Officer is a Local Leader of Education and as such is deployed to support other schools who may have gone into an Ofsted category or who need additional leadership and management support. The Chief Executive Officer is mentoring a newly appointed Head teacher. The Schools within the Multi Academy Trust play a leading or partnering role in the local School Behaviour and Attendance Collaborations which collates work between local secondary schools and partner primary schools. This work focusses on improving both behaviour and attendance of students and deals with Hard to Place youngsters and Managed Moves. The Academies work closely within the wider community contributing towards the education of students within the Academies. The Academies will actively seek to link with other educational and employment providers to further promote Academies aims. The Chief Executive Officer is also a registered Ofsted Inspector and will carry out regular inspections of other schools.

Objectives and Activities

a. Objects and aims

The Multi Academy Trust's objects are specifically restricted to the following:-

- 1 advancing for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum,
- 2 promoting for the benefit of the inhabitants of The Two Counties Trust Academies and the surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

The Academy has 2 aims on which the School Improvement Plan and associated spending decisions are based. These are:

- 1 To maximise the attainment and progress of all learners.
- 2 To ensure that all teams focus on the delivery of high quality teaching over time.

b. Objectives, strategies and activities

The principal objective and activity of the charitable company is the operation of The Two Counties Trust to provide education to children of different abilities between the ages of 11 and 19.

c. Public benefit

The Academy Trust governors and Multi Academy Trust Trustees have complied with their duty to have due regard to the Charity Commission guidance on public benefit in exercising their powers and duties, as noted above in the review of activities during the period in regard to the objects of the charitable company.

The Multi Academy Trust has played a major role in supporting community development by providing resources, expertise and support for various local groups, Ashfield Community Forum, Adult Education, numerous Sports Teams, local charities and local politicians. The academy plays a pivotal role in the life of the Academies Communities.

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Trustees' Report (continued)
For the year ended 31 August 2016

Achievements and performance

The upward trend in results at both Key Stage 4 and Post 16 will be continued in the future as the quality of teaching continues to improve and as a result of the new aspirational target setting process and improved tracking that has been implemented this year. We believe that the school offers good value for money and benchmark data would support this case. There is a full compliance with Health and Safety as well as access arrangements. Whilst the school has suffered a slight dip in numbers with current Year 7 and Year 8 due to the low birth rate we are confident that we will be back up to full PAN in September 2017. There are no major obstacles to the school maintaining a healthy position in regard to student numbers and stability of income based on accurate projections of student numbers. Numbers in Post 16 continue to increase year-on-year. Governance of the Academy continues to be strong and stable.

a. Key financial performance indicators

Ashfield School

During the period of reporting, the main aims of the Academy were to maximise the attainment of students and to meet aspirational attainment targets. The Academy recorded 58 % A*-C Basics (English and maths) in 2015/16 with the best ever rates of progress by the end of KS4. Results in Post 16 were the best the school has achieved with positive value added for both academic and vocational courses. These results were achieved by very good teaching and productive relationships between staff and students. The academic success of the Academy has raised the aspirations of the students, who embark on productive pathways to employment, Higher Education and Apprenticeships.

The Academy wishes to build upon the strong academic results of last year and has set targets to reach higher levels of attainment. There will be a stronger focus on the achievement of less favoured groups in the school community.

Selston High School

During the period of reporting, the main aims of the Academy were to maximise the attainment of students and to meet aspirational attainment targets. The Academy recorded 64 % A*-C Basics (English and maths) in 2015/16.

Swanwick Hall School

During the period of reporting, the main aims of the Academy were to maximise the attainment of students and to meet aspirational attainment targets. The Academy recorded 51 % A*-C Basics (English and maths) in 2015/16.

b. Going concern

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

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Trustees' Report (continued)
For the year ended 31 August 2016

Financial review

Most of the Multi Academy's income is obtained from the DfE in the form of recurrent grants, the use of which is restricted to particular purposes in pursuance of the Academy's objects. The grants received from the DfE during the period ended 31 August 2016 and the associated expenditure are shown as restricted general funds in the Statement of Finance Activities.

The Academy also receives grants for fixed assets from the DfE in accordance with the Charities Statement of Recommended Practice (SORP 2005) such grants are shown in the Statement of Financial Activities as restricted income in the restricted fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

At 31 August 2016 the net book value of fixed assets was £61,383,798 and movements in tangible fixed assets are shown in note 16 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy. The Trustees have been advised by the actuary for the Local Government Pension Scheme that the pension liability has increased to £8,845,000 as at 31 August 2016, for the current shortfall. In payments required to fund non-academic staffs annual salary pension schemes (in accordance with FRS 17).

a. Reserves policy

The Trustees review the reserve levels of the Academy on a regular basis as part of their regular monitoring of the Academy finances. The Academy held fund balances at 31 August 2016 of £54,846,489 consisting of £52,682,498 restricted funds and £2,163,991 unrestricted funds. Included in the restricted fund is an amount of £61,383,798 invested in fixed assets and a pension reserve deficit of £(8,845,000).

