
HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

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HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

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HILLCREST EARLY YEARS ACADEMY LIMITED
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2015**

Members	W Grant, Chair of Governors J McDonald, Principal and Accounting Officer
Trustees	B Farren, Chair of Finance/ Vice Chair of Governors L Lovelidge C Graves C Marriott D Mitchell R Warwick (appointed 1 September 2014) Z Thorpe (appointed 1 September 2014)
Clerk to Governors	Gemma Goodall
Internal Auditor	Audit Lincolnshire Room 5-03 Orchard House Orchard Street Lincoln LN1 1YL
Senior management team	Mrs J McDonald, Principal Mr L Lovelidge, Vice Principal Miss L McDonald, Senior Teacher Miss Z Thorpe, Senior Teacher
Principal and registered office	Hillcrest Early Years Academy Ltd Heapham Road Gainsborough Lincolnshire DN21 1SW
Company registered number	07980317
Independent auditors	Streets Audit LLP Tower House Lucy Tower Street Lincoln LN1 1XW
Bankers	Lloyds PLC 2 Northgate Sleaford Lincolnshire NG34 7BL
Solicitors	Legal Services Lincolnshire 45-49 Newland Lincoln LN1 1XZ

HILLCREST EARLY YEARS ACADEMY LIMITED
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GOVERNORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2015

The Governors (who are also directors of the academy for the purposes of the Companies Act) present their annual report together with the financial statements and auditors report for the year ended 31 August 2015.

This report follows the requirements of the Charity Commission's Statement of Recommended Practice (SORP) 2005 and the Charities Act 2011. It also meets the requirements of Companies House and the Education Funding Agency.

Structure, governance and management

a. CONSTITUTION

The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The Governors act as the trustees of Hillcrest Early Years Academy Limited and are also the directors of the Charitable Company for the purposes of company law. The charitable company is known as Hillcrest Early Years Academy.

The members and Governors of the Academy 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. GOVERNORS' INDEMNITIES

The Academy has granted an indemnity to one or more of its Trustees against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision has a limit of £5,000,000 and was at a cost of £542.

d. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF GOVERNORS

Governors are sought from parents or the community as and when a vacancy arises. Prospective Governors meet with the Headteacher and Chair of Governors. They undertake a tour of the school and meet to ask and are questioned about their skill set and reasons for seeking to become a Governor.

e. POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF GOVERNORS

There is no formally agreed induction programme for newly appointed Trustees at present though the Principal and Chair spend time with new Trustees in order to inform them fully of the workings of the Trust and their responsibilities. The induction provided will depend on the new Trustee's existing experience, and where necessary will include training on charity and educational legal and financial matters. All new trustees are given a tour of the academy and the chance to meet with staff and students, and are also provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as a Trustee. As there is normally expected to be only a small number of new trustees each year, induction tends to be done informally and is tailored specifically to the individual.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

f. ORGANISATIONAL STRUCTURE

The Board of Trustees normally meets up to six times each year, with its Principal and appropriate advisers, to agree plans, programmes and budgets; agree and review policies; and to monitor progress and review performance. The Board met formally eight times during the period.

The Board sets the budgets within which the Academy operates. Policies are decided or ratified by the Board. The Board itself monitors the corporate income and expenditure against the agreed budgets to enable control of finance. They have ensured that systems are in place, including operational procedures in order to minimise risk.

The Board of trustees has devolved certain of its activities to sub-committees with responsibility for the day-to-day control of these aspects of the Academy operations. These are set out below, with details of their membership and a précis of their terms of reference.

Finance and General Purposes Committee - Mr W Grant (Chair of committee), Mr L Lovelidge, Mrs B Farren, Mrs D Mitchell, Mrs J McDonald

" to ensure that the Academy complies with all financial legislation and standards of best practice, and to monitor ongoing financial and related performance and practices against these standards."

Health and Safety Committee – Mrs J E McDonald, Mr L Lovelidge and Mr W Grant

"... to advise the Principal and board of trustees on matters concerning the Health, Safety and Welfare within the school, in particular, to formulate health & safety policies and planning for the school and to review health & safety processes and procedures....."

Performance Management Committee - Mr W Grant, Mrs B Farren

"to meet with the External Adviser (SIP) and discuss the Headteacher's performance targets, to decide, with the support of the External Adviser (SIP), whether the targets have been met, to set and agree new targets annually and to monitor through the year the performance of the Head Teacher against these targets"

Complaints Committee – Mrs B Farren, Miss D Mitchell, Mrs C Graves, Miss Z Thorpe and Mr R Warwick

"to meet to discuss and deal with any complaint or grievance on an ad hoc basis". The complaints committee met three times to deal with one staff grievance and complaints from two separate parents. The committee dealt with two complaints and then sourced help from a solicitor for an on-going complainant.

We confirm that the Responsible Officer (RO) function has been fully delivered by Audit Lincolnshire, in line with the requirements of the Financial Handbook. The issues identified have been addressed and formed part of the RO Report, which was forwarded to The Chair of Trustees.

g. CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS

Hillcrest Early Years Academy had no transactions during the period with connected parties which would require disclosure.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

Objectives and Activities

a. PRINCIPAL ACTIVITIES, OBJECTIVES AND AIMS

The Principal activity of the Trust, as set out in its articles of association and funding agreement with the Secretary of State is the operation of Hillcrest Early Years Academy ("The Academy") to provide education for pupils of different abilities between the ages of 4 and 7.

