

The Thinking Schools Academy Trust
(A company limited by guarantee)

Directors' Report and Financial Statements

For the year ended 31 August 2016



The Thinking Schools Academy Trust
(A company limited by guarantee)

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The Thinking Schools Academy Trust
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Reference and Administrative Details of the Academy Trust, its Directors and Advisers
For the year ended 31 August 2016

Members	Mr. P. Martin Mrs. S. Earle Mr. J. Daffam (resigned 17 March 2016) Mr. D. Morrison Mr. R. Cummins
Directors	Mr. P. Martin, Chair of Trustees ^{1,2} Ms. D. Shepherd, Chief Executive to 31 August 2016) (resigned 31 August 2016) ¹ Mr. L. Miller, Finance Director ¹ Mr. M.R. Bailey ¹ Mrs. A. Barry Mrs. S. Earle ² Mr. S. Gardner, Chief Executive from 1 September 2016 Mr. D. Morrison ² Mrs. J. Spurgeon, Vice Chair ¹ Mr. G. Newman (appointed 17 March 2016) ² Mr. L. Trimby (appointed 17 March 2016) ¹ 1 Member of Finance and Operations Committee 2 Member of Audit Committee
Company registered number	07359755
Company name	The Thinking Schools Academy Trust
Principal and registered office	The Rochester Grammar School Maidstone Road Rochester Kent ME1 3DY
Company secretary	Mr. L. Miller
Chief executive officer	Mr. S. Gardner (from 1 September 2016)
Senior management team	Ms. D. Shepherd, Chief Executive Officer (to 31 August 2016) Mr. L. Miller, Finance Director Mr. S. Gardner, Executive Principal (to 31 August 2016) Mrs. C. Stevens, Executive Principal Mrs. L. Jones, Executive Principal (to 31 August 2016)
Independent auditor	UHY Kent LLP t/a UHY Hacker Young Chartered Accountants Registered Auditors Thames House Roman Square Sittingbourne Kent ME10 4BJ
Bankers	Nat West Bank Plc Maidstone Road Rochester Kent. ME1 3DY
Solicitors	Browne Jacobson 6th Floor, 77 Gracechurch Street London. EC3V 0AS

The Thinking Schools Academy Trust
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Directors' Report
For the year ended 31 August 2016

The Directors present their annual report and auditors' report of the Academy Trust for the year ended 31 August 2016.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy Trust was incorporated on 27 August 2010 as a company limited by guarantee and an exempt charity. The memorandum and articles of association are the primary governing documents of the Academy Trust. The memorandum and articles of association were amended on 5 February 2014 to recognise the need to amend the governance structure of the organisation.

Details of the Directors who served throughout the year, except as noted, are included in the Reference and Administrative Details.

Members' liability

Each member of the Academy Trust undertakes to contribute to the assets of the Academy Trust in the event of it being wound up whilst 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.

Directors and Governors' indemnities

The individual academies each maintain Governors' and officers' liability insurance which gives appropriate cover for any legal action brought against Governors, and against the Directors of the Academy Trust. The Academy Trust has also granted indemnities to each of its Directors and other officers to the extent permitted by law. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year and remain in force, in relation to certain losses and liabilities which the Directors, Governors or other officers may incur to third parties in the course of acting as Directors, Governors or officers of the Academy Trust. Details of the insurance cover are provided in note 15 to the financial statements.

Principal activities

The Academy Trust has expanded in the year to now control the activities of the following schools:

- The Rochester Grammar School;
- All Faiths Children's Academy;
- Portsmouth Academy for Girls (Name change from 1 September 2016 to The Portsmouth Academy);
- Chatham Grammar School for Boys;
- Gordon Children's Academy (Infant);
- Gordon Children's Academy (Junior);
- New Horizons Children's Academy;
- Newbridge Junior School;
- Isambard Brunel Junior School;
- The Victory Academy (since 1 September 2015); and
- Cedar Children's Academy (since 1 June 2016).

All schools share a commitment to cognitive education and Thinking School status. Throughout the year ended 31 August 2016 the Trust's principal object and activity has therefore been to manage the schools within the Trust.

Method of recruitment and appointment or election of Directors

Under the terms of its Articles, since 5 February 2014 when a Board of Directors has held ultimate responsibility for managing the Trust. This Board comprises the following:

- 6 Directors appointed by members (one must include the Chair);
- 3 Directors appointed by Regional Governing Bodies; and
- 2 Directors appointed by their role.

No more than 3 Directors can be salaried and these are detailed in note 11 of the accounts.

A Directors term of office is four years (excluding the Chief Executive and Finance Director) but a Director is eligible for re-election at the meeting at which they retire.

Appropriate training is provided to all new Directors and Governors, as required.

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

Method of recruitment and appointment or election of Directors (continued)

During the year under review the Board of Directors met 4 times alongside Regional Governing Body meetings which were held termly in each school. The training and induction provided for new Directors and Governors was dependent on their existing experience. Where necessary training was provided on charity and educational legal and financial matters. All new Governors were given a tour of their respective school and the chance to meet with staff and students. All Governors were provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they need to undertake their role as Governors.

Organisation structure

The Board of Directors retains the power to appoint Governors to Regional Governing Bodies. They also have a scheme of delegation that details the powers that can be given to individual governing bodies.

The Board of Directors has a Quality Assurance executive team that will review the performance of each academy and make recommendations to the Board about the level of delegated powers that should be given to each Regional Governing Body..

The Board has a number of committees that support the work of the board:

- The Audit Committee that is made up of non-executive Directors;
- A Finance and Operations Committee;
- An Executive Performance and Remuneration Committee that is made up of non-executive Directors; and
- A Governance and Ethics Committee.

Arrangements for setting pay and remuneration of key management personnel

The Board's Executive Performance and Pay Committee has delegated responsibility to oversee this area and specifically has the following responsibilities:

- To determine and agree with the Board the framework or broad policy for the remuneration of the Trust's Chief Executive Officer and such other members of the executive management of the Trust as it is designated to consider (senior executives);
- To determine the Trust-wide pay policy and oversee the process of moderation across the Trust;
- To ensure no senior executive, Director or manager is involved in any decisions as to their own remuneration;
- To prepare and submit recommendations to the Trustees for the terms of service and remuneration (including pension arrangements) of the senior executives;
- To monitor, evaluate and report (as appropriate) to the Trustees on the performance of the Chief Executive;
- To approve appropriate remuneration packages for any new senior executive appointments;
- Having regard to the charitable status of the Trust and in recognition of the fact the Trust receives funding under a funding agreement with the Secretary of State for Education, to ensure the remuneration or other sums paid to a senior executive do not exceed an amount that is reasonable in all the circumstances;
- To review and approve the design of, and determine targets for, any performance related pay schemes operated by the Trust and approve the total annual payments made under such schemes;
- To ensure that any termination packages including contractual terms and pension benefit entitlements do not reward failure and are fair to the individual and the Trust and comply with the obligations set out in the Academies Financial Handbook;
- To review and note annually the remuneration trends across the Trust;
- To oversee any major changes in employee benefits structures in the Trust;
- To agree the policy for authorising claims for expenses from the senior executives; and

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Directors' Report (continued)
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Arrangements for setting pay and remuneration of key management personnel (continued)

- To be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration or other consultants who advise the Committee. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

Total remuneration paid to senior management personnel is set out in note 11.

Risk management

The Directors have assessed the major risks to which each academy and the overall Trust is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the academy and its finances. Each academy has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

Connected organisations, including related parties

Rochester Grammar School for Girls Charity is a separately registered charity, registration no. 307839. Its principal objects are the provision of items, services and facilities for the school by the making of grants to the school and individuals. This charity also owns the freehold to the school land and buildings, and leases this to the Academy Trust on a 125 year lease at an annual peppercorn rent.

There is also a Parent-Teacher Association, The Rochester Grammar School Association, also established as a separately registered charity, registration number 803801, which organises various fundraising events to provide facilities for the pupils of The Rochester Grammar School.

Each of the individual academies is a strategic partner in The New Horizons Teaching School Alliance Limited (company number 08478647). The academies, and the many other schools affiliated with the organisation, work together to provide school-to-school support and staff training to aid school improvement.

Isambard Brunel Centre Ltd (registration 04671163) is a company to which, from 18th June 2015, The Thinking Schools Academy Trust was appointed the sole member and four Directors were appointed that include Directors of TSAT and the Headteacher of Isambard Brunel Junior School. The company provides childcare and nursery provision to children below statutory school age.

During the year 14/15 the Accounting Officer and Chief Finance Officer were asked by the Department of Education to provide support to The Bishop of Rochester Academy (reg. no 07025097). As a result of this intervention a decision was made by The Bishop of Rochester Academy to amend its legal name to The Rochester Academy and pass a resolution to transfer its assets into TSAT from 1 September 2015. The Education Funding Agency agreed a deed of variation to the funding agreement to coincide with the transfer of the assets. Our board members agreed that from 1 September 2015 they would accept responsibility of this new funding agreement and resolved to amend the name of the Academy to The Victory Academy.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object of the Academy Trust is the provision of education for pupils aged between 3 and 19.

Objective, strategies and activities

The main objectives of the Academy Trust during the year ended 31 August 2016 are summarised below:

- To ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care;
- To raise the standard of educational achievement of all pupils;
- To improve the effectiveness of all academies by keeping the curriculum and organisational structure under continual review;
- To provide value for money for the funds expended;
- To comply with all appropriate statutory and curriculum requirements;
- To provide after school and weekend activities; and
- To conduct the academies' business in accordance with the highest standards of integrity, probity and openness.

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Directors' Report (continued)
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Public benefit

All Academies within the Trust are state funded and strive to promote and support the advancement of education within the Medway and Portsmouth local authority areas.

The Trust has a letting policy that supports the use of our facilities for the local community and other public establishments. In all cases we promote below market rates to maximise the ability for small organisations to access this.

All our Academies are members of The New Horizons Teaching School Alliance which promotes outreach work and the wider recruitment and promotion of new teachers into the sector.

The Trust remains committed to the Arts and actively promotes our students to access extra curriculum activities and deliver exhibitions and concerts that the wider community can enjoy.

Equal opportunities

The Directors recognise that equal opportunities should be an integral part of good practice within the workplace. The Academy Trust aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

Disabled persons

All academies have made appropriate provisions for disabled persons.