b. Material investments policy

In furtherance of the Objects, The Two Counties Trust may deposit or invest any funds of the Academy not immediately required for the furtherance of its Objects only after obtaining such advice from a financial expert, authorised to give investment advice under the Financial Services and Markets Act 2000, as the Trustees consider necessary and having regard to the suitability of investments and the need for diversification.

c. Principal risks and uncertainties

Given that cash funding is received directly from the DfE/EFA under the terms of the Academy's Funding Agreements within the multi Academy Trust, the risk and uncertainty of reduced funding is controlled by the DfE/EFA. However, as funding levels are primarily based on pupil numbers and applications to Year 7 and Post 16 remain high, funding is considered to be secure.

d. Financial risk management

The Board of Trustees have an Audit Committee which reviews risk management across the academies within the Multi Academy Trust. Each academy completes an annual risk management questionnaire which is approved by the Local Governing Body. This is then reviewed by the Risk Committee and the actions taken to address any risks that are considered scoring highly against a predetermined scoring mechanism.

The Trustees have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The governors have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff, supervision of school grounds) and an effective system of internal financial control in order to prevent and minimise risk.

Risks to the Academies fall into the following three categories:-

- 1 Financial - Income to the Academy is always predicted prudently and expenditure plans are controlled by a strong Committee structure. The Head Teacher is accountable to the Committee for restricting expenditure within budget limits. The Chief Financial Officer carries out regular review of compliance and financial control with regards to each Academy.
- 2 Performance - A decline in results would lead to a less favourable reputation which would, in turn, lead to fewer numbers of students with the subsequent loss of income. The Head Teacher is accountable to the Governing Body for academic results.
- 3 Health and Safety — A range of risk assessments, including actions to be taken in the event of extreme incidents, have been written. These are reviewed annually.

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Trustees' Report (continued)
For the year ended 31 August 2016

Plans for future periods

For the next reporting year 2016/17, the Multi Academy has the following projects planned:

- Re drafting of the Multi Academies 3 year building plan of refurbishments and asbestos removal across all Academies.
- Building improvements through CIF bid capital investment by all Academies for FY16/17 in the Multi Academy Trust and the continuation of EFA funded CIF roofing and external elevations works at Ashfield School, Refurbishment of school toilets along with other accommodation improvements.
- There will be minor works completed throughout the year which will address health and safety concerns.

The Academy will continue exploring the possibility of bidding for funds to replace the rapidly ageing buildings. The Improvement Plan has many aspirational targets but the focus will remain on providing the best possible life chances for students of all abilities and backgrounds.

One of the measures for which we shall be accountable is the percentage of students who enter further education or training after leaving the Academy.

Employee involvement and employment of the disabled

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The Multi Academy and the group carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and the Trustees.

The Academy and the group has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy

In accordance with the Academy and the group's Equal opportunities policy, the Academy and the group has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the Academy and the group's offices.

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Trustees' Report (continued)
For the year ended 31 August 2016

Disclosure of information to auditors

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

- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the charitable group's auditors in connection with preparing their report and to establish that the charitable group's auditors are aware of that information.

Auditors

The auditors, Dains LLP, have indicated their willingness to continue in office. The Designated Trustees will propose a motion re-appointing the auditors at a meeting of the Trustees.

This report was approved by order of the board of trustees as the company directors, on 21/12/16 and signed on its behalf by:



Gillian Haslam
Chair of Trustees

The Two Counties Trust
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Governance Statement

Scope of Responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Two Counties Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The board of trustees has formally met 3 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Linda Maguire	2	2
Kerry Barnes	2	2
Charlotte Garrad	2	2
Linda Hill	0	1
Shaun Pollard	2	2
Richard Stones	2	2
Richard Vasey, Chief Executive Officer and Accounting Officer	3	3
Ruth Wheelhouse, Chair from 17 November 2015 to 31 March 2016	3	3
Gordon Wilson, Chair until 17 November 2015	1	2
Craig Brooks	2	2
Michelle Jenkins	2	2
David Scott	2	2
Malcolm Townsend	2	2
Kevin Hearn	3	3
Paul Shields	2	2
Ian Richardson	2	2
Rosemary Forrest	1	1
Ian Greenaway	1	1
Gillian Haslam, Chair from 1 April 2016	1	1
Karen Potts	1	1
Roman Ruszczyński	1	1
William Unsworth	1	1
Martine Fox	0	1

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Governance Statement (continued)

The Finance Committee is a sub-committee of the main Governing Body its purpose is to assist the decision making of the Governing Body, by enabling more detailed consideration to be given to the best means of fulfilling the Governing Body's responsibility to ensure sound management of the Academy's finances and resources, including proper planning, monitoring to make appropriate comments and recommendations on such matters to the Governing Body.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Kerry Barnes	2	2
Kevin Hearn, Chair until 21 October 2015	1	2
Richard Stones	2	2
Malcolm Townsend	1	2
Ruth Wheelhouse	1	2
Ian Richardson, Chair from 21 October 2015	2	2
Gordon Wilson	1	2
Shaun Pollard	2	2
Michelle Jenkins	1	2
Craig Brooks	2	2
David Scott	2	2
Richard Vasey	2	2

Review of Value for money

As Accounting Officer, the Chief Executive Officer has responsibility for ensuring that the Academy 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 Academy's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Academy has delivered improved value for money during the year by:

- ensuring that competitive tenders have been obtained for procurement in line with Multi Academy Trust policy.
- ensuring that a rigorous system of internal controls exists to ensure prudence and accountability for financial resources.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Two Counties Trust for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

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Governance Statement (continued)

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy'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 board of trustees.