The main objectives of the Academy during the period ended 31st August 2015 are summarised below:

- At our Academy, everybody is special and important.
- We want the children in our care to develop a love of learning for life.
- We believe the starting point for a child's education is what they can do, not what they cannot do.
- We ensure a high standard of education is delivered where children are challenged and encouraged to meet their full potential.
- We want all our children to develop a sense of pride in their achievements.
- We all work as part of a team which includes the children, the staff, parents and Trustees where everyone is respected for their opinions and beliefs.
- We will develop the education of your child in partnership with your family and the wider community.

b. PUBLIC BENEFIT

The Trustees have reviewed the objectives and activities of the Charity as detailed above and are satisfied that they are for the public benefit as detailed in the Charity Commission guidance note on this subject.

Strategic report

Achievements and performance

a. PERFORMANCE AND ACHIEVEMENT 2014/15

The academic performance throughout the 2014/2015 academic year was consistently strong (see below) and above national averages in terms of most nationally tested attainment. These results confirm a three year upward trend and represent the strongest end of KS1 assessment results yet achieved by the Academy.

Key Performance Indicators 2014/2015

	2015	2014	2013	2012
Foundation Stage				
Good Level of development	78%	75%	71%	
17 Early Learning Goals		75%	72%	
Year 1 Phonics Test	85%	82.4%	78.9%	
Key Stage 1				
Level 2+ Reading	96%	95%	97%	97%
Level 2+ Writing	96%	95%	97%	94%
Level 2+ Maths	98%	100%	100%	100%
Level 2 + RWM	97%	95%	98%	94%
Level 2B+ Reading	92%	84%	83%	77%
Level 2B+ Writing	78%	77%	79%	68%

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

Level 2B+ Maths	90%	89%	81%	80%
Level 1 3 Readers	37%	35%	35%	29%
Level 1 3 Writers	31%	28%	26%	26%
Level 1 3 Maths	37%	33%	31%	
Level 1 3 RWM	35%	26%	23%	

Pupil numbers remain constant. We are heavily oversubscribed and have 8 appeals this year. Sixty Reception aged children have joined the school which offsets the numbers leaving the school at the end of Year 2.

OFSTED - Our big news of the year has been our OFSTED inspection in October 2014. Our academy was found to be outstanding in all areas. The inspectors highlighted our use of pupil and sport premium to the maximum effect and that it gave all our pupils great chances to gain wide learning experiences. They highlighted the strong leadership and teaching and learning which are being delivered on a daily basis. The main evidence of all this is that all groups of children within our school are all achieving equally well.

We have also had other success in that we were short listed for the TES national education awards in both the Head teacher of the year and Early Years Setting of the year. Although we did not win, we were in the top 6 in the country in both categories and attended the award ceremony in London. Two of our teaching staff were nominated in the Lincolnshire Teacher of the year awards. One staff member won Lincolnshire Teacher of the Year and the other was highly commended.

Throughout a series of internal inspections the school has continued to place a high value on the richness of the curriculum and the broad range of opportunities offered to pupils. The children have continued to benefit from an active curriculum offered within the Academy, its grounds, in and around Gainsborough and further afield. Our oldest children continue to enjoy residential visits in Year 2 as well as our third trip abroad to Disneyland Paris for our families. Staff go the extra mile by offering wonderful first-hand experience learning opportunities within our new developing exciting curriculum. We have very successful before and after school clubs and provide very personalized learning for all pupils which includes intervention when needed.

The Academy remains very inclusive and statistical evidence shows that children in a broad range of groups including ability groups, gender groups, ethnic groups and socio economic groups have all achieved well during the last year. We have no achievement gaps in any of our identified groups. This is in part due to additional provision established in response to receipt of Pupil Premium funding but is also a result of innovative programmes created in house. We have also funded a SEN class using the Pupil Premium to tackle a group of pupils with learning and behavior difficulties. This has paid off very well as pupils in Year 2 who have been in the class have gone from P levels to achieving 2C's in this summer's SAT's. This achievement has been for the second year running.

The Academy continues to review policies against an agreed review timetable and key policies are made available through the school's website. Similarly, information relating to the use of sports and pupil premium is also posted on the website.

Much of the Academy's CPD which is targeted on key development objectives is now school based. This allows key messages to be shared and changes implemented on a consistent basis. However, a small number of off-site training opportunities are utilised when specific updates are needed and this information is subsequently shared at whole school level. We are now in our third year of our own in house teacher training programme which takes place on an annual basis. This programme was rated as Outstanding in June 2015.

b. GOING CONCERN

The Trustees have reviewed the finances of the trust and academy over the reporting period taking account of their risk review as referred to earlier, and have concluded that there is reasonable expectation that the Academy trust has or will have, adequate resources to continue in operational existence for the foreseeable future. Furthermore there are no material uncertainties that might adversely impact on the ongoing solvency of the trust, so the going concern basis of accounting has been adopted in preparing the financial statement.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

Financial review

a. FINANCIAL REVIEW

Most of the Academy's income is obtained from the EFA (Education Funding Agency) in the form of the General Annual Grant ("GAG" Funding) the use of which is restricted to particular purposes. The grants received from the EFA during the period reported on and the associated expenditure is shown as restricted funds in the statement of financial activities.