The policy of the Academy Trust is to support recruitment and retention of students and employees with disabilities. Each academy does this by adapting the physical environment, by making support resources available and through training and career development.

STRATEGIC REPORT

Achievements and performance

TSAT Strategic priorities 2015/16

The Board agreed six key priorities for 2015/16.

1) Consolidate new academies into the Trust and ensure they make progress (Ofsted judgement and pupil outcomes)

During 2015/16 TSAT consolidated new schools into the Trust:

Newbridge Junior School:

- Began journey to becoming a Thinking School accredited by Exeter University. CPD delivered, School Development Plan (SDP) updated to include the Thinking Agenda. Review of progress by Lead for Thinking in the Trust identified progress made and informed SDP for 2016/17.
- The following capital projects were undertaken to improve the learning environment at the school:
 - o Resurface of car park
 - o Refurbishment of pupils' toilets;
- "The Bridge" project for Year 6 students to be taught on the site of The Portsmouth Academy is on track for launch in January 2017.
- Student outcomes at KS2 are now 'outstanding' – see performance tables below. The school will be putting a case for an Outstanding judgement at their next Ofsted inspection (a rise from the current grading of 'good').

Isambard Brunel Junior School:

- Began journey to becoming a Thinking School accredited by Exeter University. CPD delivered, School Development Plan (SDP) updated to include the Thinking Agenda. Review of progress by Lead for Thinking in the Trust identified progress made and informed SDP for 2016/17.
- The following capital projects were undertaken to improve the learning environment at the school:
 - o New Reception area; and
 - o Replacement of double glazing to north elevation.
- Student outcomes at KS2 are now 'good' – see performance tables below – the school will be putting a case for a 'good' judgement at their next Ofsted inspection (a rise from, the current grading of 'requires improvement').

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Directors' Report (continued)
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Achievements and performance (continued)

The Victory Academy:

- Began journey to becoming a Thinking School accredited by Exeter University. CPD delivered, School Development Plan (SDP) updated to include the Thinking Agenda. Review of progress by Lead for Thinking in the Trust identified progress made and informed SDP for 2016/17;
- The following capital projects were undertaken to improve the learning environment at the school:
 - o new 3G football pitch
 - o new reception area
 - o new student services area; new learning support centre – “The Dockyard”
 - o refurbished school hall – now “The Quarterdeck”; and
- Student outcomes at KS4 and KS5 have significantly improved – see performance tables below - however, this improvement was from a very low starting point and still 'require improvement'. Behaviour for Learning has improved significantly with elements of 'good'. Leadership and Management has been transformed and is now 'good'. The school will be putting a case for a 'requires improvement' judgement with 'good' for Leadership at their next Ofsted inspection.

2) Ensure there is an effective communication strategy for TSAT which establishes a consistent message to all stakeholders

Over the year the Trust has continued to develop its central services and used this team to secure systems and processes that will support improved communication across all its stakeholders. As the Trust moves into 2016/17 it will be a core aim of all central services to use these new systems to further improve the consistency and quality of communication with its internal and external stakeholders.

3) Establish a more effective and efficient Governance Model for TSAT from 2015+ onwards

Following a review supported by our legal advisors the Board approved a new governance structure that created three Regional Governing Bodies that were allocated delegated powers from the Board to oversee the management of academies within their area. Alongside this it was approved to create Academy Advisory Boards whose membership is based on key stakeholders of the academy and act as a critical friend to the leadership of that academy.

4) Establish an effective process for the collection and analysis of school level data throughout the academic year

The Trust has established data response sheets for primary and secondary data drops. These data drops have been calendared to ensure data is received at key points in the year. The data is then processed by the Director of Phase and, where concerns are raised, the Trust puts in place appropriate support. The data reports and responses are quality assured by the Board of Directors.

The improving performance of our academies reflects the effectiveness of this oversight and intervention.

5) Embed a new Executive level of leadership in the Trust that provides strategic leadership and monitors standards in each TSAT hub

Executive Leaders for Portsmouth academies, Medway primary academies and Medway secondary academies were in place for September 2016.

The Executive Leaders for Portsmouth and Medway secondary academies demonstrated excellent strategic leadership with all their schools demonstrating good progress during the academic year. When Cedar Primary School indicated that they wished to join the Trust the Executive Lead for Medway primary schools stepped into the vacant Headteacher role (caused by long term ill health of the existing Headteacher) at the school.

The Trust has reflected on how best to support all academies and has decided to create a structure comprised of Directors of Phase with a single point of responsibility for primary and secondary respectively.

This has facilitated significantly improved communication and support between the schools in the Trust.

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Directors' Report (continued)
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Achievements and performance (continued)

6) Planning for growth of TSAT schools within the MAT

The Portsmouth Academy (TPA) successfully applied to become a co-educational school with the first co-ed intake planned for September 2017. The school has been highly proactive in developing links with feeder primary schools to ensure that there is a significant take-up of places by boys. TPA will reach expected numbers of students for 2016/17.

Chatham Grammar School for Boys was unsuccessful in its application to become a co-ed grammar school. However, the school has decided to continue with the planned change in name and is expected to officially become Holcombe Grammar School in January 2017. The Trust is considering re-applying for co-ed status for September 2018. The school is above expected numbers for 2016/17.

The Victory Academy has had a successful recruitment round for Year 7 with more than expected numbers attending the school. The expected number of Year 12 students arrived, however, this was significantly below the number that had been hoped for. We are expecting growing intake for 2017/18 as demand for places rises in the area and the reputation of the school continues to improve.

The individual performance of the Academies is detailed below.

Secondary Academies

Secondary data:

School	% 5 A*-C incl E&M	% GCSE A*/A	% GCSE A*-C	KS4 Value Added	% A level A*-B
CGSB	96%	45%		1021	46
PAG	64%		75%	1028	
RGS	100%	70%		1042	85
VIC	44%		63%	999	56

Note – VIC A-C

The Rochester Grammar School (RGS)

- Oversubscribed 6 form of entry girls selective school Years 7-11, mixed Sixth Form provision offering A Level and IB;
- Ofsted rate the school as 'outstanding' (2008/9);
- Student attainment and progress continue to be 'outstanding' – see performance tables above. The school is the highest performing school for both attainment and progress in Medway;
- RGS is the lead school within the New Horizons Teaching School Alliance (NHTSA). NHTSA provides support to both primary and secondary schools in the Medway and Portsmouth areas;
- RGS was re-accredited as an Advanced Thinking School by Exeter University and is an exemplar of how to develop meta-cognition in students;
- The school has adjusted its Senior Leadership Team to increase capacity for support work behind the school. There are now focused inward facing and outward facing roles to ensure that the school continues to improve internal provision whilst also being able to support other schools; and
- Targets 2016/17:
 - o 70% A*/A at GCSE;
 - o 100% Scale 9-5 in English and Maths;
 - o 80%+ A*-B at A Level / IB;
 - o Value Added to be significantly positive at both KS4 and KS5; and
 - o Increase capacity in the school to provide additional capacity for support in the Trust.

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Directors' Report (continued)
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Achievements and performance (continued)

Portsmouth Academy for Girls (PAG) (note becomes The Portsmouth Academy from Sept 2016)

- Historically under-subscribed single sex 11-16 comprehensive girls school;
- Ofsted rating currently 'requires improvement', the school will be arguing that the school is now 'good' with 'outstanding' features at the next Ofsted inspection (expected this academic year);
- Very high level of Pupil Premium students, over 50%;
- Accredited as a Thinking School by Exeter University July 2016;
- New Senior Leadership Team now embedded to increase leadership capacity;
- Student outcomes in Summer 2016 were arguably 'outstanding', especially because of the progress achieved by Pupil Premium students; and
- Targets 2016/17:
 - o 70% 5 A*-C including English and Maths;
 - o Value Added to be significantly positive +0.5;
 - o Attendance to improve to meet national (95%);
 - o Achieve at least 'good' from Ofsted; and
 - o Successfully launch "The Bridge" project.

Chatham Grammar School for Boys (CGSB) (note becomes Holcombe Grammar School from January 2017))

- Historically under-subscribed boys selective school Year 7-11, mixed Sixth Form provision offering A Level;
- Ofsted rate the school as 'good' (2014/15);
- Students attending the school are amongst the most deprived cohorts attending grammar schools – only Dover Grammar School for Boys has a more deprived cohort (based on IDACI data);
- Student attainment at GCSE continues to be 'outstanding', however, continued improvement needs to be made at A Level to match performance at GCSE;
- The Senior Leadership Team has been expanded to provide additional leadership capacity at the school;
- The school applied to the Department for Education to become a co-educational school for September 2017, unfortunately, this was turned down. The Trust is considering how to take this proposal forward; and
- Targets 2016/17:
 - o 50% A*/A at GCSE;
 - o 100% Scale 9-5 in English and Maths;
 - o 60%+ A*-B at A Level;
 - o Value Added to be significantly positive at both KS4 and KS5;
 - o Achieving Thinking School accreditation from Exeter University; and
 - o Maintain improved attendance – 96%.

The Victory Academy (VIC)

- Historically under-subscribed mixed 11-18 High School;
- KS2 APS on entry is in bottom 10% nationally;
- Half of new Year 7 students will have a reading age of 7 or below;
- In the top 10% of schools nationally for students receiving Pupil Premium;
- Ofsted rating – 'requires improvement'. We expect 'requires improvement' with a 'good' for Leadership and Management at the next inspection;
- Student outcomes in summer 2016 represented a significant improvement from a very low base. The school was above floor and progress data suggests that students made similar rates of progress to that made by students nationally; and
- Targets 2016/17:
 - o 50% 5 A*-C including English and Maths;
 - o Value Added to be positive at KS4 and KS5, above 0;
 - o Attendance to improve to meet national (95%);
 - o Achieve at least 'requiring improvement' with elements of 'good' from Ofsted; and
 - o Achieve Thinking School accreditation from Exeter University.