The Risk and Control Framework

The Academy's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Finance 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;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed John Dawson, a Chartered Accountant, as Responsible Officer (RO).

The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a termly basis, the RO reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

Review of Effectiveness

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

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

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

Approved by order of the members of the board of trustees on 21/12/16 and signed on their behalf, by:


Gillian Haslam
Chair of Trustees


Richard Vasey
Accounting Officer


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Statement on Regularity, Propriety and Compliance

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


Richard Vasey
Accounting Officer

Date: 21 December 2016

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Statement of Trustees' Responsibilities
For the year ended 31 August 2016

The Trustees (who act as governors of The Two Counties Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' 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 Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group 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 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 statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business.

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

The Trustees are responsible for ensuring that in its conduct and operation the charitable company and the group 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 Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 21/12/16 and signed on its behalf by:



Gillian Haslam
Chair of Trustees

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(A company limited by guarantee)

Independent Auditors' Report on the Financial Statements to the Members of The Two Counties Trust

We have audited the financial statements of The Two Counties Trust for the year ended 31 August 2016 which comprise the consolidated statement of financial activities, the consolidated and academy balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 company's members those matters we are required to state to them 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 company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the Academy 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 group's and the parent Academy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report 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 the group's 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.

The Two Counties Trust
(A company limited by guarantee)

Independent Auditors' Report on the Financial Statements to the Members of The Two Counties Trust

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- the parent charitable Academy has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable Academy 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.



Lisa Richards FCCA (Senior statutory auditor)

for and on behalf of

Dains LLP

Statutory Auditor Chartered Accountants

Charlotte House, Derby

21/12/16

The Two Counties Trust
(A company limited by guarantee)

Independent Reporting Accountants' Assurance Report on Regularity to The Two Counties Trust 2016 and the Education Funding Agency

In accordance with the terms of our engagement letter dated 24 October 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Two Counties Trust 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 The Two Counties 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 Two Counties 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 Two Counties Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Two Counties Trust 2016's accounting officer and the reporting accountants

The accounting officer is responsible, under the requirements of The Two Counties Trust's funding agreement with the Secretary of State for Education dated 27 March 2012, 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 Academy's income and expenditure.

The Two Counties Trust
(A company limited by guarantee)

**Independent Reporting Accountants' Assurance Report on Regularity to The Two Counties Trust 2016
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.



Dains LLP

Statutory Auditor Chartered Accountants

Charlotte House, Derby

Date: 21/12/16

Statutory Auditor Chartered Accountants

The Two Counties Trust
(A company limited by guarantee)

Consolidated Statement of Financial Activities
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)
For the year ended 31 August 2016

	Note	Unrestricted funds 2016 £	Restricted general funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Income from:						
Donations and capital grants:						
Transfer from local authority on conversion	3	931,017	(1,542,000)	34,290,641	33,679,658	-
Other donations and capital grants	3	553,312	-	-	553,312	205,612
Charitable activities	4	71,281	17,774,489	411,480	18,257,250	14,575,179
Other trading activities	5,7	406,927	-	-	406,927	370,217
Investments	6	7,608	-	-	7,608	10,403
Total income		1,970,145	16,232,489	34,702,121	52,904,755	15,161,411
Expenditure on:						
Raising funds	7	298,544	-	1,985	300,529	299,974
Charitable activities		451,390	17,196,452	1,075,448	18,723,290	13,212,529
Total expenditure	8	749,934	17,196,452	1,077,433	19,023,819	13,512,503
Net income / (expenditure) before transfers		1,220,211	(963,963)	33,624,688	33,880,936	1,648,908
Transfers between Funds	21	(196,118)	(1,057,979)	1,254,097	-	-
Net income / (expenditure) before other recognised gains and losses		1,024,093	(2,021,942)	34,878,785	33,880,936	1,648,908
Other recognised gains / (losses):						
Actuarial (losses) / gains on defined benefit pension schemes	25	-	(3,707,000)	-	(3,707,000)	19,000
Net movement in funds		1,024,093	(5,728,942)	34,878,785	30,173,936	1,667,908
Reconciliation of funds:						
Total funds brought forward		1,139,898	(2,972,358)	26,505,013	24,672,553	23,004,645
Total funds carried forward		2,163,991	(8,701,300)	61,383,798	54,846,489	24,672,553

The Two Counties Trust
(A company limited by guarantee)
Registered number: 07972029