It should be noted that while the pension funds according to the balance sheet are in deficit, the extent of the deficit is exceeded by other restricted funds, and although the trustees have agreed to make provision against the possible crystallisation of the liability, parliament has agreed, at the request of the secretary of state for education, to a guarantee that in the event of an academy closure outstanding local government pension scheme liabilities would be met by the department for education. The guarantee came into force on 18th July 2013.

We are now working with a new financial account system called SAGE after having the staff confidence to break the old LA accountancy support. This is having the effect of making our system more efficient and we are now much more confident and independent with the help of our accountants.

b. PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The Trustees have assessed the major risks to which the Academy is exposed, in particular those relating to teaching, provision of facilities and other operational areas of the Academy, and its finances. The Trustees have implemented a number of systems to assess risks that the Academy faces, especially in the operational areas and in relation to the control of finances to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Trustees are confident that the Academy has an effective system of internal financial controls and this is explained in more detail in a separate section. While there is no formal risk management group, a sub-group comprising Mrs Graves, Mr Lovelidge and Mr Grant was convened for the purpose of compiling a risk register, which has now been completed.

The Academy has carried out an extensive risk assessment based on the EFA model. The risks are categorised into various headings to permit us to analyse in detail specific risks. The predominant risks are given below.

Strategic and Reputation Risks:

1. Competition risk: We have identified that we need to remain focused on our reputation within the local community to ensure future children see the Academy as a great learning establishment. We strive and indeed maintain a healthy presence in the community and our whole school results, year in results and interaction with the local community remain a major focus. There is a risk that end of Yr2 results go down this year due to the higher expectations required in the 2016 tests.
2. Public profile risk: Failure to comply with statutory Health and Safety legislation. The "Human Factor" can never be eliminated, however the academy has an active H&S culture in place that extends from the children, staff, Trustees members and public. The Academy retains external advisors who can advise when necessary on H&S matters. The seeking of specialist advice should be used when major revisions to legislation are made.
3. Board of Trustees Risk: The Trustees have appointed the firm of lawyers, Judicium to cover all aspects of human resources and general legal matters to ensure compliance.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

4. Operational Risks: The Trustees have ensured that insurances are in place for staff sickness and adequate buildings insurance to ensure that the academy continues to provide the best education possible.
5. Management risk: Senior management capability /experience of charity sector risk. Currently SMT experience is above sufficient for most tasks. The main areas of concern are the changes in EFA requirements that require the Academy to carry out tasks that are not expected. Otherwise, the objects of the Academy remain unchanged.

c. RESERVES POLICY

The Trustees have reviewed the Academy's requirements for reserves in the light of the main risks to the organisation. This review also encompassed the nature of the income and expenditure streams, the need to match income with commitments and the nature of the reserves. The Trustees have determined that the appropriate level of "free" reserves i.e. cash funds held not committed or invested in tangible fixed assets should not fall below £50,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The Academy's current level of free reserves is £50,000. The Trustees will review the reserve levels annually.

d. INVESTMENT POLICY

Should the level of free cash reserves held by the Academy exceed that which is necessary to service its ongoing working capital needs, the Trustees, with reference to the short and longer-term forecasts will consider investment of any excess funds over an appropriate period, to maximize the return on any such surplus funds, while ensuring that risk is avoided insofar as is possible.

Plans for future periods

a. FUTURE DEVELOPMENTS

The Academy continues to deliver an exciting programme of activities making the most of both its Pupil Premium and sports premium grants. The results for the Academy have been well above average for a number of years, with the three year trend continuing to move in a positive direction. All our data now presents a three year outstanding profile. We are now teaching to the new national curriculum in Maths and English so our pupils will meet the higher expectations and challenges required at the end of KS1.

We are continuing to make a substantial investment into the ICT provision in the Academy. This is a four year programme so we can change our ICT support to ensure better value for money. We continue to expand our bank of IPADS and are looking to develop the use of Apps for intervention groups. We have now started a programme to change our interactive white boards to large interactive panels.

Further developments have been the introduction of a maths intervention programme and developments in the maths curriculum to ensure that all children at whatever stage in their learning are reaching their potential.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

Our next big build project is part of our Olympic legacy and fits in with our increased offer of sports to all pupils. We intend to build a swimming pool on the Academy grounds with the build taking place during 2015/2016. Planning permission has been granted and we are currently awaiting section 77 approval from the DFE. The building regulation detailed plans have now been drawn up and the project is currently out to tender. The pool we feel is a necessity as the local council handed the running of the local pool over to a private company. We have not been offered any swimming sessions due to us only having KS1 pupils. Their argument is that priority should be given to KS2 pupils at other schools as it is a formal part of the curriculum. We think that swimming is a vital skill and we should have the facilities to teach it.

All these measures have been included to ensure that we give our children the very best education we can offer and strive to improve their levels of performance.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

There are no funds held as Custodian Trustee on behalf of others.

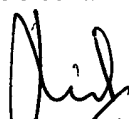
DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the trustees are aware:

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

This report, incorporating the Strategic report, was approved by order of the Governing Body, as the company directors, on 12 November 2015 and signed on the board's behalf by:

W Grant
Chair of Trustees



J McDonald
Principal and Accounting Officer

HILLCREST EARLY YEARS ACADEMY LIMITED
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Governors, we acknowledge we have overall responsibility for ensuring that Hillcrest Early Years Academy Limited 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 Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Hillcrest Early Years Academy Limited 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.

