

Registered number: 08286818

THE HEART EDUCATION TRUST
(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

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THE HEART EDUCATION TRUST
(A company limited by guarantee)

CONTENTS

	Page
Reference and administrative details of the academy, its trustees and advisers	1
Trustees' report	2 - 17
Governance statement	18 - 20
Statement on regularity, propriety and compliance	21
Trustees' responsibilities statement	22
Independent auditors' report	23 - 24
Independent auditors' assurance report on regularity	25 - 26
Statement of financial activities	27
Balance sheet	28
Cash flow statement	29
Notes to the financial statements	30 - 49

THE HEART EDUCATION TRUST
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE PERIOD ENDED 31 AUGUST 2013**

Local Governing Body - Heartsease Primary School

C Kenna - Director, Head Teacher
D Wood - Director, Chair
M Maxwell, Vice Chair
P Howard
M Potter
G Larkman
M Smith
N Lewis (resigned 1 October 2013)
L Kidd
B Moulton (resigned 24 August 2013)
I Khan (appointed 14 October 2013)
D Doran Smith - Director (resigned 1 July 2013)
Reach2 Limited - Director, Company no 08040828

Company registered number

08286818

Principal and registered office

Rider Haggard Road, Norwich, Norfolk, NR7 9UE

Company secretary

Mrs J Storey

Senior management team

C F Kenna, Headteacher
J Coy, Deputy Headteacher
B Moulton (resigned 31 August 2013), Assistant Headteacher
M Colk, SENCO

Independent auditors

Larking Gowen, King Street House, 15 Upper King Street, Norwich, NR3 1RB

Bankers

Lloyds Banking Group Plc, Gentleman's Walk, PO Box 10000, BX1 1LT

Solicitors

Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

The trustees present their annual report together with the financial statements and auditor's reports of the charitable company for the period 1 April 2013 – 31 August 2013

Structure, Governance and Management

Constitution

The academy trust is a company limited by guarantee (incorporated on 8 November 2012) and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust.

The trustees of The HEART Education Trust are also the directors of the charitable company for the purposes of company law.

Details of the trustees who served during the year are included in the Reference and Administrative Details on page 3.

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.

Trustees' Indemnities

Full indemnity insurance has been taken out for each of the trustees. The company has a total cover of £5m for all directors, trustees, governors and employees. The level of cover is reviewed annually by the board of trustees.

Principal Activities

The company is an Academy Trust Company whose purpose is to establish and maintain, and to carry on or provide for the carrying on of a number of academies in accordance with its Master Funding Agreement and Supplemental Funding Agreements.

The company's principal activity, in accordance with the objects clause of the company's articles of association, is (a) to advance 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 ("the Academies") offering a broad and balanced curriculum, and (b) to promote for the benefit of the inhabitants of the areas served by the Academies, the provision of facilities for recreation or other leisure time occupation of individuals who have need for 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 HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

Method of Recruitment and Appointment or Election of Trustees

Appointment of the trustees is made by the trustees in accordance with Article 50 of the company's articles of association, under which the trustees may appoint such number of trustees as they see fit having regard to (a) any recommendations and views of the members in relation to ensuring that the people serving on the Board between them have an appropriate range of skills and experience and due attention is given to succession planning, (b) if relevant, the nomination by any third party organisation, from whom the company's academies receive support or with whom the company is working in partnership including any company or organisation connected to the Sponsor or and member, of persons appointed to represent the views of such third party, and (c) the desirability of ensuring there is representation amongst the trustees from the parents of registered pupils at the Academies

Staff Directors and Principals, where required, are appointed as trustees by the trustees in accordance with Article 50A of the company's articles of association. The trustees may appoint such number of Staff Directors and Principals through such process as they may determine provided the total number of the trustees including the Chief Executive Officer who are employees of the company does not exceed one third of the total number of trustees

Academy Directors are appointed as trustees by the trustees in accordance with Article 51 of the company's articles of association. Under Article 51, only the chairman of a Local Governing Body (as established under Article 100 of the Company's articles of association) shall be eligible to be an Academy Director and only for as long as he remains in office as such

The Chief Executive Officer is a trustee for as long as (s)he remains in office as such by virtue of Article 57 of the company's articles of association

Parent Directors, where required, are appointed as trustees in accordance with Articles 53 to 56 of the company's Articles of Association

Sponsor Directors are appointed as trustees by Heartsease Primary Academy in accordance with Article 50B of the company's articles of association. Sponsor Directors' responsibilities include ensuring that effective support is provided by the company to the Supported Academies. Supported Academies are academies who are either sponsored or supported by Heartsease Primary Academy from time to time and whilst they are so sponsored or supported as determined by the trustees

Co-opted Directors are appointed as trustees by the trustees in accordance with Article 58 of the company's articles of association and Additional Directors and Further Directors are appointed as trustees by the Secretary of State for Education in accordance with Article 59 to 63 of the company's articles of association

The trustees appointed an Academy Director pursuant to the above method but the board of trustees has not recruited any additional trustees during the period of 8 November 2012 to 31 August 2013 but will be implementing a recruitment process in the next period to appoint trustees with the necessary skills and competencies as identified by the board of trustees

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

Policies and Procedures Adopted for the Induction and Training of Trustees

The HEART Education Trust trains each of its trustees according to the bespoke requirements of their particular experience and skills

Each trustee who is appointed is invited to take a tour of each of the trust's academies, meeting the staff and pupils. New trustees are strongly encouraged to attend at least one meeting of the Local Governing Body of Heartsease Primary Academy (the Sponsor Academy)

As part of the induction process, new trustees are provided with copies of all the key policies of the company, including the Risk Management Policy, Conflicts Policy, Finance Policy, Safeguarding Policy, Health and Safety Policy and Donations Policy. The Chief Executive Officer is available for a general discussion on the company's key policies, to brief the new trustees and answer any questions that arise. New trustees are also provided with the policies for the individual academies within the Trust, and are encouraged to meet with the individual headteachers of each academy for briefings where required.

New trustees are provided with copies of the company's key governance documents, including the Articles of Association, Master Funding Agreement, Supplemental Agreements and Scheme(s) of Delegation. New trustees are also provided with copies of budgets, plans, accounts, minutes and any other documents relevant to their role. They are required to read, as a minimum, the EFA's "Academies Financial Handbook" and the Charity Commissions publications of "The Essential Trustee: What You Need to Know" (CC3) and "Internal Financial Controls for Charities" (CC8).