Consolidated Balance Sheet
As at 31 August 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	16		61,383,798		26,505,013
Current assets					
Stocks	17	13,832		3,500	
Debtors	18	1,441,911		468,342	
Cash at bank and in hand		1,993,259		1,597,201	
		3,449,002		2,069,043	
Creditors: amounts falling due within one year	19	(1,141,311)		(617,660)	
Net current assets			2,307,691		1,451,383
Total assets less current liabilities			63,691,489		27,956,396
Creditors: amounts falling due after more than one year	20		-		(5,843)
Net assets excluding pension scheme liabilities			63,691,489		27,950,553
Defined benefit pension scheme liability	25		(8,845,000)		(3,278,000)
Net assets including pension scheme liabilities			54,846,489		24,672,553
Funds of the academy					
Restricted income funds:					
Restricted income funds	21	143,700		305,642	
Restricted fixed asset funds	21	61,383,798		26,505,013	
Restricted income funds excluding pension liability		61,527,498		26,810,655	
Pension reserve		(8,845,000)		(3,278,000)	
Total restricted income funds			52,682,498		23,532,655
Unrestricted income funds	21		2,163,991		1,139,898
Total funds			54,846,489		24,672,553

The Two Counties Trust
(A company limited by guarantee)

Consolidated Balance Sheet (continued)
As at 31 August 2016

The financial statements were approved by the Trustees, and authorised for issue, on
21/12/16 and are signed on their behalf, by:



Gillian Haslam
Chair of Trustees

The notes on pages 27 to 50 form part of these financial statements.

Consolidated Balance Sheet (continued)

The Two Counties Trust
(A company limited by guarantee)
Registered number: 07972029

Academy Balance Sheet
As at 31 August 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	16		61,359,036		26,487,146
Current assets					
Stocks	17	13,832		3,500	
Debtors	18	1,895,446		832,454	
Cash at bank and in hand		1,703,242		1,249,529	
		<u>3,612,520</u>		<u>2,085,483</u>	
Creditors: amounts falling due within one year	19	<u>(1,280,067)</u>		<u>(616,232)</u>	
Net current assets			<u>2,332,453</u>		<u>1,469,251</u>
Total assets less current liabilities			<u>63,691,489</u>		<u>27,956,397</u>
Creditors: amounts falling due after more than one year	20		<u>-</u>		<u>(5,843)</u>
Net assets excluding pension scheme liabilities			<u>63,691,489</u>		<u>27,950,554</u>
Defined benefit pension scheme liability	25		<u>(8,845,000)</u>		<u>(3,278,000)</u>
Net assets including pension scheme liabilities			<u><u>54,846,489</u></u>		<u><u>24,672,554</u></u>
Funds of the academy					
Restricted general funds:					
Restricted general funds	21	148,838		305,642	
Restricted fixed asset funds	21	61,359,036		26,505,013	
Restricted funds excluding pension asset		61,507,874		26,810,655	
Pension reserve		<u>(8,845,000)</u>		<u>(3,278,000)</u>	
Total restricted general funds			<u>52,662,874</u>		<u>23,532,655</u>
Unrestricted funds	21		<u>2,183,615</u>		<u>1,139,899</u>
Total funds			<u><u>54,846,489</u></u>		<u><u>24,672,554</u></u>

The Two Counties Trust
(A company limited by guarantee)

Academy Balance Sheet (continued)
As at 31 August 2016

The financial statements were approved by the Trustees, and authorised for issue, on
21/12/16 and are signed on their behalf, by:


Gillian Haslam
Chair of Trustees

The notes on pages 27 to 50 form part of these financial statements.

Creditors: capital funding and other income

The Two Counties Trust
(A company limited by guarantee)

Consolidated Statement of Cash Flows
For the year ended 31 August 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by operating activities	23	<u>1,654,198</u>	<u>1,460,663</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		7,608	10,403
Purchase of tangible fixed assets		(35,956,217)	(2,110,869)
Capital grants from DfE/EFA		411,480	845,819
Capital funding received from sponsors and others		<u>34,290,641</u>	<u>-</u>
Net cash used in investing activities		<u>(1,246,488)</u>	<u>(1,254,647)</u>
Cash flows from financing activities:			
Repayments of borrowings		(11,652)	(19,459)
Net cash used in financing activities		<u>(11,652)</u>	<u>(19,459)</u>
Change in cash and cash equivalents in the year		396,058	186,557
Cash and cash equivalents brought forward		<u>1,597,201</u>	<u>1,410,644</u>
Cash and cash equivalents carried forward		<u><u>1,993,259</u></u>	<u><u>1,597,201</u></u>

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

The Two Counties Trust constitutes a public benefit entity as defined by FRS 102.

The Statement of financial activities (SOFA) and Balance sheet consolidate the financial statements of the Academy and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

No separate SOFA has been presented for the Academy alone as permitted by section 408 of the Companies Act 2006.

1.2 Basis of consolidation

The financial statements consolidate the accounts of The Two Counties Trust and all of its subsidiary undertakings ('subsidiaries').

The Academy has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Income and expenditure account.

1.3 Going concern

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

1. Accounting Policies (continued)

1.4 Income

All income is recognised once the Academy 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 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 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.

Sponsorship income provided to the Academy which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

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

1.5 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.

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

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

All resources expended are inclusive of irrecoverable VAT.

1.6 Turnover

Turnover comprises revenue recognised by the Academy in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1. Accounting Policies (continued)

1.7 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 and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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.

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

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line
Building improvements	-	5-20% straight line
Motor vehicles	-	20% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	20% straight line

1.8 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 Academy 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.