Reasonable steps have been taken for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Academy is operating efficiently and effectively; - Its assets are safeguarded against unauthorised use or disposition;
- the proper records are maintained and financial information used within the Academy or for publication is reliable; and
- the Academy complies with relevant laws and regulations.
- 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 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; and
 - identification and management of risks.

As accounting officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control.

During the year in question the review has been informed by:

- the work of the Responsible Officer;
- the work of the external auditor;
- the financial management and governance self-assessment process.

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GOVERNANCE STATEMENT (continued)

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. 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 Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Academy Trust for the period reported on, and up to the date of approval of the annual report and financial statements.

GOVERNANCE

The information on governance included here supplements that described in the Governors' report and in the Governors' responsibilities statement. The board of trustees has formally met 8 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Governor	Meetings attended	Out of a possible
W Grant, Chair of Governors	8	8
J McDonald, Principal and Accounting Officer	8	8
L Lovelidge	5	8
C Graves	7	7
C Marriott	4	8
D Mitchell	7	8
R Warwick	8	8
Z Thorpe	4	8

The Finance and General Purposes Committee is a sub-committee of the main board of trustees. Its purpose is to support the Accounting Officer in her day to day running of the financial affairs of the Academy and to oversee its systems of internal control.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
W Grant, Chair of Governors	7	7
L Lovelidge	7	7
B Farren, Chair of Finance/ Vice Chair of Governors	6	7
D Mitchell	7	7
J McDonald, Principal and Accounting Officer	7	7

The Complaints and Grievance Committee is also a sub-committee of the main board of trustees. Its purpose is to support the Accounting Officer in her day-to-day running of the academy. The Committee will meet as and when a matter arises at the Academy.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
D Mitchell	5	5
B Farren, Chair of Finance/ Vice Chair of Governors	2	2
R Warwick	3	3
Z Thorpe	3	3
C Graves	2	2

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GOVERNANCE STATEMENT (continued)

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 Hillcrest Early Years Academy Limited for the year 1 September 2014 to 31 August 2015 and up to the date of approval of the annual report and financial statements.

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 2014 to 31 August 2015 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 and General Purposes 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 to appoint Audit Lincolnshire as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On an annual basis, the internal auditor 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. In particular the checks carried out in the current period included:

- Testing of the approval of the 2014/15 budget
- Testing of the purchase systems at the Academy
- Testing of the VAT returns
- Testing of control account/ bank reconciliations
- Testing of Monthly Payroll systems
- Testing of the appointment of staff

The internal audit took place at the Academy during the summer term as scheduled in previous years. The Audit took place over two days and the report was produced in a timely manner.

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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

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

- the work of the internal auditor;
- 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 Finance and General Purposes Committee and Complaints and Grievance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Review of Value for Money

As accounting officer the principal has responsibility for ensuring that the Academy delivers good value in the use of public resources. The Accounting officer understands that the 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 trusts 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 available. The accounting officer for the academy trust has delivered improved value for money during the year by

- Teaching and Learning

Trustees and school leaders review the quality of teaching and learning throughout the Academy. The emphasis of expectation is that outstanding teaching and learning is delivered at all times by all staff. This was evidenced by Outstanding judgement in October 2014. Our revised teachers' pay policy reflects this. Trustees and senior staff have noted that this work has paid off as our latest Raise online does not show any underperformance in groups of pupils in KS1. This is the second year we have achieved this. Everyone takes part in pupil review meetings to ensure that every child is performing to their best and intervention paid for out of the Pupil Premium money is quickly given to stop any gap forming. Our SEND class funded through pupil premium is allowing this work to continue further with the smaller class meeting our most challenging pupils' needs. This approach has enabled learning to take place in every lesson and no exclusions to occur over the last three year period. All teaching and learning in lessons builds on previous learning and has high expectations of their achievement. Staff go the extra mile to ensure all our pupils are happy and pupils that are under the care of social services have extra support in a morning so they can be helped to get ready to learn. Our pupils and parents are very happy with the way the Academy provides family support and gives them the wrap around care needed to get our pupils ready to learn well. Evidence that shows this approach is working can be seen in our results and our feedback from regular parental surveys.

- Finance Management

We had been paying for a company to manage our finances for two years to get us through the Academy set up. This was not giving us value for money so the trustees with the help of our SBM set out to train our staff as well as work with a local accountancy firm to oversee our work. The governors looked at the local firms and what they could offer schools based on price and chose a firm who were able to offer on-site training as well as a realistic price. This work has been taking place this year with great effect. Our annual costs have gone down saving over £3000 and our SBM with the help of the accountants has produced her own reports this year. We also have been able to produce monthly monitoring reports on our own, making the job of monitoring our finances more cost effective as well as more time efficient waiting for another firm to do this. Our new business and money software has helped as we are now using SAGE. This again has saved us over £7,000 in outlay compared to the recommended software for academies.