Organisational Structure

The members of the company meet on an annual basis. The board of trustees meets on a quarterly basis and plays a strategic role in the governance of the multi academy trust. The trustees are responsible for developing central policies and overall financial and budget supervision. The trustees are ultimately responsible for, and oversee, the management and administration of the company and the academies run by the company. As such, the board of trustees monitors the progress of the academies in achieving the company's aims and objectives and continually reviews the strategic framework and business model it has established.

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

The trustees are accountable to external government agencies including the Charity Commission and the Department for Education for the quality of education they provide and they are required to have systems in place through which they can assure themselves of quality, safety and good practice. In order to meet their accountability, the trustees have delegated certain functions to committees that they have established. One such committee is the Local Governing Body of Heartsease Primary Academy (the Sponsor of Academy). The trustees have appointed the Local Governing Body to ensure the good governance of Heartsease Primary Academy and has put in place a Scheme of Delegation to explain the respective roles and responsibilities of the trustees and the members of the Local Governing Body. In turn, the Local Governing Body has delegated certain functions to sub-committees such as the Finance, Personnel and Wellbeing Committee and the Teaching, Learning and Standards Committee. The Local Governing Body has delegated the day to day running of Heartsease Primary Academy to the Headteacher and Senior Leadership Team, who implement the policies of the trustees and Local Governing Body and report back to them.

Risk Management

The trustees have adopted a Risk Management Policy (as at 16 May 2013) to prioritise and protect

- The safeguarding of high quality and effective education of the young people in the schools,
- The reputation and ethos of the company,
- The common good in terms of the interests of the families in the communities served by the schools and the pupils of the future as well as the collective interests of the family schools run by the Company,
- The Scheme of Delegation and the balance struck between central management and local responsibility

Under the Risk Management Policy, the Local Governing Body of each academy is responsible for implementing, monitoring and verifying policies and procedures to facilitate an annual statement of compliance on those risks identified by the board of trustees. It is the responsibility of the trustees to identify the risks which arise from academy status and membership of a multi-academy trust and to develop such policies and procedures that mitigate those risks.

The major risks to which the company is exposed, as identified by the trustees, were reviewed on 10 June 2013, and systems and procedures have been established to manage those risks.

To mitigate financial risk, the trustees will require all academies to use approved banking arrangements, audit arrangements, financial management systems and premises insurance and building surveyors. Rigorous safeguarding policies are also a requirement for all academies. Beyond these risks, the trustees identify risks common to all schools and set policy frameworks but seek not to impose specific control mechanisms for these risks as responsibility lies with the individual Local Governing Bodies.

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

Local Governing Bodies provide compliance reports (and declarations of non-compliance) to the trustees and it is their responsibility to develop systems to support individual schools and mitigate risk to the trustees and the company generally. Each term, the individual academy Local Governing Bodies are required to make self-assessments using the format specified in the Risk Assessment Policy. On an annual basis, the trustees appoint a Risk Management Committee to review the termly schedule of reports made.

Connected Organisations including Related Party Relationships

Reach2 Limited is a trustee and member of the company. Reach2 Limited is a multi-academy trust company limited by guarantee whose company registration number is 08040828 (England and Wales) and whose registered office is 99-101 Higham Hill Road, London E17 6ED. Reach2 Limited is an exempt charity.

Objectives and Activities

Objects and Aims

The object of the company, in accordance with Article 4 of the company's articles of association, is

a) to advance 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 ("the Academies") offering a broad and balanced curriculum, and

b) to promote for the benefit of the inhabitants of the areas served by the Academies, the provision of facilities for recreation or other leisure time occupation of individuals who have need for 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 HEART Education Trust is committed to improving the life-chances of children and young people through excellence in education, encouraging pupils to challenge themselves and hold high aspirations. The Trust's aim is to achieve its Vision through adherence to, and the practical implementation of, its Key Values. The Trust encourages pupils within its family of academies to challenge self-imposed restrictions, hold high aspirations for their futures and develop a thirst for learning. The Trust understands that the only way to achieve this is through a consistently high standard of teaching, offering broad opportunities for learning in a rich and relevant curriculum. Through specialist teaching, the Trust's academies will ensure that its pupils are well prepared to take their place within an ever-changing workplace.

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

The purpose of the Trust is to support its academies by building upon their key strengths so that they can work together to achieve rapid education transformation. The Trust strives for each of its academies to become beacons of excellence and believes that its academies can achieve this through a network of small groups collaborating with the Trust's structure to share support, resources and talents. The Trust believes that it is essential these small hubs of academies are led and mentored by Professional Leaders in education who are ground in the day-to-day reality of academy improvement. These Leaders constitute part of the Trust's executive function that exists to regulate the performance of the Trust's academies and its standards of teaching and curriculum.

Objectives, Strategies and Activities

The main objectives for the period of 1 April 2013 to 31 August 2013 were

- to achieve conversion of Heartsease Primary School to academy status and to achieve approval of that new academy as a sponsor school by the Department for Education,
- to establish the multi-academy trust by executing the Master Funding Agreement,
- to prepare the multi-academy trust for expansion by (i) implementing all relevant policies, (ii) putting in place a Scheme of Delegation to delegate the day-to-day running of the Heartsease Primary Academy to a Local Governing Body and (iii) beginning to develop a business model and business plan
- to advance educational standards and ensure excellence of provision by supporting the headteacher and Local Governing Body of the Trust's existing academy, Heartsease Primary Academy, to implement the objectives of the School Improvement Development Plan for the academic year commencing September 2012,
- to raise the profile of the Trust's existence amongst local stakeholders to facilitate implementation of the trustee's planned expansion in the next period, whereby the Trust will support the conversion of two additional schools to academy status,
- to undertake a staffing restructure at the Sponsor Academy in preparation for the trustee's plans to establish new academies in the next period

Public Benefit

The trustees confirm that they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties and is planning the company's objectives and activities