1.9 Operating leases

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

1. Accounting Policies (continued)

1.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.11 Taxation

The Academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy 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.

1.12 Pensions

Retirement benefits to employees of the Academy 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.

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

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

1. Accounting Policies (continued)

1.13 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 and include grants from the Department for Education and the Education Funding Agency.

1.14 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

The Trustees have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

2. Turnover

The whole of the turnover is attributable to the provision of nursery services and lettings.

All turnover arose within the United Kingdom.

The Two Counties Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2016

3. Income from donations and capital grants

	Unrestricted funds 2016 £	Restricted general funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Transfer from local authority on conversion	931,017	(1,542,000)	34,290,641	33,679,658	-
Donations	553,312	-	-	553,312	205,612
Total donations and capital grants	<u>1,484,329</u>	<u>(1,542,000)</u>	<u>34,290,641</u>	<u>34,232,970</u>	<u>205,612</u>

In 2015, of the total income from donations and capital grants, £205,612 was to unrestricted funds and £ NIL was to restricted funds

The Two Counties Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2016

4. Funding for Academy's educational operations

	Unrestricted funds 2016 £	Restricted general funds 2016 £	Total funds 2016 £	Total funds 2015 £
DfE/EFA grants				
General Annual Grant (GAG)	-	16,334,965	16,334,965	12,646,846
Pupil Premium	-	870,098	870,098	519,538
Rates Relief	-	131,726	131,726	-
Devolved Formula Capital	-	66,451	66,451	47,576
Conditional Improvement Fund (CIF)	-	345,029	345,029	779,638
Post 16 Bursary	-	77,720	77,720	75,875
Summer School	-	-	-	27,500
Sponsors Capacity Fund	-	81,000	81,000	-
	-	17,906,989	17,906,989	14,096,973
Other government grants				
AFN income	-	51,863	51,863	129,531
Higher Level Needs (HLN)	-	81,709	81,709	66,936
Other government grants	-	129,049	129,049	78,346
	-	262,621	262,621	274,813
Other funding				
Savoy Education Trust	-	-	-	18,605
Supply Teacher income	-	690	690	77,775
Other funding	71,281	15,669	86,950	107,013
	71,281	16,359	87,640	203,393
	71,281	18,185,969	18,257,250	14,575,179

In 2015, of the total income from charitable activities, £96,773 was to unrestricted funds and £14,478,331 was to restricted funds.

The Two Counties Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2016

5. Other trading activities

	Unrestricted funds 2016 £	Restricted general funds 2016 £	Total funds 2016 £	Total funds 2015 £
Sale of equipment	13,471	-	13,471	10,605
Music activities	8,966	-	8,966	13,819
Rent and lettings	9,261	-	9,261	-
Other income	21,770	-	21,770	-
	<u>53,468</u>	<u>-</u>	<u>53,468</u>	<u>24,424</u>

In 2015, of the total income from other trading activities, £24,424 was to unrestricted funds and £ NIL was to restricted funds.

6. Investment income

	Unrestricted funds 2016 £	Restricted general funds 2016 £	Total funds 2016 £	Total funds 2015 £
Short term deposits	7,608	-	7,608	10,403

In 2015, of the total investment income, £10,403 was to unrestricted funds and £ NIL was to restricted funds.

7. Trading activities

	Unrestricted funds 2016 £	Restricted general funds 2016 £	Total funds 2016 £	Total funds 2015 £
Charity trading income				
Turnover	353,459	-	353,459	345,793
Fundraising trading expenses				
Cost of sales and other costs	41,713	1,985	43,698	41,620
Wages and salaries	256,831	-	256,831	258,354
	<u>298,544</u>	<u>1,985</u>	<u>300,529</u>	<u>299,974</u>
Net income from trading activities	<u>54,915</u>	<u>(1,985)</u>	<u>52,930</u>	<u>45,819</u>

The Two Counties Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2016

8. Expenditure

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Expenditure on fundraising trading	256,831	1,985	41,713	300,529	299,975
Activities:					
Direct costs	12,601,828	-	1,875,080	14,476,908	9,329,093
Support costs	1,384,607	2,052,822	808,953	4,246,382	3,883,435
	14,243,266	2,054,807	2,725,746	19,023,819	13,512,503

In 2016, of the total expenditure, £755,072 (2015 - £562,010) was to unrestricted funds and £18,268,747 (2015 - £12,950,418) was to restricted funds.