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Directors' Report (continued)
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Achievements and performance (continued)

Primary Academies

Primary Progress:

	Reading	Writing	Maths
NJS	1.5	-0.4	2.1
IBJS	-4	0.7	-2.4
Gordon (Infant and Junior)	-2.4	-2.9	0
All Faiths	-0.7	1.0	0.6
Cedar	-6	-3.4	-3.5
Floor Standard	-5	-7	-5

Primary Headline figures for 2016 (unvalidated):

Criteria / School	National	All Faiths	Cedar	Gordon Infant	Gordon Junior	IBJS	NJS	New Horizons	Trust
Phonics	77%	86%	70%	85%				86%	82%
KS1 Reading		60	44	67					57
KS1 Writing		13	49	74					45
KS1 Maths		43	56	79					88
KS2 Reading	66	36 (50)	43		66	46 (56)	75		53 (65)
KS2 Writing	74	57	61		73	89	78		72
KS2 Maths	70	57	56		73	57	81		65
SPAG	72	43	57		75	59	73		61
KS2 Combined	53	25 (36)	36		56	39 (43)	61		43 (46)

All Faiths Children's Academy

All Faiths Children's Academy is one of the founding schools of the Thinking Schools Academy Trust. It is a mainstream one-form entry primary school, but additionally specialises in teaching profoundly deaf children using teachers of the deaf and specialist teaching assistants. There are 253 pupils on roll. All pupils are fully included in the life of the school. The academy is also the host school for the Strood and Hoo Partnership Nurture Group.

The school has a higher than average proportion of children with additional needs, with 44% on the special needs register, including 10% of pupils having an Education, Health and Care Plan. 41% of pupils are eligible for Pupil Premium funding, while 21% of pupils have English as an additional language. 68% of pupils are from a white British background.

The school was last inspected in June 2013, when it received a 'good' rating.

2015-16

Year 6 Attainment	Reading	Writing	Maths	Combined
Expected Level	36%	57%	57%	25%
Progress Measure	-0.7	1.0	0.6	N/A

Year 2 Attainment	Reading	Writing	Maths
Expected Level	60%	13%	43%

63% of pupils in Year R received a good level of development.
86% of children passed the phonics check in Year 1.

The school has seen a significant turnaround in staff over the past academic year. The Head Teacher is on maternity leave until June 2017. Three new members of teaching staff joined the school in September, one of whom is a newly qualified teacher.

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Directors' Report (continued)
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Achievements and performance (continued)

Targets for 2016-17:

- Improve the quality of teaching to ensure that 100% is at least good;
- Improve the attainment of children from different groups both in KS1 and KS2, to ensure that the gaps between National expectations and pupil outcomes are significantly narrowed;
- Improve progress outcomes; and
- Improve attendance figures.

The Gordon Children's Academy (Infant and Junior)

The Gordon Children's Academy is comprised of Gordon Infant School and Gordon Junior School, although the schools act as one team, sharing a Headteacher, school office and site. Over the past 3 years, the school has undergone major changes. The school was placed in Ofsted category in 2013 and the school joined The Thinking Schools Academy Trust (TSAT) as a sponsored academy in March 2014.

Gordon Junior is a larger than average junior school with 333 pupils (September 2016). It has above average free school meals and SEN children but it has a broadly average intake except current Year 5 which is significantly below National Average. The percentage of children known to Social Services is above average at 30% in September 2016. It has an Ofsted rating of 'serious weaknesses' since the last inspection in January 2013. Since then the school has undergone considerable changes and has rapidly improved. In July 2016 the SATS results showed massive progress and improvement and achieved above national average in Reading (67%), SPaG (spelling and grammar) (73%) and Maths (73%).

Gordon Infant is a smaller than average infant school with 170 infants (September 2016). It has below average free School Meals/disadvantaged children. It also has below average percentage of pupils with SEN support and average BME pupils. 17% of children are known to Social Services. In 2014 the Y1 phonics screening was well below NA of 74% at 47% with boys in particular doing badly at 30%. However, in 2015 the school reached 83%, above national average, and in 2016 phonics was 85%. In EYFS 70+% children achieved the ELG and attainment at KS1 showed significant progress in KS1 SATS; Reading (68%), Writing 75% and Maths (80%).

The leadership team have embedded the following:

- A new set of Core Values – Achievement, Aspirations, Community and Responsibility;
- A new whole-school assessment package, as well as a detailed assessment and monitoring review cycle, taking place every 6/7 weeks;
- An "Outstanding Learners" whole-school initiative which embodies all the features of high-quality learning that children need to display in order to make rapid progress throughout the school year;
- The Cornerstones Curriculum - which has really engaged the children and the parents;
- A formal school uniform; and
- A list of non-negotiables for children, teachers and SLT.

Targets for 2016-17:

- Increase the percentage of good and outstanding teaching;
- Improve outcomes for all groups of children;
- Drive the Trust's NQT programme;
- Drive the Trust's Middle Leadership Training Programme to raise the profile of middle leadership;
- Raise achievement and aspirations of white British pupils;
- Raise attainment of identified groups through targeted interventions ensuring individuals make accelerated progress; and
- Involve parents more in daily school life through Parent Partnership role programme.

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Directors' Report (continued)
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Achievements and performance (continued)

New Horizons Children's Academy

New Horizons Children's Academy opened in September 2014 with two reception classes and one Year 2 class. Over the past two years the Academy has grown significantly with the opening of new classes and the appointment of new members of staff. The academy currently has thirteen classes from Reception to Year 4 with a Nursery provision offering 15 hours a week. There are currently 395 children on roll, including 23 children in the Nursery provision. The school has a diverse community of which 31% are Pupil Premium, 24% have English as an additional Language, 26% are SEND and 76% of the school is White British.

New Horizons currently has no Ofsted grading as a new academy, with a full Section 5 inspection expected this academic year. This year there has been a significant rise in the number of staff at the academy with the successful recruitment of nineteen members of teaching and support staff. The academy has a strong and developing leadership team that consists of the Headteacher, Deputy Headteacher and three Assistant Headteachers with direct responsibility for a phase. The Academy has also recruited a qualified, experienced SENCo and a bilingual HLTA to lead the provision of EAL.

2015-16 performance indicators:

New Horizons recent EYFSP data shows that:

- 72% of children achieved a Good Level of Development which was an improvement on the previous year;
- 86% of children in Year 1 achieved the expected standard in the Phonics check with 92% of Pupil Premium children also achieving required standard;
- Both the EYFSP and phonics is expected to be in line or above National data; and
- Children at New Horizons attend regularly (96.2%) and few absent or persistently absent.

Targets for 2016-17:

- Increase the percentage of good and outstanding teaching;
- Improved outcomes for all groups of children;
- KS1 results to be at or above National expectations; and
- The Academy will continue to recruit and ensure that the quality of provision for all of our children is of the highest quality.

Newbridge Junior School (NJS)

Newbridge Junior School is a five form entry junior school with 441 pupils currently on roll which serves a deprived inner city area. Attainment on entry is variable, with writing being significantly below National Expectations. The academy has above National Average figures for FSM6 and slightly below National Average for EAL but both these groups are rising each year. The school converted to an academy on 1st November 2014 with the Thinking Schools Academy Trust and are still 'without designation'. The previous Section 5 inspection rating in September 2012 rated us as 'good'.

In the Year 2015-16:

2016 SATs results show above national figures in all areas.

- Provisional progress data shows to be significantly above floor targets in all subjects;
- Pupil Premium funding has been effectively used this year, showing through the 2016 SATs results; and
- The gap between disadvantaged and non-disadvantaged pupils has narrowed from entry to exit in writing and significantly so in reading and maths.

At the end of the school year, monitoring showed 100% good teaching with 31% being outstanding. A new deputy head teacher started in September, leading the improvement of teaching and learning, CPD and RE. The academy has 6 NQTs, one of whom is beginning her final term of her NQT year, but they all have strong mentors who are good and outstanding teachers.

Targets for 2016-17:

- Ensure smooth transition of year 6 pupils to satellite school; in January 2017, we will be moving our Year 6 children to 'The Bridge' at The Portsmouth Academy. Year 6 children currently have weekly enrichment lessons there to familiarise them with the site ready for a smooth transition;
- Improve attainment and progress for all groups of children in KS2 outcomes; and
- Ensure all NQTs pass their induction year.

The Thinking Schools Academy Trust (A company limited by guarantee)

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

Achievements and performance (continued)

Isambard Brunel Junior School (IBJS)

Isambard Brunel Junior School is an average size junior school serving a mainly white British, relatively deprived area of Portsmouth. It has well above average figures for children receiving Free School Meals/Pupil Premium Funding, slightly above average figures for children whose first language is not English and average figures for children with a special education need or disability. Attendance has shown a gradual improvement over the last three years whilst persistent absence has decreased.

The school converted to an academy on 1 November 2014 with the Thinking Schools Academy Trust and is 'without designation' as it awaits its first Section 5 inspection.

Prior to conversion, the school was rated as 'requiring improvement' in March 2014 with a monitoring visit in October 2014 confirming that the school was making progress. An academy commissioned external review in February 2015 concluded that "Put simply, Isambard Brunel Academy Junior School is a rapidly improving school...it is highly possible that at its next Ofsted inspection the outcome will be 'good.'"

In both 2014 and 2015, the school's performance was above national and local averages. However, in 2016, a new more rigorous system of national assessments was introduced based on new criteria. A summary of the data follows:

- 39% of children reached expected standard in Reading, Writing and Maths compared with a national average of 57%;
- The school's progress measures were of -4 for reading, 0.7 for writing and -2.4 for maths compared with floor targets of -5 for reading, -4 for writing and -5 for maths; and
- Therefore, the school's performance remains above the floor standard based on progress scores.

The average scaled scores were 98 for reading, 101 for GPS and 101 for maths. A scaled score of 100 is designated as the expected standard.

The school population continues to rise steadily. Three new teachers were appointed in September 2016 to fill a new teaching post, to fill a vacancy, and to provide early maternity cover. One member of staff is now training to be a teacher via the School Direct programme having previously worked to support children with emotional needs.

The strategic aim for 2016/17 is to narrow the gap between school and national performance to return to the historic level of performance and to obtain a 'good' grade in any Section 5 inspection.

Cedar Children's Academy

Cedar Children's Academy has 564 pupils on roll and is an above average size primary school which converted to an Academy on 1st June 2016 with The Thinking Schools Academy Trust. The school is currently 'without designation'; the previous Ofsted of Cedar Primary (June 2015) was 'requires improvement'; Leadership and Management was 'good'.