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GOVERNANCE STATEMENT (continued)

- Office efficiency

The trustees felt that the Academy office was not delivering value for money or adequate support for the last couple of years for senior staff. Senior staff were completing low level tasks such as photocopying and typing letters. There was no dedicated staff member for them. The SBM was providing as much support as she could but was being taken off her own duties to help. A full time finance officer was not needed nor was a full time receptionist. When two staff left, it was decided to reorganise the office completely in order to secure better efficiency. The staff are now as follows :- One full time SBM, one full time PA to senior staff, one 20 hour finance officer and one 17 hour receptionist. This has made a slight monetary saving but in terms of freeing up the SBM and senior staff, has made their work much more efficient.

Approved by order of the members of the board of trustees on 12 November 2015 and signed on its behalf, by:

W Grant
Chair of Trustees



J McDonald
Principal and Accounting Officer



HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Hillcrest Early Years Academy Limited I have considered my responsibility to notify the Academy 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 and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2013).

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

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



J McDonald
Principal and Accounting Officer

Date: 12 November 2015

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

GOVERNORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2015

The Governors (who act as governors of Hillcrest Early Years Academy Limited and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' report (including the Strategic report) and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

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

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

Approved by order of the members of the board of trustees on 12 November 2015 and signed on its behalf by:

W Grant
Chair of Trustees



HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILLCREST EARLY YEARS ACADEMY LIMITED

We have audited the financial statements of Hillcrest Early Years Academy Limited for the year ended 31 August 2015 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

This report is made solely to the academy's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the academy'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 academy and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

As explained more fully in the Governors' responsibilities statement, the Governors (who are also the directors of the 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 academy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILLCREST EARLY YEARS ACADEMY LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Linda Lord (Senior statutory auditor)

for and on behalf of

Streets Audit LLP

Tower House
Lucy Tower Street
Lincoln
LN1 1XW
16 November 2015

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HILLCREST
EARLY YEARS ACADEMY LIMITED AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 11 November 2015 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Hillcrest Early Years Academy Limited during the year 1 September 2014 to 31 August 2015 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 Hillcrest Early Years Academy Limited and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Hillcrest Early Years Academy Limited and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Hillcrest Early Years Academy Limited and EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF HILLCREST EARLY YEARS ACADEMY LIMITED'S ACCOUNTING
OFFICER AND THE REPORTING ACCOUNTANT**

The accounting officer is responsible, under the requirements of Hillcrest Early Years Academy Limited's funding agreement with the Secretary of State for Education dated, and the Academies Financial Handbook extant from 1 September 2014, 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 2014 to 2015. 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 2014 to 31 August 2015 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 2014 to 2015 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

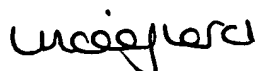
- A review of the academy's systems and controls and confirmation of the operation and effectiveness during the year;
- A review of expenditure to confirm the appropriateness and value of money; and
- A review of connected party arrangements, transactions and balances.

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HILLCREST
EARLY YEARS ACADEMY LIMITED 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 2014 to 31 August 2015 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Linda Lord

Streets Audit LLP

Tower House
Lucy Tower Street
Lincoln
LN1 1XW

16 November 2015

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating Income and Expenditure Account and Statement of Total Recognised Gains and Losses)
FOR THE YEAR ENDED 31 AUGUST 2015

	Note	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Restricted fixed asset funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
INCOMING RESOURCES						
Incoming resources from generated funds:						
Voluntary income	2	1	-	-	1	1
Incoming resources from charitable activities	3	21	1,083	6	1,110	966
TOTAL INCOMING RESOURCES		22	1,083	6	1,111	967
RESOURCES EXPENDED						
Charitable activities	5	41	920	28	989	876
Governance costs	6	-	9	-	9	8
TOTAL RESOURCES EXPENDED	4	41	929	28	998	884
NET INCOMING / (OUTGOING) RESOURCES BEFORE TRANSFERS		(19)	154	(22)	113	83
Transfers between Funds	13	10	(67)	57	-	-
NET INCOME FOR THE YEAR		(9)	87	35	113	83
Actuarial gains and losses on defined benefit pension schemes		-	(11)	-	(11)	(68)
NET MOVEMENT IN FUNDS FOR THE YEAR		(9)	76	35	102	15
<i>Total funds at 1 September 2014</i>		<i>9</i>	<i>(236)</i>	<i>1,428</i>	<i>1,201</i>	<i>1,186</i>
TOTAL FUNDS AT 31 AUGUST 2015		-	(160)	1,463	1,303	1,201

All activities relate to continuing operations.

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

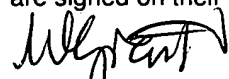
The notes on pages 23 to 41 form part of these financial statements.

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)
REGISTERED NUMBER: 07980317

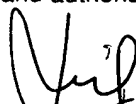
BALANCE SHEET
AS AT 31 AUGUST 2015

	Note	£000	2015 £000	2014 £000
FIXED ASSETS				
Tangible assets	10		1,463	1,428
CURRENT ASSETS				
Debtors	11	50		27
Cash at bank		290		148
		<u>340</u>		<u>175</u>
CREDITORS: amounts falling due within one year	12	(138)		(74)
NET CURRENT ASSETS			<u>202</u>	<u>101</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,665</u>	<u>1,529</u>
Defined benefit pension scheme liability	19		<u>(362)</u>	<u>(328)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			<u><u>1,303</u></u>	<u><u>1,201</u></u>
FUNDS OF THE ACADEMY				
Restricted funds:				
General funds	13	202		92
Restricted fixed asset funds	13	1,463		1,428
		<u>1,665</u>		<u>1,520</u>
Restricted funds excluding pension liability				
Pension reserve		<u>(362)</u>		<u>(328)</u>
Total restricted funds			<u>1,303</u>	<u>1,192</u>
Unrestricted funds	13		-	9
TOTAL FUNDS			<u><u>1,303</u></u>	<u><u>1,201</u></u>

The financial statements were approved by the Governors, and authorised for issue, on 12 November 2015 and are signed on their behalf, by:



W Grant, Chair of Governors



J McDonald, Principal and Accounting Officer

The notes on pages 23 to 41 form part of these financial statements.