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9. Charitable activities

	Total funds 2016 £	Total funds 2015 £
Direct costs - educational operations		
Wages and salaries	10,187,109	7,018,632
National insurance	852,290	505,567
Pension cost	1,562,429	507,264
Educational supplies	395,331	407,908
Examination fees	435,329	264,162
Staff development	48,580	30,044
Educational consultancy	117,918	102,877
Travel and subsistence	3,870	2,587
Other direct costs	652,443	313,642
Transport	184,399	148,310
Technology costs	37,210	28,100
	<u>14,476,908</u>	<u>9,329,093</u>
Support costs - educational operations		
Wages and salaries	861,859	1,213,386
National insurance	62,965	63,327
Pension cost	459,783	810,140
Depreciation	1,075,448	696,614
Staff development	4,029	287
Travel and subsistence	11,724	13,870
Recruitment and support	66,279	53,519
Maintenance of premises	204,696	16,886
Maintenance of equipment	21,065	25,032
Cleaning	402,062	330,907
Operating leases	12,491	2,442
Rates	123,959	16,215
Water rates	161,197	43,479
Energy	320,615	281,783
Insurance	91,257	23,504
Transport	3,236	1,700
Technology costs	172,165	178,423
Other support costs	124,834	101,154
Governance costs	66,718	10,767
	<u>4,246,382</u>	<u>3,883,435</u>
	<u><u>18,723,290</u></u>	<u><u>13,212,528</u></u>

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10. Net incoming resources/(resources expended)

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the charitable group	<u>1,077,432</u>	<u>698,599</u>

11. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Academy's auditor and its associates for the audit of the Academy's annual accounts	14,000	9,500
Fees payable to the Academy's auditor and its associates in respect of:		
Audit-related assurance services	750	750
Taxation compliance services	1,450	650
All other non-audit services not included above	<u>4,600</u>	<u>3,400</u>

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12. Staff costs

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	9,865,428	8,329,461
Social security costs	927,752	580,471
Operating costs of defined benefit pension schemes	2,033,308	1,326,373
	<u>12,826,488</u>	<u>10,236,305</u>
Supply teacher costs	1,416,778	140,366
	<u>14,243,266</u>	<u>10,376,671</u>

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

	2016 No.	2015 No.
Teaching Staff	224	172
Administration Staff	28	20
Support Staff	199	142
Management	13	11
	<u>464</u>	<u>345</u>

Average headcount expressed as a full time equivalent:

	2016 No.	2015 No.
Teaching staff	204	157
Administration staff	23	18
Support staff	140	97
Management	13	11
	<u>380</u>	<u>283</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	3	2
In the band £70,001 - £80,000	0	1
In the band £140,001 - £150,000	1	1

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £642,579 (2015: £766,982).

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13. Central services

No central services were provided by the Academy to its academies during the year and no central charges arose.

14. Trustees' remuneration and expenses

During the year retirement benefits were accruing to 5 Trustees (2015 - 5) in respect of defined benefit pension schemes.

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2016 £	2015 £
Richard Vasey, Chief Executive Officer	Remuneration	145,000-150,000	140,000-145,000
	Pension contributions paid	20,000-25,000	20,000-25,000
Charlotte Garrad, Staff Trustee	Remuneration	20,000-25,000	40,000-45,000
	Pension contributions paid	0-5,000	5,000-10,000
Alan Wilson, Staff Trustee	Remuneration	-	0-5,000
	Pension contributions paid	-	0-5,000
Paul Shields, Staff Trustee	Remuneration	10,000-15,000	15,000-20,000
	Pension contributions paid	0-5,000	0-5,000
Linda Maguire, Staff Trustee	Remuneration	30,000-35,000	50,000-55,000
	Pension contributions paid	5,000-10,000	5,000-10,000
Kevin Hearn, Chief Financial Officer	Remuneration	35,000-40,000	-
	Pension contributions paid	0-5,000	-

During the year, no Trustees received any benefits in kind (2015 - £NIL).

During the year, no Trustees received any reimbursement of expenses (2015 - £NIL).

Other related party transactions involving trustees are set out in note 27.

15. Trustees' and Officers' Insurance

The academy trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the Trustees and officers indemnity element from the overall cost of the RPA scheme.

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For the year ended 31 August 2016

16. Tangible fixed assets

Group	Freehold land and buildings £	Building improvements £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 September 2015	26,563,907	620,045	-	850,567	410,177	28,444,696
Additions	34,927,417	391,123	11,863	193,502	432,312	35,956,217
At 31 August 2016	61,491,324	1,011,168	11,863	1,044,069	842,489	64,400,913
Depreciation						
At 1 September 2015	1,570,316	1,985	-	310,938	56,444	1,939,683
Charge for the year	735,637	15,384	1,483	196,045	128,883	1,077,432
At 31 August 2016	2,305,953	17,369	1,483	506,983	185,327	3,017,115
Net book value						
At 31 August 2016	59,185,371	993,799	10,380	537,086	657,162	61,383,798
At 31 August 2015	24,993,591	618,060	-	539,629	353,733	26,505,013

Included in land and buildings is land of £8,683,000 (2015: £1,064,000) which is not depreciated.