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

The trustees recognise that in complying with their duties to the Charity Commission to meet the public benefit requirement, the purpose of the company must be beneficial to a sufficient section of the public. The Trust has two charitable objects to advance for the public benefit education in the United Kingdom by establishing, maintaining, carrying on, managing and developing academies with a broad and balance curriculum, and to promote for the benefit of the inhabitants of the area served by those academies the provision of facilities for recreation or other leisure time occupation for individuals who have need of such facilities

At present, the Trust maintains only one academy, the Heartsease Primary Academy. This academy is an all abilities academy for pupils aged 3-11 in the City of Norwich, Norfolk, which the trustees consider to be a sufficient public class so as to fulfil the public benefit requirement. The trustees believe that the Trust further benefits the public by maintaining an academy (Heartsease Primary Academy) whose pupil intake has a higher than national average intake of socially deprived pupils. The below table shows the social-demographic groupings for the Sponsor Academy compared to local and national levels

Socio-demographic grouping	School						Norfolk			National		
	2011 No.	%	2012 No.	%	2013 No.	%	2011	2012	2013	2011	2012	2013
EducationACORN - Group A	179	47	159	45.4	198	45.1	14.9	14.7	15.2	12.2	12.5	12.7
EducationACORN - Group B	13	3.4	14	4	19	4.3	1.2	1.2	1.2	5.3	5.2	5.1
EducationACORN - Group C	14	3.7	13	3.7	20	4.6	5.5	5.7	5.8	6.7	6.6	7.2
EducationACORN - Group D	0	0	0	0	0	0	1	1.1	1	4.8	4.9	5.4
EducationACORN - Group E	165	43.3	157	44.9	189	43.1	43.6	43.9	44	32.6	32.4	32.6
EducationACORN - Group F	8	2.1	5	1.4	9	2.1	23.7	23.1	22.3	22.2	22.3	23.2
EducationACORN - Group G	1	0.3	1	0.3	2	0.5	8.5	8.5	8.5	12	11.9	12.8
EducationACORN - Unclassified	1	0.3	1	0.3	0	0	1.7	1.7	1.7	1.6	0.9	0.9

The Academy has adopted the Norfolk County Council Admissions Policy in respect of entry arrangements to the Academy, to further ensure that a sufficient section of the public is served. The Trust also undertook a process to increase the Sponsor Academy's Pupil Admission Number (PAN) to 75, so that it will be in a position to serve a larger section of the public in the next period.

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

In furthering its purpose to advance for the public benefit education in the United Kingdom, the company has undertaken the following activities in the period 1 April 2013 – 31 August 2013

- The trust has established its first academy by facilitating the conversion of Heartsease Primary School to academy status on 1 April 2013
- The Trust has maintained, managed and developed the Heartsease Primary Academy since its conversion date on 1 April 2013 in the following ways
 - The trustees have designed, adopted or implemented policies at central and academy level to facilitate the carrying on of the Heartsease Primary Academy for the benefit of the public class the academy serves
 - The trustees have ratified the decisions of the headteacher and Local Governing Body of the Heartsease Primary Academy to facilitate the day-to-day management of the school
 - The trustees have provided to the Heartsease Primary Academy the funding received by the company from the EFA for the Academy's benefit and approved the expenditure and budgetary decisions made by the Local Governing Body and headteacher of the Academy
- The Trust has adopted and approved a broad and balanced curriculum to benefit the pupils of the Heartsease Primary Academy

In furthering its purpose to promote for the benefit of the inhabitants of the area served by its academies the provision of facilities for recreation or other leisure time occupation for individuals who have need of such facilities, the Trust has maintained the swimming pool located at Heartsease Primary Academy for the benefit of the academy's pupils and the pupils of neighbouring schools that the Local Authority had identified prior to the conversion of the academy

Achievements and Performance

In order to assess the Trust's success in achieving its object to advance for the public benefit education in the United Kingdom by establishing, maintaining, carrying on, managing and developing academies offering a broad and balanced curriculum, it is necessary to analyse the achievements of the academy that the Trust maintains and continues to develop Heartsease Primary Academy. The achievements of the Academy can be assessed in two ways: how successful it has been in meeting its key objectives and how successful it has been in achieving improvement in academic standards whilst under the control of the Trust.

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

The Academy's key objectives for the period were

- to ensure that the number of pupils making two levels progress in reading writing and maths from KS1 to KS2, are in line with the National Standards, as a minimum,
- to ensure that the Academy's children who are well below the National Standards on entry, are at least in line with progress and standards at National Levels as a minimum, by the end of EYFS, KS1 and KS2,
- to ensure that the school adds value,
- to close the gap between 'groups' of children and to ensure that they achieve at least as well as the same groups nationally,
- to improve the progress and standards of pupils in reading, writing and maths on an upward trajectory over three years, demonstrating that the school is consistently good and well on the way to being outstanding

The Deputy Prime Minister, Nick Clegg, wrote to the Academy on 7 March 2013 to congratulate it on being amongst the top performing schools in England for boosting the performance of disadvantaged pupils since Pupil Premium was introduced. Pupil Premium and Free School Meals children perform better than their peers nationally whilst almost all other groups perform at least as well, if not better than their peers nationally.

See comparison tables below

Foundation Stage	School				National		
	2011	2012	2013 Result	Gender	2011	2012	2013
FSP PSE (%6+ in each strand)	61	74		●	79	82	
FSP CLL (%6+ in each strand)	38	49		●	62	66	
FSP PSE&CLL (%6+ in each strand)	36	49		●	59	64	
FSP PSRN (Maths) (%6+ in each strand)	64	69		●	74	77	
FSP Avg Total Points Score	77	80	-	●			

THE HEART EDUCATION TRUST
(A company limited by guarantee)

**TRUSTEES' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2013**

Keystage 1 results	School				National		
	2011	2012	2013 Result	Gender	2011	2012	2013
Yr 1 Phonics (% Wa - Achieving Expected Level)		89	77	●		58	69
KS1 Reading (%L2+)	86	94	97	●	85	87	89
KS1 Reading (%L2B+)	73	90	92	●	74	76	79
KS1 Reading (%L3+)	15	37	38	●	26	27	29
KS1 Writing (%L2+)	75	92	97	●	81	83	85
KS1 Writing (%L2B+)	61	69	88	●	61	64	67
KS1 Writing (%L3+)	9	14	27	●	13	14	15
KS1 Maths (%L2+)	80	94	95	●	90	91	91
KS1 Maths (%L2B+)	68	71	85	●	74	76	78
KS1 Maths (%L3+)	10	12	32	●	20	22	23
KS1 APS (R/W/M)	14.6	16	17.2	●	15.3	15.5	15.8