The school has slightly below national average FSM, SEN and below national average EAL. Attainment on entry (Nursery and Reception) is variable with those below age related often having speech, communication and language needs. Over the past 18 months the school has experienced significant staff turnover. A new leadership team has been put in place since June 2016.

In 2016 KS2 SATs results:

- 43% of pupils achieved the expected level in reading;
- 61% of pupils achieved the expected level in writing;
- 55% of children achieved the expected level in SPAG;
- 57% of pupils achieved the expected level in maths; and
- 36% of pupils achieved the expected level in both English and maths.

Apart from reading, the results were all closer to the national figures than they had been in the previous year.

In Year 1, 70% of children passed the phonics screening, compared to 43% the previous year. In Reception, 43% of children achieved the GLD. There were a number of staff changes in the year group during the academic year.

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

Achievements and performance (continued)

Targets for the Academic Year 2016-17:

- To improve attainment so that national averages in all areas within the next two years are met;
- To improve teaching and learning;
- To reduce exclusions and increase attendance; and
- To improve the school's partnership with parents.

Going concern

After making appropriate enquiries, the Directors have 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 performance indicators

The Directors consider that the following are key performance indicators for the Academy Trust:

- School performance as detailed by the regulator (Ofsted);
- Latest pupil outcome performance targets;
- Pupil attendance targets;
- Percentage of income spent on teaching staff;
- Percentage of income spent on total staff costs;
- Pupil numbers surplus (leading directly to EFA funding level);
- General financial stability - aim for income to match expenditure each year; and
- Staff turnover.

The Directors have established a Quality Assurance executive team that oversees the performance of all academies within the Trust. It regularly reviews a dashboard completed by the Chief Executive along with information provided by commissioned reviews. As a result of these reviews academies are placed in a RAG rated category which determines the intervention and support required to drive school improvement.

For the Academic year 2015/16 the following:

School performance as detailed by the regulator:

- Outstanding 1 academy;
- Good 4 academies;
- Requires improvement 3 academies;
- Inadequate No academy; and
- No designation 3 academies.

Latest pupil outcome performance targets	KS5	74% A* - C
	KS4	81% 5 A* - C incl E&M
Pupil attendance		95.11%
Percentage of income spent on teaching staff		66.57%
Percentage of income spent on total staff costs		80.11%
Pupil numbers surplus		28%
General financial stability		1.16
Staff turnover		17%

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

Financial review

Most of the Academy Trust's recurrent income is obtained from the EFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

During the year two additional schools were added to the Trust. The assets inherited on conversion/transfer to the Trust, excluding the LGPS deficit, equated to £27.8m (£23.7m The Victory Academy and £4.1m Cedar). The share of the LGPS deficit for these schools was valued at £2.05m (£1.78m The Victory Academy and £269k Cedar). A commercial transfer agreement was agreed to transfer the all active contracts and staff. A 125 year lease was agreed with the same party for the land and buildings.

The Trust operates a policy of 'top slicing' each academy based on the KPI monitoring data and is overseen by the Quality Assurance committee. The top slice funds are held within a central fund that can account for all movement of funds used by central services

During the year the Trust has incurred significant and unexpected legal and staff severance costs due to a high profile case that resulted in the resignation of the Chief Executive. All costs have been accrued in the year and have been funded from the unrestricted reserves held in Rochester Grammar School. The Board will consider options how to distribute the costs against the other Academies during 16/17.

The Trust has been classified as a Multi Academy Trust by the EFA for the purposes of capital funding and therefore benefits from guaranteed funding through the School Condition Allocation fund. This fund has been used to identify a significant investment programme in the building stock that will cross the financial year.

Each academy holds its own reserves and apart from Portsmouth Academy for Girls, all academies have a surplus position at year end.

The central reserves at year end equate to a deficit of £685k. See note 22 for more details of what this comprises.

Financial position

The Academy Trust held fund balances at 31 August 2016 of £66.67m.

These funds included restricted fixed asset funds of £80.175m, GAG funds of £130k, other restricted funds of £599k, unrestricted funds of £80k and endowment funds of £159k. Additionally, there is a pension fund reserve with a deficit of £14.47m. Each of the individual pension fund reserves are in deficit, but does not mean that immediate liabilities crystallise. The deficit results in a cash flow effect in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income of each academy.

Principal risks and uncertainties

The main risks that each academy is exposed to are summarised below. For each of these risks the probability, impact and seriousness have been considered together with appropriate action and avoidance plans. The Board has classified all its risks into 4 categories and review the risk register at every board meeting:

- *Strategic and Reputational* - This covers unfavourable Ofsted reports, risk of uncontrollable events and insufficient demand for academy service. Competition from other schools with similar objects and little scope for differentiation. Also includes the capacity of existing buildings to deliver teaching and learning to students;
- *Operational risks* – This looks at the risks associated with appointing the right quality staff and Governors to lead the organisation and the individual academies;
- *Compliance risk* – The importance of the need to meet statutory requirements connected with employment, Health & Safety and those set by the DfE; and
- *Finance risk* - The Board monitors the financial risk associated with managing a large organisation that balances local autonomy with the need to establish good financial controls. There are also risks in connection with the deficit on the Local Government Pension Scheme, although the Directors are comfortable with the current level of employer contributions the academies are required to pay.

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

Financial and risk management objectives and policies

None of the individual academies use complex financial instruments. Each academy manages its activities using cash and various items such as trade debtors and trade creditors that arise directly from operations.

The main risks arising from the academies' financial activities are liquidity risk, cash flow interest rate risk, and credit risk, as detailed below:

- *Liquidity risk* - each academy manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing;
- *Interest rate risk* - each academy earns interest on cash deposits. With interest rates currently low, the Governors of each Regional Governing Body consider action to increase the income from these deposits, whilst ensuring it does not jeopardise the liquidity or security of the academy's assets; and
- *Credit risk* - this arises from the possibility that amounts owed to the academies will not be repaid. Neither academies partake in credit activities so is only exposed to credit risk as it arises from normal business. Credit risk is managed through the use of approved banks and the prompt collection of amounts due.

Reserves policy

The Directors review the reserve levels of the Academy Trust, and of each individual academy, on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The Directors have determined that the permitted level of free reserves for recurrent costs should be maintained in order to provide sufficient working capital to cover delays between spending and receipt of grants, and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The financial statements identify £729k of restricted funds (this excludes the restricted fixed asset fund and restricted pension fund) which are held for use by the individual academies and in no situation exceeds 5% of annual income which the Board believes is an adequate level to manage future uncertainties.

The Trust holds an unrestricted fund of £80k and whilst part of this is held by individual academies, the Trust reserves the right to redeploy these resources to meet the wider needs of the organisation.

PLANS FOR FUTURE PERIODS

The Directors' main plans for future periods are:

Short term objectives, Year 1:

- Establish Central Services role within the Trust. The above areas of responsibilities are being rolled out at varying rates. The key is to secure approval from Headteachers regarding the quality of support from Central Services;
- Introduce Trust to concept of Habits and their power. CGSB and Victory both piloting work on this area with outcomes to be shared with other schools;
- Launch 360 review and personal development programme with senior staff in the Trust;
- Expansion in Portsmouth – three primary schools. Potential now for secondary expansion in Portsmouth because of PAG improvements;
- Expansion in Medway – no sponsored academies, Free School bid submitted for September 2017;
- Improve HT induction – incorporate Thinking agenda plus support programme for new Headteachers;
- Primary and secondary schools successfully implement new curriculums;
- Ensure consistent policies are established across the Trust;
- Consider how best to use ICT to support Teaching and Learning within the Trust, from this establish ICT vision and development plan for the Trust;
- Establish clear succession planning model for senior posts (Headteacher upwards in the Trust);
- Review and implement new Trust QA approach;
- Develop strength of RGBs and introduce self-evaluation framework to improve governance;
- Develop teacher training opportunities and provision within the Trust to support with future recruitment;
- Consider possible sponsorships within the agreed area of desirable expansion;

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

Plans for future periods (continued)

- Establish specialist Trust support roles – Thinking, Maths, Supply Staff; and
- Introduce wider Trust goals to Headteacher PM.

Medium term objectives, Year 2-4:

- Embed Central Services to cover all roles outlined above and demonstrate best value and service;
- Implement Trust ICT development plan;
- Embed Habits and cognitive agenda in all schools and have multiple case-studies to support this approach to education – these should be supporting Academic Action research projects;
- Roll 360 review and personal development plans out across all staff;
- Establish at least one new hub connected to either Medway or Portsmouth – more likely to be Portsmouth moving East up the coast; and
- Follow up Free School bids in Medway.

Long term objectives, Year 4+:

- Central Services to be an example of outstanding service to schools within a highly cost effective structure – potentially offering services to others;
- As a result of published research, case studies and positive publicity the Habits and cognitive approach at TSAT becomes recognised for its effectiveness in promoting all aspects of student development, academic and pastoral. This recognition gives TSAT a voice on national educational development;
- A culture of self-reflection, 360 review and planning for improvement is embedded within the organisation so that all members of the TSAT community are fully engaged with their personal development; and
- TSAT is a strong MAT across the South East and is ready for potential expansion beyond this geographical area.

DISCLOSURE OF INFORMATION TO AUDITORS

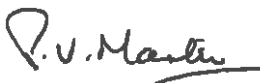
In so far as the Directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all the steps 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.

AUDITORS

The auditors, UHY Hacker Young, have indicated their willingness to remain in office, and the audit process will be reviewed in detail and re-appointment of the auditors will be considered in due course.

This report, incorporating the Strategic report, was approved by order of the Board of Directors on 14 December 2016 and signed on the Board of Director's behalf by:



Mr. P. Martin, Chair of Directors



Mr. S. Gardner, Chief Executive and Accounting Officer

The Thinking Schools Academy Trust (A company limited by guarantee)

Governance Statement

Scope of Responsibility

As Directors, we acknowledge we have overall responsibility for ensuring that The Thinking Schools Academy 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 Directors has delegated the day-to-day responsibility to the Chief Executive, 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 Thinking Schools Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Directors' report and in the Statement of Directors' responsibilities. The Board of Directors has formally met 4 times during the year. Attendance during the year at meetings of the Board of Directors was as follows:

Director	Meetings attended	Out of a possible
Mr. P. Martin, Chair of Trustees	4	4
Ms. D. Shepherd, Chief Executive (to 31 August 2016)	3	4
Mr. L. Miller, Finance Director	4	4
Mr. M.R. Bailey	3	3
Mrs. A. Barry	3	4
Mrs. S. Earle	4	4
Mr. S. Gardner, Chief Executive (from 1 September 2016)	3	4
Mr. D. Morrison	4	4
Mrs. J. Spurgeon, Vice Chair	3	4
Mr. G. Newman	1	2
Mr. L. Trimby	2	2

At the start of the year each Academy has a Local Governing Body or Interim Management Board that is made up of Parents, Staff and those appointed by Directors.

As part of a review of governance structures that commenced in June 2015 the board approved a new regional structure of governance from 1st January 2016. From this date the Local Governing Bodies were disbanded and were replaced with 3 Regional Governing Bodies (Medway Primary, Medway Secondary and Portsmouth).

Directors retain the ability to appoint the Governors that serve on the Regional Governing Body and have agreed a structure that appointments are based on skills assessments. A scheme of delegation is in place to clearly show the delegated powers from the Board to the Regional Governing Bodies.

Each Academy has an advisory body that is made up of local stakeholders that act as a critical friend for the academy and provide input into the decision making of the Regional Governing Body and/or Trust board.

Each Regional Governing Body has its own independent Finance and Staffing Committee acting as a sub-committee of the Regional Governing Body. The purpose of the Finance and Staffing Committee is to assist the decision making of their Regional Governing Body, by enabling more detailed consideration to be given to the best means of fulfilling the governing body's responsibility to ensure sound management of the school's finances and resources, including proper planning, monitoring and probity.

As part of our ongoing commitment to improve our governance arrangement the Board has established a Governance and Ethics Committee that continually reviews the governance function of the organisation and oversees the implementation of improvements that are identified.

The Board has a Finance and Operations Committee that has met 3 times a year.

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Governance Statement (continued)

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
Mrs. J. Spurgeon, Chair	3	3
Ms. D. Shepherd	1	3
Mr. L. Miller	3	3
Mr. J. Daffarn	1	1
Mr. M. Bailey	3	3
Mr. P. Martin	2	2
Mr. L. Trimby	1	1

The Audit Committee is also a sub-committee of the main Board of Directors. Its purpose is to review the risks to internal financial control at the Academy Trust, liaising with internal and external auditors as necessary. During the year the Audit Committee has considered the risks the Trust faces, and directed the work of the internal auditors towards these areas, and established a programme of internal audit checks extending into the 2016/17 academic year to provide assurance on the operation of the systems and controls in the academies that have joined the Trust during the year and since the year end.

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
Mr. P. Martin	2	2
Mrs. S. Earle, Chair	2	2
Mr. D. Morrison	2	2
Mrs. S. Ashton	2	2
Mr. G. Newman	0	1

Mrs. S. Ashton sits on the Audit Committee Board in an independent adviser capacity. The Chief Executive and Finance Director are invited to each meeting and provide the management information for the committee to consider and evaluate.

The Performance and Remuneration Committee has met twice this year. The committee has a paid consultant that supports the decision making process.

Attendance at meetings in the year was as follows:

Director	Meeting attended	Out of a possible
Mr. P. Martin, Chair	2	2
Mrs. S. Earle	2	2
Mr. M. Bailey	2	2

Review of Value for money

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

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

- The change in the Trust's governance arrangements has resulted in both significant financial efficiencies due to reduction in costs and senior staffs time required to meet the level of meeting previously required. Decision making around spending priorities are now made between groups of schools and it has become easier to agree roles that support across a hub;
- The creation of the central finance function which has removed the need for individual finance and business management at school level has generated savings in excess of £200k per annum; and
- Procurement contracts have been negotiated with key suppliers on a preferred supplier basis which results in low prices and rebates returning to the academies based on levels of spend.

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Governance Statement (continued)

The Purpose of the System of Internal Control

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

Capacity to Handle Risk

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

The Risk and Control Framework

The Academy Trust'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 Directors;
- Regular reviews by the Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- Setting targets to measure financial and other performance;
- Clearly defined purchasing (asset purchase or capital investment) guidelines;
- Delegation of authority and segregation of duties; and
- Identification and management of risks.

The Board of Directors has considered the need for a specific internal audit function and has decided to appoint UHY Hacker Young, the external auditor, to perform an internal audit function for the trust with segregated teams.

The appointees' role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. The Audit Committee has designed a programme of work across the Trust which varies from academy to academy based on the relative risks. Appointees have performed regular system checks throughout the year (3 visits per year per Academy), and have reported to the Board of Directors on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities.

During the year ended 31st August 2016 the internal audit function has been fully delivered in line with the requirements of the Education Funding Agency, and as planned. No material control issues have arisen and any recommendations for improvements are reported and monitored by the Audit Committee.

Review of Effectiveness

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

- The work of the external auditor;
- The financial management and governance self-assessment process; and
- The work of the executive leaders within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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Governance Statement (continued)

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit Committee 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 Directors on 14 December 2016 and signed on their behalf, by:



Mr P Martin
Chair of Directors



Mr S R Gardner
Accounting Officer

The Thinking Schools Academy Trust
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Statement on Regularity, Propriety and Compliance

As Accounting Officer of The Thinking Schools Academy Trust I have considered my responsibility to notify the Academy Trust Board of Directors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the Academy Trust Board of Directors are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2015.

I have been made aware of a breach in the funding agreement linked to the granting of a third party lease linked to the development of a 3G football pitch at Victory Academy. Once identified the EFA were informed and have granted retrospective permission.

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



Mr. S. Gardner
Accounting Officer

Date: 14 December 2016

The Thinking Schools Academy Trust
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Statement of Directors' Responsibilities
For the year ended 31 August 2016

The Trustees (who are also the Directors of the Academy Trust for the purposes of company law) are responsible for preparing the Strategic report, the Directors' 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 Directors to prepare financial statements for each financial year. Under company law the Directors 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 Academy Trust and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Academy Trust will continue in business.

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

The Directors are responsible for ensuring that in its conduct and operation the Academy Trust 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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Academy Trust'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 Directors on 14 December 2016 and signed on its behalf by:



Mr. P. Martin
Chair of Directors

The Thinking Schools Academy Trust
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Independent Auditor's Report on the Financial Statements to the Members of The Thinking Schools Academy Trust

We have audited the financial statements of The Thinking Schools Academy Trust for the year ended 31 August 2016 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

Respective responsibilities of Directors and auditor

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Academy Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Opinion on other matter prescribed by the Companies Act 2006

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

The Thinking Schools Academy Trust
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Independent Auditor's Report on the Financial Statements to the Members of The Thinking Schools Academy 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 Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

UHY Kent LLP

Allan Hickie BSc FCA (Senior statutory auditor)

for and on behalf of

UHY Kent LLP

Chartered Accountants

and Statutory Auditors

Thames House

Roman Square

Sittingbourne

Kent

ME10 4BJ

Date: *16 December 2016*

The Thinking Schools Academy Trust
(A company limited by guarantee)

Independent Reporting Accountant's Assurance Report on Regularity to The Thinking Schools Academy Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 25 September 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Thinking Schools Academy Trust during the year 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Thinking Schools Academy 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 Thinking Schools Academy 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 Thinking Schools Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Thinking Schools Academy Trust's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of The Thinking Schools Academy Trust's funding agreement with the Secretary of State for Education dated 26 August 2014, and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

We conducted our work in accordance with Technical Release TECH 08/12 AAF issued by the Institute of Chartered Accountants In England and Wales. In accordance with that Technical Release we have carried out the procedures we consider necessary to be able to report on whether anything has come to our attention which suggests that in all material respects expenditure disbursed and income received have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them. Other than those procedures undertaken for the purposes of our audit of the financial statements of The Thinking Schools Academy Trust for the year ended 31 August 2016 which provides evidence on regularity, our work was limited to only those additional procedures necessary to provide limited assurance.

The work undertaken to draw to our conclusion included:

- an assessment of the risk of material irregularity and impropriety across all of the Academy Trust's activities;
- further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

The Thinking Schools Academy Trust
(A company limited by guarantee)

Independent Reporting Accountant's Assurance Report on Regularity to The Thinking Schools Academy Trust and the Education Funding Agency (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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Reporting Accountants
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Date: *16 December 2016*

The Thinking Schools Academy Trust
(A company limited by guarantee)

Statement of Financial Activities Incorporating Income and Expenditure Account
For the year ended 31 August 2016

	Note	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Endowment funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Income and endowments from:							
Donations & capital grants:							
Fixed assets inherited	2	-	-	27,348	-	27,348	6,494
Other assets inherited	2	554	(598)	-	500	456	270
LGPS pension liabilities inherited	2	-	(2,052)	-	-	(2,052)	(650)
Other donations and capital grants	2	39	53	3,010	-	3,102	995
Charitable activities	4	255	27,469	-	-	27,724	21,380
Other trading activities	3	377	9	-	-	386	212
Investments	5	7	-	-	-	7	7
Total income and endowments		1,232	24,881	30,358	500	56,971	28,708
Expenditure on:							
Charitable activities		932	28,693	1,638	-	31,263	22,762
Total expenditure	6	932	28,693	1,638	-	31,263	22,762
Net income / (expenditure) before transfers		300	(3,812)	28,720	500	25,708	5,946
Transfers between Funds	22	(1,575)	1,009	907	(341)	-	-
Net income / (expenditure) before other recognised gains and losses		(1,275)	(2,803)	29,627	159	25,708	5,946
Actuarial gains/(losses) on defined benefit pension schemes	27	-	(6,411)	-	-	(6,411)	231
Net movement in funds		(1,275)	(9,214)	29,627	159	19,297	6,177
Reconciliation of funds:							
Total funds brought forward		1,355	(4,528)	50,548	-	47,375	41,198
Total funds carried forward		80	(13,742)	80,175	159	66,672	47,375

The notes on pages 30 to 51 form part of these financial statements.