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Academy	Freehold property £	Building improvements £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 September 2015	26,563,907	600,193	-	850,567	410,177	28,424,844
Additions	34,927,417	382,243	11,863	193,502	432,312	35,947,337
At 31 August 2016	61,491,324	982,436	11,863	1,044,069	842,489	64,372,181
Depreciation						
At 1 September 2015	1,570,316	-	-	310,938	56,444	1,937,698
Charge for the year	735,637	13,399	1,483	196,045	128,883	1,075,447
At 31 August 2016	2,305,953	13,399	1,483	506,983	185,327	3,013,145
Net book value						
At 31 August 2016	59,185,371	969,037	10,380	537,086	657,162	61,359,036
At 31 August 2015	24,993,591	600,193	-	539,629	353,733	26,487,146

17. Stocks

	Group		Academy	
	2016	2015	2016	2015
	£	£	£	£
School supplies	13,832	3,500	13,832	3,500

18. Debtors

	Group		Academy	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	24,677	6,627	24,677	6,627
Amounts owed by group undertakings	-	-	463,229	364,706
VAT recoverable	307,878	192,872	304,773	192,277
Other debtors	19,378	10,516	19,378	10,517
Prepayments and accrued income	1,089,978	258,327	1,083,389	258,327
	1,441,911	468,342	1,895,446	832,454

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19. Creditors:
Amounts falling due within one year

	Group		Academy	
	2016	2015	2016	2015
	£	£	£	£
Other loans	5,843	11,652	5,843	11,652
Trade creditors	305,006	2,053	304,873	1,622
Amounts owed to group undertakings	-	-	142,383	-
Other taxation and social security	103,686	-	103,686	-
Other creditors	84,689	-	84,689	-
Accruals and deferred income	642,087	603,955	638,593	602,958
	1,141,311	617,660	1,280,067	616,232

	Group		Academy	
	£	£	£	£
Deferred income				
Deferred income at 1 September 2015	197,390	169,658	197,390	169,658
Resources deferred during the year	189,495	197,390	189,495	197,390
Amounts released from previous years	(197,390)	(169,658)	(197,390)	(169,658)
Deferred income at 31 August 2016	189,495	197,390	189,495	197,390

At the balance sheet date the multi-academy trust was holding funds received in advance for the autumn term 2016.

20. Creditors:
Amounts falling due after more than one year

	Group		Academy	
	2016	2015	2016	2015
	£	£	£	£
Other loans	-	5,843	-	5,843

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21. Statement of funds

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
Unrestricted funds	<u>1,139,898</u>	<u>1,970,145</u>	<u>(749,934)</u>	<u>(196,118)</u>	<u>-</u>	<u>2,163,991</u>
Restricted general funds						
General Annual Grant	305,642	16,334,965	(15,476,754)	(1,057,979)	-	105,874
MAT Start Up Grant	-	81,000	(43,174)	-	-	37,826
Pupil Premium	-	870,098	(870,098)	-	-	-
Other EFA/DfE Income	-	209,446	(209,446)	-	-	-
Other government grants	-	262,621	(262,621)	-	-	-
Other income	-	16,359	(16,359)	-	-	-
Pension reserve	(3,278,000)	(1,542,000)	(318,000)	-	(3,707,000)	(8,845,000)
	<u>(2,972,358)</u>	<u>16,232,489</u>	<u>(17,196,452)</u>	<u>(1,057,979)</u>	<u>(3,707,000)</u>	<u>(8,701,300)</u>
Restricted fixed asset funds						
Gift from Local Authority	20,478,553	34,290,641	(695,484)	248,367	-	54,322,077
DfE/EFA capital grants	6,026,460	411,480	(381,949)	1,005,730	-	7,061,721
	<u>26,505,013</u>	<u>34,702,121</u>	<u>(1,077,433)</u>	<u>1,254,097</u>	<u>-</u>	<u>61,383,798</u>
Total restricted funds	<u>23,532,655</u>	<u>50,934,610</u>	<u>(18,273,885)</u>	<u>196,118</u>	<u>(3,707,000)</u>	<u>52,682,498</u>
Total of funds	<u>24,672,553</u>	<u>52,904,755</u>	<u>(19,023,819)</u>	<u>-</u>	<u>(3,707,000)</u>	<u>54,846,489</u>

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

Restricted general funds

This fund represents grants and other income received for the Academy's operational activities and development. The pension reserve included within restricted general funds represents the Academy's share of the pension liability arising on the LGPS pension fund.

Restricted fixed asset funds

This fund represents grants received to carry out work of a capital nature.

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21. Statement of funds (continued)

Transfers between funds

Transfers between funds relate to fixed assets purchased from General Annual Grant.

Analysis of academies by fund balance

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £	Total 2015 £
The Two Counties Trust	37,826	37,826
Ashfield School	1,167,257	1,445,540
Selston High School	677,764	-
Swanwick Hall School	424,844	-
Total before fixed asset fund and pension reserve	2,307,691	1,445,540
Restricted fixed asset fund	61,383,798	26,505,013
Pension reserve	(8,845,000)	(3,278,000)
Total	54,846,489	24,672,553

Analysis of academies by cost

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciat- ion £	Total 2016 £	Total 2015 £
The Two Counties Trust	-	36,659	-	6,515	43,174	-
Ashfield School	9,461,868	880,017	732,440	2,090,492	13,164,817	12,515,840
Selston High School	1,094,652	120,345	105,031	230,303	1,550,331	-
Swanwick Hall School	2,044,678	347,588	155,265	341,989	2,889,520	-
Ashfield School Trading Company Limited	-	256,831	-	41,713	298,544	297,989
	12,601,198	1,641,440	992,736	2,711,012	17,946,386	12,813,829

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22. Analysis of net assets between funds