Keystage 2 results	School				National		
	2011	2012	2013 Result	Gender	2011	2012	2013
KS2 Reading, Writing, Maths (%L4+)			78	●			76
KS2 Reading, Maths (%L4B+), Writing (%L4+)			76	●			
KS2 Reading, Writing, Maths (%L5+)			42	●			21
KS2 English and Maths (%L4+) (pre-2013)	65	85		●	74	79	
KS2 English and Maths (%L5+) (pre-2013)	9	21		●	21	27	
KS2 Reading (%L4+) (test)	87	96	88	●	84	87	86
KS2 Reading (%L4B+) (test)			80	●			
KS2 Reading (%L5+) (test)	26	40	39	●	43	48	45
KS2 Writing (%L4+) (TA from 2012)	58		92	●	75	81	83
KS2 Writing (%L5+) (TA from 2012)	2	23	27	●	20	28	30
KS2 Grammar, Punctuation and Spelling (%L4+)	-	-	67	●			74

THE HEART EDUCATION TRUST

(A company limited by guarantee)

**TRUSTEES' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2013**

KS2 Grammar, Punctuation and Spelling (%L4B+)	59	●											
KS2 Grammar, Punctuation and Spelling (%L5+)	37	●			48								
KS2 English (%L4+) (pre-2013)	76	98	●	82	85								
KS2 English (%L5+) (pre-2013)	13	29	●	29	38								
KS2 Maths (%L4+) (test)	80	85	90	●	80	84	85						
KS2 Maths (%L4B+) (test)			80	●									
KS2 Maths (%L5+) (test)	24	35	45	●	35	39	41						
KS1-2 % Reading (test) - Expected Progress			87	●			88						
KS1-2 % Reading (test) - Above Exp Progress			34	●									
KS1-2 % Writing (TA) - Expected Progress			100	●			89						
KS1-2 % Writing (TA) - Above Exp Progress			40	●									
KS1-2 % Eng (pre-2013) - Expected Progress	78	100	79	●	84	89							
KS1-2 % Eng (pre-2013) - Above Exp Progress		47	79	●		26							
KS1-2 % Maths (test) - Expected Progress	83	96	89	●	83	87	88						
KS1-2 % Maths (test) - Above Exp Progress		36	45	●		28							
KS2 APS - Reading, Writing & Maths			28	9	●			28	3				
KS2 APS (Eng/Maths only) (pre-2013)	26	6	28	6	●	27	5	28	2				
KS2 APS - Reading (test)	27	6	29	4	28	5	●	28	2	28	5		
KS2 APS - Writing (TA)	24	6	28	1	28	1	●	26	4	27	3	27	5
KS2 APS - Maths (test)	26	9	28	5	29	4	●	27	7	28	4	28	7

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

The results show that the Academy is achieving at and above national averages, meaning floor targets have been exceeded and the Trust has therefore successfully achieved its objective to improve education by maintaining and developing the Academy. Furthermore, a large number of pupils at the Academy have participated in a wide range of activities beyond the day to day curriculum

- a significant proportion of children have had writing published in junior compendiums,
- children serve the local community by weekly attendance at the local luncheon club,
- participation in a number of sporting events,
- working with the elderly members of the community through programmes such as our Reminiscence Project and our community garden,
- fund raising activities such as Norfolk Air Ambulance, Animal Rescue, Children in Need, Prostrate Cancer,
- the headteacher has successfully supported two schools as a Local Leader of Education (LLE) in improving their Ofsted judgement from Grade 3 to Grade 2

At Trust level, the Trust has made additional achievements this period by beginning to develop an expansion plan, to be implemented in the next period, which will allow the Trust to establish, maintain, carry on, manage and develop further academies in the next period

Going Concern

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

Key Financial Performance Indicators

The key financial performance indicators the Academy uses to monitor its financial performance and impact of its resources are

- Positive net cash inflow from operations
- Positive net inflow of voluntary and generated income
- Teachers pay 69% of GAG income
- Total Pay 80% of GAG
- Teachers Pay 52% of total income (excluding funds on conversion to academy)
- Total Pay 60% of total income (excluding funds on conversion to academy)

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

Financial Review

From 1 April 2013, the company received funding directly from the Secretary of State for Education on a monthly basis, in the form of the General Annual Grant, in consideration for the company undertaking to establish and maintain, and to carry on or provide for the carrying on of a number of academies. Total GAG received in the period was £702,509.

The company also receives funding from the Local Authority. This funding includes Cluster Funding of £41,542.

Upon conversion of Heartsease Primary School to academy status the company received funds of £505,966, which has been recognised as income in the SOFA. Further details of this amount can be seen in note 21 to the financial statements.

During the year ended 31st August 2013, total expenditure of £908,242 was covered by recurrent grant funding from the EFA together with other incoming resources. The excess of income over expenditure for the year was £545,055 before actuarial gains.

At 31st August 2013 the net book value of fixed assets was £876,973 and movements in tangible fixed assets are shown within note 15 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the academy.

In accordance with FRS17, the academy received an actuarial assessment of pension scheme deficit. The deficit balance is included within the balance sheet as at 31st August 2013 and supporting note 22 to the accounts.

Financial and Risk Management Objectives and Policies

The company's activities expose it to cashflow risk, and the trustees therefore continually monitor cashflow to ensure that the company is able to meet its debts as they fall due. The trustees require sufficient cash reserves to be maintained at all times.

Principal Risks and Uncertainties

As part of the company's Risk Management Policy, the trustees conducted a business review for the period 1 April 2013 – 31 August 2013 that identified the risks and uncertainties faced by the Trust. These are summarised below:

- The Board of Directors does not have enough capacity and experience
- Heartsease Primary Academy dips in its own educational performance
- Early sponsored academies fail to demonstrate improvement within 12 months
- Governing model for the group is ineffective at securing the necessary probity and scrutiny required to secure public funds

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

The trustees took appropriate action to mitigate these risks by approving plans to recruit new trustees in the next period, and by delaying establishment of new academies to the following period

The company is also exposed to the risks and uncertainties facing each of the individual academies (at present, that being the risks and uncertainties facing Heartsease Primary Academy), and for this reason requires the Local Governing Body to either carry out self-assessments or report to the trustees in relation to the principal risks and uncertainties identified

Reserves Policy

The company's Reserves Policy is currently awaiting formal implementation by the board of trustees. The draft Reserves Policy requires the trustees to carry forward a prudent level of the General Annual Grant for medium to long term requirements of the company's academies and as part of the company's contingency fund, e.g. in relation to unplanned repair costs at its academies. This carry-forward for the period 1 April 2013 – 31 August 2013 is subject to the current restrictions of the company's Master Funding Agreement. Details of the reserves held at the end of the period are

The company currently has a restricted fund deficit of £55,272 which included the Local Government Pension Scheme deficit of £177,000, GAG funds carried forward of £10,065 and unspent capital funding of £111,663

The Reserves Policy will be reviewed by the trustees on an annual basis

Investment Policy

The company's Investments Policy is currently awaiting formal implementation by the board of trustees. The Investment policy will establish the framework for the cash management of each of the company's academies, and is therefore currently operated by the headteacher of the company's existing academy, with decisions being signed off by the Local Governing Body of the academy and the trustees. The policy will ensure that funds under the company's control are optimised in such a way to achieve maximum return with minimum risk. This means that cashflow is operated in such a way as to ensure that operating costs can be met. Approval of the trustees is required before the company's existing academy may make any investments on its own behalf

THE HEART EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2013

Plans for Future Periods

One of the company's key objectives for future periods is to implement its expansion plan by establishing and maintaining further academies. In order to achieve this, the trustees intend to

- Formally ratify the draft Business Model,
- Appoint a Business Development Director,
- Facilitate the conversion of two schools to academy status in the next period

The company's other key objective is to advance education by raising or maintaining (as appropriate) the educational standards of any new academies that the company establishes and of the company's existing academy, Heartsease Primary Academy. In respect of Heartsease Primary Academy, this requires the company to support and facilitate achievement of the objectives identified in the academy's School Improvement Development Plan for the academic year commencing September 2013. These are summarised below:

- All pupils will make at least good progress, with most making very good progress from their starting point and schools will continue to add value. All groups will make at least comparable progress to similar groups nationally.
- Teaching expertise will be more widely spread across the schools to ensure consistency of provision, outcomes and a climate of professional dialogue.
- A consistent behaviour policy across the schools to ensure exceptionally positive climate for learning, pupils reporting feeling safe and can articulate how to keep themselves safe.
- Continue to develop Phase 2, 3, 4 of the MAT (HEART Education Trust).
- Improve SEN provision and leadership.
- Ensure that the Performance Management Process is consistent, rigorous and encourages, challenges and supports teachers' improvement.
- Continue to develop a broad, balanced and relevant curriculum that meets the needs of all pupils.

In respect of any additional academies established in future periods, the trustees will either ratify the objectives of their existing School Improvement Development Plan (if suitable due to the academy having achieved a "Good" or "Outstanding" rating from Ofsted) or instruct the Sponsor Academy (Heartsease Primary Academy) to work with the Senior Leadership Teams of those academies to develop a new School Development Improvement Plan, so that those objectives may be attained.

The Trust further intends to establish its Sponsor Academy as a teaching academy in the periods that follow, training new teachers to the high standards required for the advancement of education in the United Kingdom, in accordance with the company's object.

THE HEART EDUCATION TRUST

(A company limited by guarantee)

**TRUSTEES' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2013**

Funds Held as Custodian Trustee on Behalf of Others

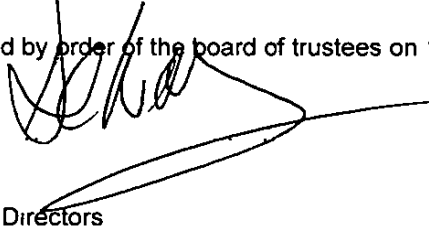
Neither the company nor its trustees currently hold any funds as Custodian Trustee on behalf of any other charity or organisation

Auditor

Insofar 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

Approved by order of the board of trustees on 18 December 2013 and signed on its behalf by



D Wood

Chair of Directors

THE HEART EDUCATION TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As trustees, we acknowledge we have overall responsibility for ensuring that The Heart Education 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 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 The Heart Education 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 Trustees' responsibilities statement. The board of trustees has formally met 4 times during the period. Attendance during the period at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
C Kenna - Director, Head Teacher	4	4
D Wood - Director, Chair	4	4
D Doran Smith - Director	2	2
Reach2 Limited - Director, Company no 08040828	1	4

The trustees consider that they have followed particular challenges in this period due to their limited number, which is a direct result of the company's infancy. Consequently, it has not yet been appropriate to establish separate committees such as a Finance Committee or Audit Committee. The trustees intend to increase their number in the following period as the company establishes additional academies, and to then create relevant sub-committees from their number.

The Trustees have exercised their powers under Article 100 of the company's articles of association to establish a Local Governing Body at Heartsease Primary Academy, to which they have delegated certain powers. The Local Governing Body has formally met 3 times during the year.

Attendance at meetings in the period was as follows:

Member of LGB	Meetings attended	Out of a possible
D Wood	2	3
M Maxwell	3	3
C Kenna	3	3
L Kidd	3	3
B Moulton	3	3
M Smith	2	3
N Lewis	2	3
M Potter	2	3
G Larkman	3	3
P Howard	3	3
J Rahman	1	3

THE HEART EDUCATION TRUST
(A company limited by guarantee)

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 The Heart Education Trust for the period 1 April 2013 to 31 August 2013 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 period 1 April 2013 to 31 August 2013 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 trustees 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 Norfolk County Council 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 a termly 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 the period of 1 April 2013 to 31 August 2013 the internal auditor has delivered one written report to schedule with the rest being delivered verbally. The internal auditor tested the following areas:

- Payroll
- Expenditure
- Income
- Accounting System
- Asset Management
- Management Reports

The material issues identified were

THE HEART EDUCATION TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

- Orders had not been raised for all relevant purchases and where they had been raised, were not always authorised
- Payroll reconciliation's had fallen behind due to not having been recorded on the relevant system on a monthly basis
- Management Reports were not always up to date

The trustees are confident that these issues are now being addressed

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. During the period 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 Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the trustees 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 18 December 2013 and signed on their behalf,
by



D Wood
Trustee



C F Kenna
Accounting Officer

THE HEART EDUCATION TRUST
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Heart Education Trust 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 (2012)

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 (2012)

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date



C F Kenna
Accounting Officer

Date 18 December 2013

THE HEART EDUCATION TRUST
(A company limited by guarantee)

TRUSTEES' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2013

The Trustees (who act as governors of The Heart Education 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 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

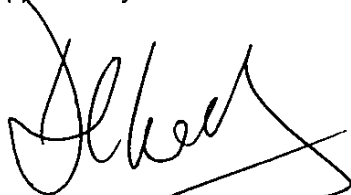
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles of the Charities SORP,
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

The Trustees 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 18 December 2013 and signed on its behalf by



D Wood
Chair of Trustees

THE HEART EDUCATION TRUST
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HEART EDUCATION TRUST

We have audited the financial statements of The Heart Education Trust for the period ended 31 August 2013 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 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 TRUSTEES AND AUDITORS

As explained more fully in the Trustees' responsibilities statement, 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

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HEART EDUCATION TRUST

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 Trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



J Grimmer FCA DChA (Senior statutory auditor)

for and on behalf of

Larking Gowen

Chartered Accountants
Statutory Auditors

King Street House
15 Upper King Street
Norwich
NR3 1RB
20 December 2013

THE HEART EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO THE HEART
EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 15 May 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Heart Education Trust during the period 1 April 2013 to 31 August 2013 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 Heart Education 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 Heart Education 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 Heart Education Trust and the EFA, for our work, for this report, or for the conclusion we have formed

**RESPECTIVE RESPONSIBILITIES OF THE HEART EDUCATION TRUST'S ACCOUNTING OFFICER AND
THE REPORTING AUDITORS**

The accounting officer is responsible, under the requirements of The Heart Education Trust's funding agreement with the Secretary of State for Education dated 27 March 2013, and the Academies Financial Handbook extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 April 2013 to 31 August 2013 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2013 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 HEART EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO THE HEART
EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

In planning and conducting our work we had due regard to professional guidance, including the Academies Accounts Direction 2013 and the ICAEW Assurance Sourcebook. The work undertaken to draw to our conclusion, includes, but is not limited to

- Enquiry of senior management and the Academy's Governors
- Inspection and review of the accounting records, meeting minutes, prior year regularity report, internal control procedures, management representations and declarations of interest
- Observation and re-performance of the financial controls
- Review of the results of the Academy's process of independent checking of financial controls, systems, transactions and risks

CONCLUSION

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 April 2013 to 31 August 2013 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

The Academies Financial Handbook 2012 requires a process for the independent checking of financial controls, systems, transactions and risks. As discussed with you and disclosed in the Governance Statement within the financial statements, such a system was not fully operational during the period. In addition the payroll provider did not arrange for registration with HMRC to be dealt with promptly and as a result did not make any payments to HMRC in the period. This has now been resolved and a rigorous process is expected to be fully established during the year ended 31 August 2014. This matter has been disclosed in our Assurance Report on Regularity within the financial statements.



Larking Gowen

Chartered Accountants
Statutory Auditors

King Street House
15 Upper King Street
Norwich
NR3 1RB

20 December 2013

THE HEART EDUCATION TRUST
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(incorporating income and expenditure account and statement of recognised gains and losses)
FOR THE PERIOD ENDED 31 AUGUST 2013

	Note	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	1,370	-	-	1,370
Activities for generating funds	3	29,808	-	-	29,808
Investment income	4	157	-	-	157
Incoming resources from charitable activities	5	-	904,696	-	904,696
Funds on conversion from local authority	6	521,278	(68,337)	868,025	1,320,966
TOTAL INCOMING RESOURCES		552,613	836,359	868,025	2,256,997
RESOURCES EXPENDED					
Costs of generating funds					
Fundraising expenses and other costs		12,561	-	-	12,561
Charitable activities	8,9	-	859,163	26,300	885,463
Governance costs	7	-	10,218	-	10,218
TOTAL RESOURCES EXPENDED		12,561	869,381	26,300	908,242
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS		540,052	(33,022)	841,725	1,348,755
Transfers between Funds	18	-	(35,250)	35,250	-
NET INCOME FOR THE YEAR		540,052	(68,272)	876,975	1,348,755
Actuarial gains and losses on defined benefit pension schemes		-	13,000	-	13,000
NET MOVEMENT IN FUNDS FOR THE YEAR		540,052	(55,272)	876,975	1,361,755
<i>Total funds at 1 April 2013</i>		-	-	-	-
TOTAL FUNDS AT 31 AUGUST 2013		540,052	(55,272)	876,975	1,361,755

All of the academy's activities derive from acquisitions in the current financial period

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

The notes on pages 30 to 49 form part of these financial statements

THE HEART EDUCATION TRUST
(A company limited by guarantee)
REGISTERED NUMBER. 08286818

BALANCE SHEET
AS AT 31 AUGUST 2013

	Note	£	2013 £
FIXED ASSETS			
Tangible assets	15		876,973
CURRENT ASSETS			
Debtors	16	38,521	
Cash at bank		967,946	
		<u>1,006,467</u>	
CREDITORS amounts falling due within one year	17	<u>(344,685)</u>	
NET CURRENT ASSETS			<u>661,782</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,538,755</u>
Defined benefit pension scheme liability	22		<u>(177,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>1,361,755</u></u>
FUNDS OF THE ACADEMY			
Restricted funds			
Restricted funds	18	121,728	
Restricted fixed asset funds	18	876,975	
		<u>998,703</u>	
Restricted funds excluding pension liability			
Pension reserve		<u>(177,000)</u>	
Total restricted funds			821,703
Unrestricted funds	18		540,052
TOTAL FUNDS			<u><u>1,361,755</u></u>

The financial statements were approved by the Trustees, and authorised for issue, on 18 December 2013 and are signed on their behalf, by

D Wood
Chair of Trustees

The notes on pages 30 to 49 form part of these financial statements

THE HEART EDUCATION TRUST
(A company limited by guarantee)

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2013

	Note	2013 £
Net cash flow from operating activities	20	370,253
Capital expenditure and financial investment		(35,231)
Cash transferred on conversion to an academy trust	21	632,924
INCREASE IN CASH IN THE PERIOD		967,946

All of the cash flows are derived from acquisitions in the current financial period

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE PERIOD ENDED 31 AUGUST 2013

	2013 £
Increase in cash in the period	967,946
MOVEMENT IN NET FUNDS IN THE PERIOD	967,946
NET FUNDS AT 31 AUGUST 2013	967,946

The notes on pages 30 to 49 form part of these financial statements

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 issued by the 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 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 and include grants from the Department for Education.