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2015**

	Note	2015 £000	2014 £000
Net cash flow from operating activities	15	197	140
Capital expenditure and financial investment	16	(55)	(186)
INCREASE/(DECREASE) IN CASH IN THE YEAR		142	(46)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 AUGUST 2015**

	2015 £000	2014 £000
Increase/(Decrease) in cash in the year	142	(46)
MOVEMENT IN NET FUNDS IN THE YEAR	142	(46)
Net funds at 1 September 2014	148	194
NET FUNDS AT 31 AUGUST 2015	290	148

The notes on pages 23 to 41 form part of these financial statements.

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2014 to 2015 issued by EFA, applicable accounting standards and the Companies Act 2006.

1.2 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education.

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

1.3 Incoming resources

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

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

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

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

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.

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

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

1. ACCOUNTING POLICIES (continued)

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

1.4 Resources expended

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

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

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Going concern

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

1.6 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Tangible fixed assets are stated at cost less depreciation. 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:

Long-term leasehold property	-	0.8% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	33% straight line

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

1. ACCOUNTING POLICIES (continued)

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.

1.7 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.8 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.

1.9 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 quinquennial valuations using a prospective benefit method. As stated in note 19, the TPS is a multi-employer scheme and the academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

2. VOLUNTARY INCOME

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Donations	1	-	1	1

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
EFA grants				
General Annual Grant (GAG)	-	788	788	728
EFA grants	-	153	153	72
Capital Grants	-	6	6	6
	-	947	947	806
Other government grants				
Local authority grants	-	142	142	140
	-	142	142	140
Other funding				
Other income	21	-	21	20
	21	-	21	20
	21	1,089	1,110	966

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

4. RESOURCES EXPENDED

	Staff costs	Non Pay	Expenditure	Total	<i>Total</i>
	2015	Premises	Other costs	2015	<i>2014</i>
	£000	2015	2015	£000	<i>£000</i>
		£000	£000		
Direct costs	580	-	45	625	562
Support costs	135	62	167	364	314
Charitable activities	<u>715</u>	<u>62</u>	<u>212</u>	<u>989</u>	<u>876</u>
Governance	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>	<u>8</u>
	<u>715</u>	<u>62</u>	<u>221</u>	<u>998</u>	<u>884</u>

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

5. CHARITABLE ACTIVITIES

	Total funds 2015 £000	<i>Total funds 2014 £000</i>
DIRECT COSTS - EDUCATIONAL OPERATIONS		
Teaching & Educational Support staff salaries	467	432
Teaching & Educational Support staff national insurance	31	32
Teaching & Educational Support staff pension cost	82	56
Educational supplies	15	20
Staff development	13	5
Other direct costs	16	15
Educational consultancy	1	2
	<u>625</u>	<u>562</u>
SUPPORT COSTS - EDUCATIONAL OPERATIONS		
Support staff salaries	114	91
Support staff national insurance	5	3
Support staff pension cost	16	27
Depreciation	26	17
Pension finance cost	8	8
Catering	61	30
Academy Trips	25	18
Maintenance of Premises and Equipment	37	53
Rent & rates	5	5
Heat & light	8	7
Insurance	27	27
Other support costs	32	28
	<u>364</u>	<u>314</u>
	<u><u>989</u></u>	<u><u>876</u></u>

6. GOVERNANCE COSTS

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Total funds 2015 £000	<i>Total funds 2014 £000</i>
Governance Auditors' remuneration	-	3	3	3
Governance Auditors' non audit costs	-	2	2	2
Legal and licences	-	2	2	2
Internal audit costs	-	2	2	1
	<u>-</u>	<u>9</u>	<u>9</u>	<u>8</u>

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

7. STAFF

a. Staff costs

Staff costs were as follows:

	2015 £000	2014 £000
Wages and salaries	571	523
Social security costs	36	35
Other pension costs (Note 19)	98	83
	<u>705</u>	<u>641</u>
Severance payments	10	-
	<u>715</u>	<u>641</u>

b. Staff severance payments

Included in staff costs are non-statutory/non-contractual severance payments totalling £10,000 (2014 : £NIL). There was one payment totalling £10,000.

c. Staff numbers

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

	2015 No.	2014 No.
Teachers	8	8
Administration and support	16	15
Management	1	1
	<u>25</u>	<u>24</u>

d. Higher paid staff

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

	2015 No.	2014 No.
In the band £70,001 - £80,000	<u>1</u>	<u>1</u>

The above employee participated in the teacher's pension scheme.

HILLCREST EARLY YEARS ACADEMY LIMITED
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

8. GOVERNORS' REMUNERATION AND EXPENSES

During the year retirement benefits were accruing to 4 Governors (2014 - 3) in respect of defined benefit pension schemes.