The Thinking Schools Academy Trust
(A company limited by guarantee)
Registered number: 07359755

Balance Sheet
As at 31 August 2016

	Note	£000	2016 £000	2015 £000
Fixed assets				
Tangible assets	16		80,072	50,456
Current assets				
Stocks	18	1	1	
Debtors	19	2,385	1,186	
Cash at bank and in hand		2,438	2,935	
		<u>4,824</u>	<u>4,122</u>	
Creditors: amounts falling due within one year	20	<u>(3,269)</u>	<u>(1,823)</u>	
Net current assets			1,555	2,299
Total assets less current liabilities			<u>81,627</u>	<u>52,755</u>
Creditors: amounts falling due after more than one year	21		<u>(484)</u>	<u>(31)</u>
Net assets excluding pension scheme liabilities			81,143	52,724
Pension scheme liabilities	27		<u>(14,471)</u>	<u>(5,349)</u>
Net assets including pension scheme liabilities			<u>66,672</u>	<u>47,375</u>
Funds of the academy				
Endowment funds	22		159	
Restricted funds: :				
General Annual Grant	22	130	391	
Other restricted funds	22	599	430	
Restricted fixed asset funds	22	80,175	50,548	
Restricted income funds excluding pension liability		80,904	51,369	
Pension reserve		<u>(14,471)</u>	<u>(5,349)</u>	
Total restricted funds:			66,433	46,020
Unrestricted income funds	22		<u>80</u>	<u>1,355</u>
Total funds			<u>66,672</u>	<u>47,375</u>

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



Mr. P. Martin
Chair of Directors

The notes on pages 30 to 51 form part of these financial statements.

The Thinking Schools Academy Trust
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Statement of Cash Flows
For the year ended 31 August 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	24	(833)	184
Cash flows from investing activities:			
Dividends, interest and rents from investments		7	7
Purchase of tangible fixed assets		(3,459)	(1,010)
Capital grants from DfE/EFA		2,800	749
Cash transferred on conversion/joining the academy trust		535	256
Net cash (used in)/provided by investing activities		(117)	2
Cash flows from financing activities:			
Repayments of borrowings		(21)	(21)
Cash inflows from new borrowing		474	-
Net cash provided by/(used in) financing activities		453	(21)
Change in cash and cash equivalents in the year		(497)	165
Cash and cash equivalents brought forward		2,935	2,770
Cash and cash equivalents carried forward		2,438	2,935

The Thinking Schools Academy Trust
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Notes to the Financial Statements
For the year ended 31 August 2016

1. Accounting Policies

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

1.1 Basis of preparation of financial statements

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

The Thinking Schools Academy Trust constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

It is the first period that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014.

As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards. However, generally the impact of these has had no effect on comparative figures.

The main impact has therefore been to change the presentation of certain items in the accounts in order to comply with the new legislation, notably:

- i) capital grants are now shown in a donations and capital grants row on the Statement of Financial Activities, rather than within incoming resources from charitable activities; and
- ii) governance costs are now included with support costs, within costs of charitable activities, instead of appearing on a separate line on the Statement of Financial Activities.

The comparative figures have been restated only in respect of the recognition of LGPS interest costs. Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expense by £147k and increase the credit in other recognised gains and losses in the SoFA by an equivalent amount. There is therefore no impact on the brought forward fund position or net movement in funds in the comparative period.

1.2 Group accounts

The financial statements present information about the Academy Trust and not about its group. The Academy Trust's subsidiary undertaking is immaterial to the group. The Academy Trust has therefore taken advantage of the exemptions provided by section 405 of the Companies Act 2006 not to prepare consolidated accounts.

1.3 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder and include grants from the Education Funding Agency.

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

The Thinking Schools Academy Trust
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Notes to the Financial Statements
For the year ended 31 August 2016

1. Accounting Policies (continued)

1.4 Income

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

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

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating income and expenditure account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

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

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

1.5 Expenditure

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

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

1.6 Going concern

The Directors 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 Trust to continue as a going concern. The Directors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Thinking Schools Academy Trust
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Notes to the Financial Statements
For the year ended 31 August 2016

1. Accounting Policies (continued)

1.7 Tangible fixed assets and depreciation

All equipment costing more than £2,500 and property improvements costing more than £10,000 are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities incorporating income and expenditure account and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities incorporating income and expenditure account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

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

Leasehold Land & buildings	-	over 125 year term of lease
Furniture, plant & equipment	-	15-25%
Computer equipment & software	-	33.33%
Assets under construction	-	Not depreciated

1.8 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities incorporating income and expenditure account on a straight line basis over the lease term.

1.9 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Academy Trust; this is normally upon notification of the interest paid or payable by the Bank.

1.10 Taxation

The Academy Trust 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 Trust 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.

The Thinking Schools Academy Trust
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Notes to the Financial Statements
For the year ended 31 August 2016

1. Accounting Policies (continued)

1.11 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.12 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.13 Liabilities and provisions

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

1.14 Financial instruments

The Academy Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.15 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 27, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

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

1. Accounting Policies (continued)

1.16 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the LGPS defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Income from donations and capital grants

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Endowment funds 2016 £000	Total funds 2016 £000	<i>Total funds 2015 £000</i>
Fixed assets inherited	-	-	27,348	-	27,348	6,494
Other assets inherited	554	(598)	-	500	456	270
LGPS pension liabilities inherited	-	(2,052)	-	-	(2,052)	(650)
Other donations	39	53	210	-	302	250
Capital grants	-	-	2,800	-	2,800	745
Donations and capital grants	39	53	3,010	-	3,102	995
	593	(2,597)	30,358	500	28,854	7,109

In 2015, of the total income from donations and capital grants, £462k was to unrestricted funds and £6,647k was to restricted funds.

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

3. Trading activities

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Endowment funds 2016 £000	Total funds 2016 £000	<i>Total funds 2015 £000</i>
Charity trading income					
Hire of facilities	234	-	-	234	188
Other income	33	9	-	42	24
Catering profit share	110	-	-	110	-
	<u>377</u>	<u>9</u>	<u>-</u>	<u>386</u>	<u>212</u>
Net income from trading activities	<u>377</u>	<u>9</u>	<u>-</u>	<u>386</u>	<u>212</u>

4. Funding for Academy Trust's educational operations

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Endowment funds 2016 £000	Total funds 2016 £000	<i>Total funds 2015 £000</i>
General Annual Grant (GAG)	-	23,215	-	23,215	18,513
Other DfE/EFA grants	-	2,687	-	2,687	1,613
Other government grants	-	850	-	850	680
School trips	-	335	-	335	345
Catering	-	292	-	292	56
Other income	255	90	-	345	173
	<u>255</u>	<u>27,469</u>	<u>-</u>	<u>27,724</u>	<u>21,380</u>

In 2015, of the total income from charitable activities, £84k was to unrestricted funds and £21,296k was to restricted funds.

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

5. Investment income

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Endowment funds 2016 £000	Total funds 2016 £000	<i>Total funds 2015 £000</i>
Bank interest	7	-	-	7	7

In 2015 all of the investment income received was to unrestricted funds.

6. Expenditure

	Staff costs 2016 £000	Premises 2016 £000	Other costs 2016 £000	Total 2016 £000	<i>Total 2015 £000</i>
Academy Trust's educational activities:					
Direct costs	18,969	763	2,595	22,327	16,338
Support costs	3,916	1,804	3,216	8,936	6,424
	<u>22,885</u>	<u>2,567</u>	<u>5,811</u>	<u>31,263</u>	<u>22,762</u>

In 2016, of the total expenditure, £899k (2015 - £435k) was to unrestricted funds and £30,364k (2015 - £22,327k) was to restricted funds.

7. Direct costs

	Academy Trust's educational activities £000	Total 2016 £000	<i>Total 2015 £000</i>
Books, apparatus and stationery	485	485	387
Examination fees	372	372	316
Staff development	206	206	186
Other direct costs	595	595	466
School trips	359	359	338
Wages and salaries	15,416	15,416	11,612
National insurance	1,245	1,245	838
Pension cost	2,308	2,308	1,623
Depreciation	1,341	1,341	572
	<u>22,327</u>	<u>22,327</u>	<u>16,338</u>

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

8. Support costs

	Academy Trust's educational activities £000	Total 2016 £000	<i>Total 2015 £000</i>
Recruitment and support	221	221	131
Maintenance of premises and equipment	765	765	418
Cleaning	285	285	177
Rent and rates	235	235	150
Heat and light	479	479	376
Insurance	371	371	223
Catering	617	617	337
Technology costs	649	649	619
Bank interest and charges	11	11	11
Other support costs	1,115	1,115	841
Governance costs	201	201	123
Wages and salaries	2,640	2,640	2,112
National insurance	161	161	125
Pension cost	1,115	1,115	751
Depreciation	71	71	30
	<u>8,936</u>	<u>8,936</u>	<u>6,424</u>

9. Net incoming resources/(resources expended)

This is stated after charging:

	2016 £000	<i>2015 £000</i>
Depreciation of tangible fixed assets:		
- owned by the charity	1,411	602
Operating lease rentals	161	120
	<u>1,572</u>	<u>722</u>

10. Auditors' remuneration

	2016 £000	<i>2015 £000</i>
Fees payable to the Academy Trust's auditor and its associates for the audit of the Academy Trust's annual accounts	27	27
Fees payable to the Academy Trust's auditor and its associates in respect of:		
Internal audit services	13	12
All other non-audit services not included above	5	17
	<u>45</u>	<u>56</u>

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

11. Staff costs

Staff costs were as follows:

	2016	<i>2015</i>
	£000	<i>£000</i>
Wages and salaries	17,230	13,083
Social security costs	1,406	963
Operating costs of defined benefit pension schemes	3,423	2,374
	<u>22,059</u>	<u>16,420</u>
Agency staff costs	626	568
Restructuring costs	200	73
	<u>22,885</u>	<u>17,061</u>

Staff restructuring costs comprise:

	2016	<i>2015</i>
	£000	<i>£000</i>
Redundancy payments	54	41
Severance payments	74	32
Other restructuring costs	72	-
	<u>200</u>	<u>73</u>

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

	2016	<i>2015</i>
	No.	<i>No.</i>
Teachers	297	230
Administrative and support	402	305
Management	48	43
	<u>747</u>	<u>578</u>

Average headcount expressed as a full time equivalent:

	2016	<i>2015</i>
	No.	<i>No.</i>
Teachers	278	208
Administrative and support	258	192
Management	48	42
	<u>584</u>	<u>442</u>

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

	2016	<i>2015</i>
	No.	<i>No.</i>
In the band £ 60,001 - £ 70,000	4	3
In the band £ 70,001 - £ 80,000	3	2
In the band £ 80,001 - £ 90,000	1	2
In the band £ 90,001 - £ 100,000	1	1
In the band £ 100,001 - £ 110,000	2	0
In the band £ 110,001 - £ 120,000	1	0
In the band £ 190,001 - £ 200,000	0	1
In the band £ 290,001 - £ 300,000	1	0

The Thinking Schools Academy Trust
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11. Staff costs (continued)

Twelve of the employees shown above participated in the Teachers' Pension Scheme (2015 - eight), with one contributing towards the Local Government Pension Scheme (2015 - one). During the year ended 31 August 2016, employer's Teachers' Pension Scheme contributions for these staff amounted to £186,714 and employer's Local Government Pension Scheme contributions amounted to £12,042.

Included in staff restructuring costs are eight non-statutory/non contractual severance payments of £30,000, £10,000, £7,960, £7,000, £5,800, £5,000, £4,500 and £3,610.

The key management personnel of the Academy Trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pensions contributions) received by key management personnel for their services to the academy trust was £811,067 (2015 - £488,317).

12. Directors' remuneration and expenses

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

		2016	<i>2015</i>
		£000	<i>£000</i>
Ms. D. Shepherd	Remuneration	295-300	<i>195-200</i>
	Pension contributions paid	40-45	<i>20-25</i>
Mr. S. Gardner	Remuneration	100-105	<i>90-95</i>
	Pension contributions paid	15-20	<i>10-15</i>
Mr. L. Miller	Remuneration	90-95	<i>80-85</i>
	Pension contributions paid	10-15	<i>10-15</i>

Ms. Shepherd's remuneration above includes termination payments (including payment in lieu of notice) of £85,833.

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

During the year ended 31 August 2016, expenses totalling £507 (2015 - £791) were reimbursed to 2 Directors (2015 - 3).

13. Expenditure - Analysis of specific expenses

Included within expenditure are the following transactions:

	Total	Individual items above £5,000	
	£000	Amount	Reason
		£000	
Compensation payments	50	50	Personal injury

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14. Central services

The Academy Trust has provided the following central services to its academies during the year:

- Chief Executive Leadership time and support;
- Finance Director time and support;
- HR services and policy development;
- Finance system and license costs;
- Audit fees (both internal and external);
- Legal advice and support;
- Trust governance and risk management;
- Trust IT staff and website development;
- ICT and capital strategy and development; and
- External quality assurance consultants.

The Academy Trust charges for these services on the following basis:

Each academy school pays a 'top slice' of their General Annual Grant income to the Trust's central services fund. This payment is at a set percentage which is dependent on an internal monitoring 'RAG' rating, being 3% for schools rated green, 4% for schools rated amber and 5% for schools rated red. Any unused surplus is rolled forward into the next year.

The actual amounts charged during the year were as follows:

	2016	<i>2015</i>
	£000	<i>£000</i>
The Rochester Grammar School	160	<i>159</i>
Gordon Children's Academy	81	<i>64</i>
Portsmouth Academy for Girls	160	<i>147</i>
Chatham Grammar School for Boys	107	<i>126</i>
All Faiths Children's Academy	33	<i>35</i>
New Horizons Children's Academy	26	<i>14</i>
Isambard Brunel Junior School	41	<i>34</i>
Newbridge Junior School	49	<i>38</i>
The Victory Academy	234	<i>1</i>
Cedar Children's Academy	24	<i>1</i>
	<hr/>	<hr/>
Total	915	<i>617</i>
	<hr/>	<hr/>

15. Directors' 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 year ended 31 August 2016 was £2,191 (*2015 - £1,918*).

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16. Tangible fixed assets

	Leasehold land & buildings £000	Furniture, plant & equipment £000	Computer equipment & software £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 September 2015	50,609	532	495	340	51,976
Additions	2,902	259	519	22	3,702
Transfer between classes	315	14	-	(329)	-
Inherited on conversion or joining the trust	26,346	162	817	-	27,325
At 31 August 2016	<u>80,172</u>	<u>967</u>	<u>1,831</u>	<u>33</u>	<u>83,003</u>
Depreciation					
At 1 September 2015	1,063	196	261	-	1,520
Charge for the year	804	178	429	-	1,411
At 31 August 2016	<u>1,867</u>	<u>374</u>	<u>690</u>	<u>-</u>	<u>2,931</u>
Net book value					
At 31 August 2016	<u>78,305</u>	<u>593</u>	<u>1,141</u>	<u>33</u>	<u>80,072</u>
At 31 August 2015	<u>49,546</u>	<u>336</u>	<u>234</u>	<u>340</u>	<u>50,456</u>

Included in land and buildings is leasehold land at a valuation of £6,810,000 (2015 - £4,722,000) which is not depreciated.

17. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Isambard Brunel Centre Limited	UK	100%	A private nursery

18. Stocks

	2016 £000	2015 £000
School uniforms	1	1

19. Debtors

	2016 £000	2015 £000
Trade debtors	49	134
Recoverable VAT	446	234
Other debtors	1	4
Prepayments and accrued income	1,889	814
	<u>2,385</u>	<u>1,186</u>

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20. Creditors: Amounts falling due within one year

	2016	2015
	£000	£000
Other loans	21	21
Trade creditors	1,398	799
Other taxation and social security	460	286
Other creditors	302	190
Accruals and deferred income	1,088	527
	<u>3,269</u>	<u>1,823</u>
	2016	2015
	£000	£000
Deferred income		
Deferred income at 1 September 2015	152	78
Resources deferred during the year	350	152
Amounts released from previous years	(152)	(78)
Deferred income at 31 August 2016	<u>350</u>	<u>152</u>

The deferred income above relates to income received for trips to take place in the 2016/17 academic year of £106k (2015 - £121k), grant money received in advance of £238k (2015 - £31k) and other income received in advance of £6k (2015 - £nil).

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

	2016	2015
	£000	£000
Other loans	484	31

The other loan balance in creditors due within one year along with £10k of the total balance falling due after more than one year relates to an interest free Salix funding loan for energy efficiency improvements at Rochester Grammar School.

The remaining £474k of other loans falling due after more than one year relates to funding received from the EFA towards the 2013/14 and 2014/15 deficits in The Victory Academy. This funding is repayable in 2017/18.

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22. Statement of funds

	Brought Forward £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
Unrestricted funds						
General unrestricted fund	1,355	1,232	(932)	(1,575)	-	80
Endowment funds						
Endowment Fund	-	500	-	(341)	-	159
Restricted funds						
General Annual Grant (GAG)	391	22,684	(24,409)	1,464	-	130
Other DfE/EFA	106	2,608	(2,256)	(147)	-	311
Other government grants	226	879	(597)	(272)	-	236
Other restricted	98	762	(772)	(36)	-	52
Pension reserve	(5,349)	(2,052)	(659)	-	(6,411)	(14,471)
	<u>(4,528)</u>	<u>24,881</u>	<u>(28,693)</u>	<u>1,009</u>	<u>(6,411)</u>	<u>(13,742)</u>
Restricted fixed asset funds						
Restricted fixed assets	50,456	-	-	29,616	-	80,072
Capital fund	92	30,358	(1,638)	(28,709)	-	103
	<u>50,548</u>	<u>30,358</u>	<u>(1,638)</u>	<u>907</u>	<u>-</u>	<u>80,175</u>
Total restricted funds	<u>46,020</u>	<u>55,239</u>	<u>(30,331)</u>	<u>1,916</u>	<u>(6,411)</u>	<u>66,433</u>
Total of funds	<u>47,375</u>	<u>56,971</u>	<u>(31,263)</u>	<u>-</u>	<u>(6,411)</u>	<u>66,672</u>

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

General Annual Grant (GAG) must be used for the normal running costs of the academies. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016

The other DfE/EFA grants fund is used to track non-GAG grants received from the EFA, the DfE or executive agencies of the DfE and includes Pupil Premium and Teaching Schools grants.

The other government grants fund is used to track grants provided by government departments and includes Individually Assigned Resources funding.

Other restricted funds track income such as school trips and other non-grant restricted income.

The pension reserve deficit is a restricted fund to account for the liability arising under The Local Government Pension Scheme.

The restricted fixed asset funds are carried forward to meet the specific costs of fixed asset projects and to cover the depreciation charges that will be required on these projects going forward and the current fixed assets held. The net transfer to the restricted fixed asset fund of £907k represents the total capital expenditure from other non capital funds. The balance on the capital fund at the end of the year represents unspent capital income.

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22. Statement of funds (continued)

The endowment fund represents monies held by the Bishop of Rochester Endowment Fund (Charity Registration Number 1139048) established by a trust deed dated 11 October 2010. £500,000 was received from Medway Council during the year ended 31 August 2011 under this deed as an endowment. The Directors have entered into a Deed with the previous Trustees who have now all retired and have since removed the charity from the charities commission register as an exempt charity. All transactions are monitored by the board of Directors. The income of the endowment fund arising during each financial year is to be applied by the academy to advance education for the benefit of the community of Chatham.

Analysis of academies by fund balance

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £000	<i>Total 2015 £000</i>
The Rochester Grammar School	329	752
All Faiths Children's Academy	200	147
Portsmouth Academy for Girls	(23)	(24)
Chatham Grammar School for Boys	138	390
Gordon Children's Academy	37	41
New Horizons Children's Academy	226	260
Isambard Brunel Junior School	100	158
Newbridge Junior School	209	111
The Victory Academy	312	-
Cedar Children's Academy	125	-
Central Services	(685)	341
Total before fixed asset fund and pension reserve	968	2,176
Restricted fixed asset fund	80,175	50,548
Pension reserve	(14,471)	(5,349)
Total	66,672	47,375

The following academy is carrying a net deficit on its portion of the funds as follows:

Name of academy	Amount of deficit £
Portsmouth Academy for Girls	23

The Academy Trust is taking the following action to return the academy and Central Services to surplus:

Due to a higher than expected clawback of funds linked to lower pupil numbers this Academy has ended the year with a minor deficit. Plans have been undertaken to secure a recovery from this position, which are being assisted by the Academy having achieved higher than expected pupil growth for 2017/18, which is expected to bring the academy back into a surplus.

The Central Services deficit of £685k recognises the £474k loan agreement entered into with the EFA as a result of the sponsorship of Bishop of Rochester Academy as The Victory Academy within TSAT. This will be recovered by the Academy as future numbers begin to increase from 2017/18.

The remaining deficit is linked to the extraordinary one off items as identified within the financial review section of the Director report. The Board has agreed a 3 year recovery plan and has identified an unrestricted future income stream to support this.

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22. Statement of funds (continued)

Analysis of academies by cost

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

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total 2016 £000	Total 2015 £000
All Faiths Children's Academy	1,205	151	163	195	1,714	1,810
Cedar Children's Academy	360	56	37	77	530	-
Central	772	962	68	584	2,386	1,009
Chatham Grammar School for Boys	2,824	304	241	628	3,997	4,240
Isambard Brunel Junior School	859	151	113	208	1,331	976
New Horizons Children's Academy	742	179	166	254	1,341	655
Newbridge Junior School	1,173	226	244	282	1,925	1,541
Portsmouth Academy	2,078	620	391	508	3,597	4,318
Rochester Grammar School	3,984	515	371	811	5,681	5,606
The Gordon Schools Federation	1,372	198	146	277	1,993	2,005
The Victory Academy	3,380	452	499	1,025	5,356	-
	18,749	3,814	2,439	4,849	29,851	22,160

23. Analysis of net assets between funds

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Endowment funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Tangible fixed assets	-	-	80,072	-	80,072	50,456
Current assets	239	4,482	103	-	4,824	4,122
Creditors due within one year	-	(3,269)	-	-	(3,269)	(1,823)
Creditors due in more than one year	-	(484)	-	-	(484)	(31)
Provisions for liabilities and charges	-	(14,471)	-	-	(14,471)	(5,349)
	80	(13,742)	80,175	159	66,672	47,375

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

	2016	<i>2015</i>
	£000	<i>£000</i>
Net income for the year (as per Statement of financial activities)	25,708	5,946
Adjustment for:		
Depreciation charges	1,411	602
Dividends, interest and rents from investments	(7)	(7)
Cash impact of transfer on conversion/joining the trust	(535)	(256)
Decrease in stocks	-	1
Increase in debtors	(1,199)	(295)
Increase in creditors	1,446	350
Capital grants from DfE and other capital income	(2,800)	(749)
Defined benefit pension scheme obligation inherited	2,052	650
Defined benefit pension scheme cost less contributions payable	386	239
Defined benefit pension scheme finance cost	268	193
Tangible fixed assets inherited on conversion/joining the trust	(27,325)	(6,493)
Defined benefit pension scheme administration cost	5	3
Other donated assets	(243)	-
Net cash (used in)/provided by operating activities	(833)	<i>184</i>

25. Analysis of cash and cash equivalents

	2016	<i>2015</i>
	£000	<i>£000</i>
Cash in hand	2,438	2,935
Total	2,438	<i>2,935</i>

26. Conversion to an academy trust and assets inherited from other academy trusts

On 1 September 2015 The Victory Academy, an existing academy, joined the trust. All the operations and assets and liabilities were transferred to the trust from the UK company 07025097. The board has agreed an additional liability of £474,000 with the EFA repayable from 2017/18 over 3 years as part of this transaction.

On 1 June 2016 Cedar Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities for were transferred to The Thinking Schools Academy Trust from Medway Council for £NIL consideration.

These transfers have been accounted for as combinations that are in substance both gifts. 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 as a net gain in the Statement of financial activities incorporating income and expenditure account as Donations - transfer from local authority on conversion

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 incorporating income and expenditure account.

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26. Conversion to an academy trust and assets inherited from other academy trusts (continued)

	Unrestricted funds £000	Restricted funds £000	Restricted fixed asset funds £000	Endowment funds £000	Total funds £000
Tangible fixed assets					
Fixed assets transferred - The Victory Academy	-	-	23,348	-	23,348
Fixed assets inherited - Cedar Children's Academy	-	-	4,000	-	4,000
Other assets transferred - The Victory Academy	421	(598)	-	500	323
Other assets inherited - Cedar Children's Academy	133	-	-	-	133
LGPS pension deficit - The Victory Academy	-	(1,783)	-	-	(1,783)
LGPS pension deficit - Cedar Children's Academy	-	(269)	-	-	(269)
Net assets/(liabilities)	<u>554</u>	<u>(2,650)</u>	<u>27,348</u>	<u>500</u>	<u>25,752</u>

Due to the transfer of operations, assets and liabilities of Cedar Primary School on conversion to academy status along with the transfer of operations, assets and liabilities of The Victory Academy on joining the multi academy trust during the year, the Trust's activities derive from a mixture of continuing and acquired operations. The split between continuing and acquired operations, using the main headings of the Statement of Financial Activities, is as follows:

	Continuing operations £000	Acquired operations £000	2016 £000
Total incoming resources	20,195	32,533	52,728
Total expended resources	(24,712)	(6,551)	(31,263)
Net income/(expenditure) before other gains and losses per Statement of financial activities	<u>(4,517)</u>	<u>25,982</u>	<u>21,465</u>

27. Pension commitments

The Academy Trust'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 Kent County Council and Hampshire County Council. Both are multi-employer defined benefit pension schemes.

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

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment

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27. Pension commitments (continued)

or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pension costs paid to TPS in the period amounted to £1.559m (2015: £961k).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £1,205,000. (2015: £978,000), of which employer's contributions totalled £927,000 (2015: £759,000) and employees' contributions totalled £278,000. (2015: £219,000). The agreed contribution rates until April 2017 are 20.1% for employers and between 5.5 and 7.5% for employees; the trust is currently awaiting confirmation of the rates that will apply for future years.

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

Principal actuarial assumptions (weighted average):

	2016	2015
Discount rate for scheme liabilities	2.20 %	3.90 %
Rate of increase in salaries	3.90 %	4.10 %
Rate of increase for pensions in payment / inflation	2.20 %	2.40 %

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27. Pension commitments (continued)

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

	2016	<i>2015</i>
Retiring today		
Males	23.3	22.8
Females	25.6	25.2
Retiring in 20 years		
Males	25.6	25.1
Females	27.9	27.6

The assumed life expectations and principal actuarial assumptions shown above are a weighted average of the assumptions used by Kent County Council and Hampshire County Council.

The Academy Trust's share of the assets in the scheme was:

	Fair value at 31 August 2016 £000	<i>Fair value at 31 August 2015 £000</i>
Equities	7,838	4,774
Debt instruments	983	567
Property	1,469	859
Gilts	1,009	743
Cash	390	212
Other	467	298
Total market value of assets	12,156	7,453

The actual return on scheme assets was £1,590,000. (2015: £194,000).

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the year. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The amounts recognised in the Statement of Financial Activities incorporating income and expenditure account are as follows:

	2016 £000	<i>2015 £000</i>
Current service cost (net of employee contributions)	(1,265)	(998)
Net interest cost	(273)	(196)
Past service cost	(48)	-
Total	(1,586)	(1,194)
Actual return on scheme assets	1,590	194

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27. Pension commitments (continued)

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

	2016	<i>2015</i>
	£000	<i>£000</i>
Opening defined benefit obligation	12,802	<i>10,020</i>
Upon conversion/joining the trust	4,266	<i>1,605</i>
Current service cost	1,265	<i>998</i>
Interest cost	657	<i>453</i>
Contributions by employees	278	<i>219</i>
Actuarial losses/(gains)	7,612	<i>(289)</i>
Past service costs	48	<i>-</i>
Benefits paid	(301)	<i>(204)</i>
	<hr/>	<hr/>
Closing defined benefit obligation	26,627	<i>12,802</i>
	<hr/> <hr/>	<hr/> <hr/>

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

	2016	<i>2015</i>
	£000	<i>£000</i>
Opening fair value of scheme assets	7,453	<i>5,525</i>
Upon conversion/joining the trust	2,214	<i>955</i>
Return on plan assets (excluding net interest on the net defined pension liability)	389	<i>260</i>
Actuarial gains and (losses)	1,201	<i>(58)</i>
Contributions by employer	927	<i>759</i>
Contributions by employees	278	<i>219</i>
Administration expenses	(5)	<i>(3)</i>
Benefits paid	(301)	<i>(204)</i>
	<hr/>	<hr/>
Closing fair value of scheme assets	12,156	<i>7,453</i>
	<hr/> <hr/>	<hr/> <hr/>

28. Operating lease commitments

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

	2016	<i>2015</i>
	£000	<i>£000</i>
Amounts payable:		
Within 1 year	142	<i>139</i>
Between 1 and 5 years	162	<i>194</i>
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Total	304	<i>333</i>
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29. Related party transactions

Owing to the nature of the Academy Trust's operations and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which the Trust has an interest. Any such transactions involving such organisations which may take place would be conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

The following transactions did take place with related charitable organisations:

The Academy Trust leases The Rochester Grammar School land and buildings from a related charity, Rochester Grammar School for Girls Charity, registration number 307839, at an annual peppercorn rent.

The Rochester Grammar School Association, registered charity number 803801 donated £17,510 (2015 - £nil) to the Trust during the year.

During the year, Isambard Brunel Centre Limited, the subsidiary undertaking of The Thinking Schools Academy Trust paid the Trust £17,183 (2015 - £15,533) in rent and service charges.

Mrs. D. Trimby, the wife of Mr. L. Trimby, a Director, worked at the Academy Trust during the year and was paid a salary, under an employment contract for her role as an Executive Business Manager. Mr. L. Trimby, had no involvement in the appointment of Mrs. D. Trimby and the Directors are comfortable that Mrs. D. Trimby's salary provides value for money and is not at a preferential rate.

Mrs. K. Morrison, the wife of Mr. D. Morrison, a Director, worked at All Faiths Children's Academy during the year and was paid a salary, under an employment contract for her role as a teaching assistant. Mr. D. Morrison, had no involvement in the appointment of Mrs. K. Morrison and the Directors are comfortable that Mrs. K. Morrison's salary provides value for money and is not at a preferential rate.

In entering into the above transactions the Trust has fully complied with the requirements of the Academies Financial Handbook 2015.

30. Ultimate controlling party

Each academy is run by their respective management teams on a day to day basis. Strategic decisions for the Academy Trust are made by the Directors with support from the Regional Governing Bodies. There is no ultimate controlling party.

31. Members' liability

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