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

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

1. ACCOUNTING POLICIES (continued)

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.

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.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

1. ACCOUNTING POLICIES (continued)

1.4 Resources expended

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

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

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

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

All resources expended are inclusive of irrecoverable VAT.

1.5 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 one year from the date of approval of the financial statements.

1.6 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised.

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

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:

Freehold property	-	2% straight line
Fixtures and fittings	-	20% straight line
Equipment	-	25% straight line
Computer equipment	-	33% straight line

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

1. ACCOUNTING POLICIES (continued)

1.7 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.

1.8 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, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), 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 22, 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 the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013**

1. ACCOUNTING POLICIES (continued)

1 9 Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £NIL consideration and has been accounted for under the acquisition accounting method

The assets and liabilities transferred on conversion from Heartsease Primary School to an academy trust have been valued at their fair value, being a reasonable estimate of the current market value that the Trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for The Heart Education Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the Statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds

Further details of the transaction are set out in note 21

1 10 Private Finance Initiative (PFI) Schemes

PFI contracts are agreements to receive services, where responsibility for making available property, plant and equipment needed to provide the services passes to the PFI contractor. As the academy is not deemed to control the services that are provided under its PFI schemes as the academy does not have the significant risks and benefits of the assets, the assets and liabilities of the PFI are not included within the Balance Sheet

The annual payments to Norfolk County Council in relation to the PFI contract and services are recorded on an accruals basis within the Statement of Financial Activities

2. VOLUNTARY INCOME

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Donations	1,370	-	1,370

3. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Lettings and hire income	10,374	-	10,374
Academy trips and visits	7,407	-	7,407
Catering sales	6,834	-	6,834
Other miscellaneous sales	5,193	-	5,193
	<u>29,808</u>	<u>-</u>	<u>29,808</u>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

4. INVESTMENT INCOME

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Investment income	157	-	157

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Educational Operations	-	904,696	904,696

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
DfE/EFA grants			
General Annual Grant	-	702,509	702,509
Pupil premium	-	29,475	29,475
Other DfE/EFA	-	28,039	28,039
Local authority	-	138,706	138,706
Other funding	-	5,967	5,967
	-	904,696	904,696

6 FUNDS ON CONVERSION FROM LOCAL AUTHORITY

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Funds received upon conversion to academy	521,278	799,688	1,320,966

Further details are provided in note 21

THE HEART EDUCATION TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013**

7 GOVERNANCE COSTS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Governance Auditors' remuneration	-	4,450	4,450
Finance Support	-	5,250	5,250
Legal Fees	-	518	518
	<u>-</u>	<u>10,218</u>	<u>10,218</u>

8 DIRECT COSTS

	Total 2013 £
Pension income	3,000
Educational support	25,667
Staff development	5,069
Books, stationery & materials	8,818
ICT costs	6,690
Recruitment costs	880
Wages and salaries	450,797
National insurance	24,543
Pension cost	64,646
	<u>590,110</u>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

9. SUPPORT COSTS

	Total 2012 £
Administration	9,328
Premises maintenance	35,493
Cleaning	31,750
Water rates	9,888
Light & heat	21,523
Insurance	24,079
Transport & travel	570
Catering	23,667
Other educational supplies	7,603
Other professional fees	68,429
PFI management fee & affordability gap	13,840
Wages and salaries	19,891
National insurance	934
Pension cost	2,058
Depreciation	26,300
	<u>295,353</u>

10 NET INCOMING RESOURCES / (RESOURCES EXPENDED)

This is stated after charging

	2013 £
Depreciation of tangible fixed assets	
- owned by the charity	26,300
Auditors' remuneration	4,450
	<u>30,750</u>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

11. STAFF COSTS

Staff costs were as follows

	2013 £
Wages and salaries	470,688
Social security costs	25,476
Other pension costs (Note 22)	66,704
	<hr/> 562,868
Supply teacher costs	20,706
	<hr/> 583,574 <hr/>

The average number of persons (including the senior management team) employed by the academy during the period expressed as full time equivalents was as follows

	2013 No.
Teachers	19
Support & Administration	24
Management	3
	<hr/> 46 <hr/>

No employee received remuneration amounting to more than £60,000 in either year

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

12. TRUSTEES' REMUNERATION AND EXPENSES

The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as Trustees. Other Trustees did not receive any payments, other than expenses, from the academy in respect of their role as Trustees. The value of Trustees' remuneration fell within the following bands

	2013 £'000
C Kenna (Head teacher and governor)	25-30
L Kidd (Staff and governor)	5-10
B Moulton (Staff and governor)	15-20

During the period ended 31 August 2013, expenses totalling £190 were reimbursed to 2 Trustees

13. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect Trustees 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 period ended 31 August 2013 was £1,855

The cost of this insurance is included in the total insurance cost

14. OTHER FINANCE INCOME

	2013 £
Expected return on pension scheme assets	6,000
Interest on pension scheme liabilities	(9,000)
	<hr/> (3,000) <hr/>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

15. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Equipment £	Computer equipment £	Total £
Cost					
Additions	-	-	35,250	-	35,250
Assets on conversion	815,000	10,407	28,901	13,715	868,023
At 31 August 2013	815,000	10,407	64,151	13,715	903,273
Depreciation					
Charge for the period	16,300	840	6,323	2,837	26,300
At 31 August 2013	16,300	840	6,323	2,837	26,300
Net book value					
At 31 August 2013	798,700	9,567	57,828	10,878	876,973

16. DEBTORS

	2013 £
Trade debtors	22,365
Prepayments and accrued income	7,047
Tax recoverable	9,109
	38,521

17. CREDITORS

Amounts falling due within one year

	2013 £
Trade creditors	233,354
Other taxation and social security	106,881
Accruals and deferred income	4,450
	344,685

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

18 STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General Funds	-	552,613	(12,561)	-	-	540,052
Restricted funds						
General Annual Grant (GAG)	-	702,509	(657,194)	(35,250)	-	10,065
Other government grants	-	202,187	(202,187)	-	-	-
Capital grants	-	111,663	-	-	-	111,663
Pension reserve	-	(180,000)	(10,000)	-	13,000	(177,000)
	-	836,359	(869,381)	(35,250)	13,000	(55,272)
Restricted fixed asset funds						
Restricted Fixed Asset Funds	-	868,025	(26,300)	35,250	-	876,975
Total restricted funds	-	1,704,384	(895,681)	-	13,000	821,703
Total of funds	-	2,256,997	(908,242)	-	13,000	1,361,755

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

The General Annual Grant (GAG) represents core funding for the educational activities of the school that has been provided to the academy via the Education Funding Agency by the Department of Education. The GAG fund has been set up because the GAG must be used for the normal running costs of the academy.

The pension reserve has been created separately to identify the pension deficit inherited from the local authority upon conversion to academy status, and through which all the pension scheme movements are recognised.

The other government grants fund has been created to recognise the restricted grant funding received from the local authority to be used for the purpose of specific projects and assisting with the educational operations.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

18 STATEMENT OF FUNDS (continued)

The restricted fixed assets fund has been set up to recognise the tangible fixed assets gifted to the academy upon conversion by the local authority and also those purchased by the academy following conversion that have been funded from GAG and other capital grants. Depreciation charged on those tangible assets is allocated to the fund.

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £
Tangible fixed assets	-	-	876,975	876,975
Current assets	535,054	471,411	-	1,006,465
Creditors due within one year	4,998	(349,683)	-	(344,685)
Provisions for liabilities and charges	-	(177,000)	-	(177,000)
	<u>540,052</u>	<u>(55,272)</u>	<u>876,975</u>	<u>1,361,755</u>

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 £
Net incoming resources before revaluations	1,348,755
Funds on conversion	(1,500,966)
Depreciation of tangible fixed assets	26,300
Increase in debtors	(38,521)
Increase in creditors	344,685
Increase in provisions - opening FRS17 liability	180,000
FRS 17 adjustments - finance costs	3,000
FRS17 adjustments - staff costs	7,000
Net cash inflow from operations	<u><u>370,253</u></u>
	2013 £
Capital expenditure and financial investment	
Purchase of tangible fixed assets	<u><u>(35,231)</u></u>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

21 CONVERSION TO AN ACADEMY TRUST

On 1 April 2013 Heartsease Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Heart Education Trust from Norfolk County Council for £NIL consideration

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

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

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Other tangible fixed assets	-	-	868,025	868,025
Other assets	-	111,663	-	111,663
Budget surplus/(deficit) on LA funds	521,278	-	-	521,278
LGPS pension surplus/(deficit)	-	(180,000)	-	(180,000)
Net assets/(liabilities)	<u>521,278</u>	<u>(68,337)</u>	<u>868,025</u>	<u>1,320,966</u>

The above net assets include £632,924 that were transferred as cash

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

22. 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 Norfolk County Council Both are defined benefit schemes

The pension costs are assessed in accordance with the advice of independent qualified actuaries The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2010

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract Teachers and lecturers are able to opt out of the TPS

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament 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 under arrangements governed by the above Act

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

Valuation of the Teachers' Pension Scheme

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

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004 The Government

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

22 PENSION COMMITMENTS (continued)

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

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

Teachers' Pension Scheme Changes

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

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

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

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

22 PENSION COMMITMENTS (continued)

The total contribution made for the period ended 31 August 2013 was £20,000, of which employer's contributions totalled £15,000 and employees' contributions totalled £5,000

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.

As described in note 21 the LGPS obligation relates to the employees of the academy, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy at the balance sheet date.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

22 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 2013 %	Fair value at 31 August 2013 £
Equities	6.60	206,000
Bonds	4.10	61,000
Property	4.70	34,000
Cash	3.60	6,000
Total market value of assets		<u>307,000</u>
Present value of scheme liabilities		<u>(484,000)</u>
(Deficit)/surplus in the scheme		<u><u>(177,000)</u></u>

The amounts recognised in the Balance sheet are as follows

	2013 £
Present value of funded obligations	(484,000)
Fair value of scheme assets	<u>307,000</u>
Net liability	<u><u>(177,000)</u></u>

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

	2013 £
Current service cost	(22,000)
Interest on obligation	(9,000)
Expected return on scheme assets	<u>6,000</u>
Total	<u><u>(25,000)</u></u>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

22. PENSION COMMITMENTS (continued)

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

	2013 £
Opening defined benefit obligation	461,000
Current service cost	22,000
Interest cost	9,000
Contributions by scheme participants	5,000
Actuarial Gains	(13,000)
	<hr/>
Closing defined benefit obligation	484,000
	<hr/>

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

	2013 £
Opening fair value of scheme assets	281,000
Expected return on assets	6,000
Contributions by employer	15,000
Contributions by employees	5,000
	<hr/>
	307,000
	<hr/>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £13,000 gains

The academy expects to contribute £37,000 to its Defined benefit pension scheme in 2014

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

	2013
Discount rate for scheme liabilities	4.60 %
Expected return on scheme assets at 31 August	5.80 %
Rate of increase in salaries	5.10 %
Rate of increase for pensions in payment / inflation	2.80 %

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

	2013
Retiring today	
Males	21 2
Females	23 4
Retiring in 20 years	
Males	23 6
Females	25 8

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

22 PENSION COMMITMENTS (continued)

Amounts for the current period are as follows

Defined benefit pension schemes

	2013
	£
Defined benefit obligation	(484,000)
Scheme assets	307,000
	<hr/>
Deficit	(177,000)
	<hr/>
Experience adjustments on scheme liabilities	13,000
	<hr/>

23 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 trustee 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. There were no such transactions during the period.