	2015	2014
	£000	£000
Mrs J McDonald, Principal	5-10	10-15
Mr Lovelidge, Vice Principal	5-10	5-10
Mrs C Marriott, Staff Governor	0-5	0-5
Miss Z Thorpe, Staff Governor	0-5	-

One or more Governors has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Governors 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 Governors. The value of Governors' remuneration and other benefits was as follows:

	2015	2014
	£000	£000
Mrs J McDonald, Principal	70-75	70-75
Mr L Lovelidge, Vice Principal	40-45	35-40
Mrs C Marriott, Staff Governor	15-20	15-20
Miss Z Thorpe, Staff Governor	30-35	-

During the year, no Governors received any reimbursement of expenses (2014 - £NIL).

9. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2015 was £542 (2014 - £375). The cost of this insurance is included in the total insurance cost.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

10. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 September 2014	1,392	34	21	1,447
Additions	31	32	-	63
Disposals	-	(3)	-	(3)
At 31 August 2015	1,423	63	21	1,507
Depreciation				
At 1 September 2014	9	6	4	19
Charge for the year	11	8	7	26
On disposals	-	(1)	-	(1)
At 31 August 2015	20	13	11	44
Net book value				
At 31 August 2015	1,403	50	10	1,463
At 31 August 2014	1,383	28	17	1,428

Leasehold buildings held on 125 year leases from Lincolnshire County Council as transferred to the Academy on conversion have been included in accordance with valuations carried out by the Education Funding Agency.

11. DEBTORS

	2015 £000	2014 £000
Other debtors	18	10
Prepayments and accrued income	32	17
	50	27

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12. CREDITORS:

Amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	62	24
Other taxation and social security	10	18
Accruals and deferred income	66	32
	<u>138</u>	<u>74</u>

	£000
Deferred income	
Deferred income at 1 September 2014	29
Resources deferred during the year	21
Amounts released from previous years	(29)
	<u>21</u>
Deferred income at 31 August 2015	<u>21</u>

At the balance sheet date, the Academy had received Rates Relief in advance of payments made, Universal Free School Meals funding received in 2014/15 in respect of 2015/16 and some income received in advance of a school trip.

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**NOTES TO THE FINANCIAL STATEMENTS
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13. STATEMENT OF FUNDS

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
Unrestricted funds						
General Funds	9	22	(41)	10	-	-
Restricted funds						
General Annual Grant (GAG)	-	788	(721)	(36)	-	31
Other EFA income	-	153	(106)	-	-	47
Other Government Grants	92	142	(79)	(33)	-	122
School fund	-	-	-	2	-	2
Pension reserve	(328)	-	(23)	-	(11)	(362)
	<u>(236)</u>	<u>1,083</u>	<u>(929)</u>	<u>(67)</u>	<u>(11)</u>	<u>(160)</u>
Restricted fixed asset funds						
DFE/EFA Capital Grants	-	6	-	(6)	-	-
Assets transferred on conversion	1,089	-	-	-	-	1,089
Purchased tangible fixed assets	339	-	(28)	63	-	374
	<u>1,428</u>	<u>6</u>	<u>(28)</u>	<u>57</u>	<u>-</u>	<u>1,463</u>
Total restricted funds	<u>1,192</u>	<u>1,089</u>	<u>(957)</u>	<u>(10)</u>	<u>(11)</u>	<u>1,303</u>
Total of funds	<u>1,201</u>	<u>1,111</u>	<u>(998)</u>	<u>-</u>	<u>(11)</u>	<u>1,303</u>

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

Unrestricted funds:

General funds- those resources which may be used towards meeting any of the objects of the academy at the discretion of the governors. These have not been designated for particular purposes.

Restricted funds:

General Annual Grant (GAG) - made up of a number of different funding streams from the EFA, all of which are to be used to cover the running costs of the academy.

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

Other EFA grants -

Other Government Grants - represent grants from other government bodies that are received for specific purposes.

Other restricted funds -

Pension reserve - represents the current deficit balance of the Local Government Pension Scheme (LGPS).

Restricted fixed asset funds:

Assets transferred on conversion - represents land, building and other assets transferred to the academy by the Local Authority upon conversion.

Purchased tangible fixed assets - represents the net book value of fixed assets acquired using GAG income, Local Authority grants and DFC grants from the EFA.

EFA Capital Grants - represents unspent grants received for which the specific purpose of capital expenditure has been imposed by the funder.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2015.

SUMMARY OF FUNDS

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
General funds	9	22	(41)	10	-	-
Restricted funds	(236)	1,083	(929)	(67)	(11)	(160)
Restricted fixed asset funds	1,428	6	(28)	57	-	1,463
	<u>1,201</u>	<u>1,111</u>	<u>(998)</u>	<u>-</u>	<u>(11)</u>	<u>1,303</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Restricted fixed asset funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Tangible fixed assets	-	-	1,463	1,463	1,428
Current assets	-	341	-	341	175
Creditors due within one year	-	(139)	-	(139)	(74)
Provisions for liabilities and charges	-	(362)	-	(362)	(328)
	<u>-</u>	<u>(160)</u>	<u>1,463</u>	<u>1,303</u>	<u>1,201</u>

15. NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 £000	2014 £000
Net incoming resources before revaluations	113	83
Depreciation of tangible fixed assets	26	17
Capital grants from EFA	(6)	(6)
Increase in debtors	(23)	(3)
Increase in creditors	64	31
FRS 17 adjustments	23	18
Net cash inflow from operations	<u>197</u>	<u>140</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2015 £000	2014 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(63)	(192)
Sale of tangible fixed assets	2	-
Capital grants from EFA	6	6
Net cash outflow capital expenditure	(55)	(186)

17. ANALYSIS OF CHANGES IN NET FUNDS

	1 September 2014 £000	Cash flow £000	Other non-cash changes £000	31 August 2015 £000
Cash at bank and in hand:	148	142	-	290
Net funds	148	142	-	290

18. CONTINGENT LIABILITIES

In the event of Hillcrest Early Years Academy Ltd ceasing as an academy, provisions are included in the funding agreement relating to the clawback of assets and monies paid to the Academy.

19. PENSION COMMITMENTS

The academy'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 Lincolnshire County Council. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

Introduction

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

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19. PENSION COMMITMENTS (continued)

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

The pension costs paid to TPS in the period amounted to £47,000 (2014: £34,000)

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2015 was £50,000, of which employer's contributions totalled £39,000 and employees' contributions totalled £11,000. The agreed contribution rates for future years are 20.9% for employers and 12.5% for employees.

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

HILLCREST EARLY YEARS ACADEMY LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

19. PENSION COMMITMENTS (continued)

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

	Expected return at 31 August 2015 %	Fair value at 31 August 2015 £000	Expected return at 31 August 2014 %	Fair value at 31 August 2014 £000
Equities	3.70	207	6.30	178
Bonds	3.70	36	3.60	30
Property	3.70	33	4.50	26
Total market value of assets		<u>276</u>		<u>234</u>
Present value of scheme liabilities		<u>(638)</u>		<u>(562)</u>
(Deficit)/surplus in the scheme		<u><u>(362)</u></u>		<u><u>(328)</u></u>

The amounts recognised in the Balance sheet are as follows:

	2015 £000	2014 £000
Present value of funded obligations	(638)	(562)
Fair value of scheme assets	<u>276</u>	<u>234</u>
Net liability	<u><u>(362)</u></u>	<u><u>(328)</u></u>

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

	2015 £000	2014 £000
Current service cost	(54)	(42)
Interest on obligation	(22)	(20)
Expected return on scheme assets	<u>14</u>	<u>12</u>
Total	<u><u>(62)</u></u>	<u><u>(50)</u></u>
Actual return on scheme assets	<u><u>6</u></u>	<u><u>24</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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19. PENSION COMMITMENTS (continued)

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

	2015	<i>2014</i>
	£000	<i>£000</i>
Opening defined benefit obligation	562	<i>423</i>
Current service cost	54	<i>42</i>
Interest cost	22	<i>20</i>
Contributions by scheme participants	11	<i>10</i>
Actuarial Losses	3	<i>76</i>
Benefits paid	(14)	<i>(9)</i>
	<hr/>	<hr/>
Closing defined benefit obligation	638	<i>562</i>
	<hr/>	<hr/>

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

	2015	<i>2014</i>
	£000	<i>£000</i>
Opening fair value of scheme assets	234	<i>181</i>
Expected return on assets	14	<i>12</i>
Actuarial gains and (losses)	(8)	<i>8</i>
Contributions by employer	39	<i>32</i>
Contributions by employees	11	<i>10</i>
Benefits paid	(14)	<i>(9)</i>
	<hr/>	<hr/>
	276	<i>234</i>
	<hr/>	<hr/>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £106,000 (2014 - £95,000).

The academy expects to contribute £39,000 to its Defined benefit pension scheme in 2016.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2015	<i>2014</i>
Equities	75.00 %	<i>76.00 %</i>
Bonds	13.00 %	<i>13.00 %</i>
Property	12.00 %	<i>11.00 %</i>

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

	2015	<i>2014</i>
Discount rate for scheme liabilities	3.70 %	<i>3.70 %</i>
Expected return on scheme assets at 31 August	3.70 %	<i>5.80 %</i>
Rate of increase in salaries	4.00 %	<i>3.90 %</i>
Rate of increase for pensions in payment / inflation	2.60 %	<i>2.60 %</i>

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19. PENSION COMMITMENTS (continued)

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

	2015	2014
Retiring today		
Males	22.2	22.2
Females	24.4	24.4
Retiring in 20 years		
Males	24.5	24.5
Females	26.8	26.8

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

Defined benefit pension schemes

	2015 £000	2014 £000	2013 £000
Defined benefit obligation	(638)	(562)	(423)
Scheme assets	276	234	181
Deficit	(362)	(328)	(242)
Experience adjustments on scheme liabilities	-	(11)	-
Experience adjustments on scheme assets	(8)	8	15

20. OPERATING LEASE COMMITMENTS

At 31 August 2015 the academy had annual commitments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Expiry date:		
Within 1 year	-	1

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21. 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 a governors 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 Governors are aware of the relationship of mother and daughter between the Academy Principal and Miss Laura McDonald and are also aware of no issues giving rise to any conflict of interest or anything detracting from the individual professionalism of the two members of staff. The appointment was made following ordinary procedures and Miss McDonald's remuneration falls within a range of £25,001 - £30,000.