	Unrestricted funds 2016 £	Restricted general funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	61,383,798	61,383,798	26,505,013
Current assets	2,562,711	556,242	330,049	3,449,002	2,069,043
Current liabilities	(398,720)	(412,542)	(330,049)	(1,141,311)	(617,660)
Non-current liabilities	-	-	-	-	(5,843)
Pension scheme liability	-	(8,845,000)	-	(8,845,000)	(3,278,000)
	<u>2,163,991</u>	<u>(8,701,300)</u>	<u>61,383,798</u>	<u>54,846,489</u>	<u>24,672,553</u>

23. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £	2015 £
Net income for the year (as per Statement of financial activities)	33,880,936	1,648,908
Adjustment for:		
Depreciation charges	1,077,432	698,599
Dividends, interest and rents from investments	(7,608)	(10,403)
Increase in stocks	(10,332)	-
Increase in debtors	(973,569)	(3,213)
Increase/(decrease) in creditors	529,460	(217,409)
Capital grants from DfE and other capital income	(411,480)	(845,819)
Defined benefit pension scheme cost less contributions payable	318,000	190,000
Net (loss) on assets and liabilities from local authority on conversion	(32,748,641)	-
Net cash provided by operating activities	<u>1,654,198</u>	<u>1,460,663</u>

24. Analysis of cash and cash equivalents

	2016 £	2015 £
Cash in hand	1,993,259	1,597,201
Total	<u>1,993,259</u>	<u>1,597,201</u>

25. Pension commitments

The group'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 Nottinghamshire County Council and Derbyshire County Council. 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.

25. Pension commitments (continued)

Contributions amounting to £83,616 were payable to the schemes at 31 August 2016 (2015 - Nil) 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
- 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 £1,271,437 (2015 - £824,234).

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 trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

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25. Pension commitments (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £588,126 (2015 - £435,509), of which employer's contributions totalled £441,789 (2015 - £325,702) and employees' contributions totalled £146,337 (2015 - £109,807). The agreed contribution rates for future years are 19.7% for employers and 5.5-7.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013. Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.20 %	4.00 %
Rate of increase in salaries	4.10 %	4.50 %
Rate of increase for pensions in payment / inflation	2.30 %	2.70 %
Inflation assumption (CPI)	2.30 %	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	22.1	22.1
Females	25.3	25.2
Retiring in 20 years		
Males	24.4	24.2
Females	27.7	27.6

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

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	4,840,000	2,660,000
Gilts	202,000	100,000
Property	752,000	469,000
Other bonds	714,000	260,000
Cash	312,000	130,000
Other	232,000	121,000
Total market value of assets	7,052,000	3,740,000

The actual return on scheme assets was £839,000 (2015 - £61,000).

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25. Pension commitments (continued)

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

	2016 £	2015 £
Service cost	(612,000)	(458,000)
Net interest on the defined liability	(148,000)	(124,000)
Administration expenses	(1,000)	(1,000)
Total	(761,000)	(583,000)
Actual return on scheme assets	839,000	61,000

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

	2016 £	2015 £
Opening defined benefit obligation	7,018,000	6,368,000
Upon conversion	3,477,000	-
Interest cost	335,000	259,000
Contributions by employees	148,000	110,000
Benefits paid	(52,000)	(18,000)
Change in financial assumptions	4,359,000	(159,000)
Current service cost	612,000	458,000
Closing defined benefit obligation	15,897,000	7,018,000

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

	2016 £	2015 £
Opening fair value of scheme assets	3,740,000	3,261,000
Upon conversion	1,935,000	-
Return on plan assets (excluding net interest on the net defined pension liability)	652,000	(73,000)
Interest income	187,000	135,000
Contributions by employees	148,000	110,000
Benefits paid	(52,000)	(18,000)
Administrative expenses	(1,000)	(1,000)
Contributions by employer including unfunded	443,000	326,000
Closing fair value of scheme assets	7,052,000	3,740,000

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26. Operating lease commitments

At 31 August 2016 the total of the group's future minimum lease payments under non-cancellable operating leases was:

	2016 £	2015 £
Group		
Amounts payable:		
Within 1 year	424	1,272
Between 1 and 5 years	24,035	26,132
Total	24,459	27,404

At 31 August 2016 the Academy had annual commitments under non-cancellable operating leases as follows:

Academy		
Amounts payable:		
Within 1 year	424	1,272
Between 1 and 5 years	23,608	25,278
Total	24,032	26,550

27. Related party transactions

Owing to the nature of the Academy's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures.

The Academy purchased supplies from First Class Tailored Solutions Ltd, a company that S Pollard (trustee until 31 March 2016) is employed by, totalling £Nil (2015: £21,179). At the balance sheet date £Nil (2015: £Nil) was owing to the company.

The group has taken advantage of the exemption under Financial Reporting Standard 102 (section 33), not to disclose transactions between entities which form part of the group headed by The Two Counties Trust.

28. Post balance sheet events

On 1 September 2016, The Manor Academy Trust gifted its trade and assets to the company.

29. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Ashfield School Trading Company Limited	England and Wales	100	Provision of nursery services and lettings

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30. Members' liability

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

31. 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 Academy's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure.