

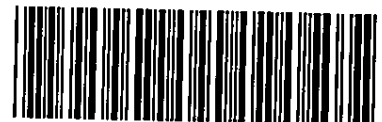
**THE HEATH FAMILY (NORTH WEST)
(FORMERLY THE HEATH SCHOOL)**

(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

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THE HEATH SCHOOL
(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE PERIOD ENDED 31 AUGUST 2012

Governors

Mrs J Ainsworth, Chair and Director
Mrs A Parry, Vice Chair and Director
Mrs H Mullaney, Headteacher, Accounting Officer and Director
Mr J Adams, Responsible Officer
Mrs J Cook
Mrs L Davies
Mrs L Prescott
Mr P Cook
Mr C Fitzsimons
Miss V Snelson
Mrs D Wood, Staff Governor
Mrs D Brown, Staff Governor
Mr S Dewhurst, Associate Governor
Mr J Jardine, Associate Governor
Mr R Rogers, Associate Governor

Company registered number

07614421

Registered office

Clifton Road, Runcorn, Cheshire, WA7 4SY

Senior Management Team

Mrs H Mullaney, Principal
Mr J Jardine, Vice Principal
Mr R Rogers, Vice Principal
Mr S Dewhurst, Finance and Business Manager
Mr S Byrne, Assistant Principal
Mrs E Rowlands, Assistant Principal
Mrs N McNamee, Acting Assistant Principal
Mrs H Newcombe, Acting Assistant Principal
Mrs M Cassin, Assistant Principal (until 31 8 12)

Auditors

PKF (UK) LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH

Bankers

HSBC, 48 High Street, Runcorn, Cheshire, WA7 1AN

Solicitors

Hill Dickinson, 1 St Paul's Square, Old Hall Street, Liverpool, L3 9SJ

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GOVERNORS' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2012

The governors present their annual report together with the financial statements and auditors' report of the charitable company for the period from 26 April 2011 to 31 August 2012

Structure, governance and management

a. Constitution

The Heath School is a company limited by guarantee and a registered charity. The Charitable Company's memorandum and articles of association dated 26 April 2011 are the primary governing documents of The Heath School.

The Charitable Company was incorporated on 26 April 2011 and received academy status on 1 June 2011.

The governors act as the trustees for the charitable activities of The Heath School and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as The Heath School.

Details of the governors who served throughout the year except as noted are included in the Reference and Administrative Details on Page 1.

b. Members' Liability

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

c. Governors' Indemnities

Qualifying third party indemnity provision has been obtained by the Academy for the benefit of governors.

d. Principal activities

The characteristics of the Heath School are set down in Section 1 (6) of the Academies Act 2010, are that

- (a) the school has a curriculum satisfying the requirements of section 78 of the EA 2002 (balanced and broadly based curriculum),
- (b) the school provides secondary education and its curriculum for the secondary education has an emphasis on particular subject areas, specified in the Agreement,
- (c) the school provides education for pupils of different abilities,
- (d) the school provides education for pupils who are wholly or mainly drawn from the area in which the school is situated.

The Academy Trust's object is specifically restricted to the following: to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

e. Method of recruitment and appointment or election of Governors

The Heath School is governed by a governing body ("the Governing Body") who are the Directors of the company constituted under the Memorandum and Articles of the Academy Trust. The Governing Body shall have regard to (but for the avoidance of doubt shall not be bound by) any guidance as to the governance of academies that the Secretary of State may publish.

The Members may appoint up to 16 Governors. The Members may appoint Staff Governors through such

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

process as they determine, provided that the total number of Governors (including the Principal) who are employees of the Academy Trust does not exceed one third of the total number of Governors. The LA may appoint the LA Governor.

The Principal shall be treated for all purposes as being an ex officio Governor. Parent Governors shall be elected by parents of registered pupils at the Academy. A Parent Governor must be a parent of a pupil at the Academy at the time they are elected.

The Governors may appoint up to 3 Co-opted Governors. Under certain conditions the Secretary of State may appoint additional Governors.

f. Policies and procedures adopted for the induction and training of Governors

New governors are, upon appointment, issued with a welcome pack and inducted by the chair of governors. The Heath School governors have access to e-learning modules and a central training programme via the Governors' Learning Partnership.

g. Organisational structure

The Heath School Management Structure has five tiers: the directors, the governors, the Senior Leadership Team (SLT) and other appointed teams. The management structure enables responsibility to be devolved and encourages decision making at all levels. Directors and Governors are responsible for the setting of general policy, approval of a framework for development and adopting an annual budget plan. The governors monitor the academy finances by the use of budget reports and their approval is required for major spending decisions and personnel appointments.

The SLT currently consists of the Principal, 2 Vice Principals, 4 Assistant Principals and a Business Manager. The SLT control the academy at an executive level implementing the policies laid down by governors and reporting back to them. The SLT is responsible for the authorisation of spending within agreed budgets and up to a level detailed in the scheme of delegation.

h. Risk management

The governors have assessed the major risks to which the academy is exposed, in particular those relating to the operational aspects of the academy and its finances. The governors are satisfied that systems and procedures are in place to mitigate the exposure to major risks.

i. Connected organisations, including related party relationships

The Heath School is a company limited by guarantee and a registered charity which has been set up to provide outstanding educational opportunities for students of different abilities between the ages of 11-16. It relies on government funding to finance to carry out its statutory obligations.

The Heath School is presently in the process of converting from a single academy to a multi academy trust. Initially the Heath will be the sole member of the trust but the Heath family of schools is expected to increase in number in 2013. In addition the academy holds a franchise for the Liverpool Institute of Performing Arts (LIPA) and the company Heath Perform Ltd uses the site as a base for its activities. The Heath Tennis Club is a community tennis club located on the school site and using school facilities.

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

Objectives and Activities

a. Objects and aims

The principal object and activity of the charitable company is the operation of The Heath School, to provide outstanding educational opportunities for students of different abilities between the ages of 11 – 16

The main objectives of the Academy during the period ending 31st August 2012 are summarised below

- To ensure that every student experiences the same high quality education in terms of resources, tuition and care
- To raise the standard of educational achievement and progress for all students
- To improve the effectiveness of the academy by keeping the curriculum and organisational structure under continual review
- To provide value for money for the funds expended
- To maintain existing and develop new links with the community, industry & commerce
- To conduct the Academy's business in accordance with the highest standards of integrity, probity and openness

b. Objectives, strategies and activities

The core purpose of the Academy is teaching and learning. The deployment and effectiveness of staff and resources are constantly measured by their contribution to the overall quality of teaching and learning and therefore the standards achieved by its students. Moreover the emphasis of everyone's work is 'learning'

Key actions which support the main purpose of the organisation are

- A robust quality assurance process for the observation of teaching and learning
- A secure use and understanding of data to track and measure the progress of students and inform intervention
- Targeted CPD and training opportunities to ensure maximum effectiveness and value for money

c. Public benefit

In setting our objectives and planning our activities the directors and governors have given careful consideration to the Charity Commission's general guidance on public benefit. Students are admitted in accordance with the admissions policy agreed with the department for Education (DfE). Students are admitted from a wide range of backgrounds and the curriculum offered is broad and balanced.

Achievements and performance

a. Review of achievements

During its first year as an Academy the Heath School has achieved very good KS4 results in overall terms, 5 A*-C including English and Maths and individual results. We are pleased that 43% of the students achieved at least 1 A*-A and 19% gained 5 A*-A, this is an increase of 8% from 2011. In total 98% of Heath students achieved 5 A*-C grades. 66% of students achieved 5 A*-C including English and Maths and this represented a 9% increase on the previous year.

Of particular note is the performance of our cohort entitled to Free School Meals (FSM). 51% achieved 5 A*-C including English and Maths. 15% of FSM students achieved 3 A*-A, a 5% increase on 2011 results.

There is a slight difference between male and female attainment when we consider 5 A*-C including English and Maths of 2% in favour of the female cohort. However, this gap has reduced from 14% in 2011.

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

The school is pleased that the percentage of students at School Action Plus (SA+) achieving 5 A*-C including English and Maths increased from 2011, as did the percentage achieving 3 A*-A 100% of students with a statement and 83% of students at SA+ achieved 5 A*-G including English and Maths

The number of A*-A grades achieved by students at The Heath School significantly increased in 2012 demonstrating the whole school drive to aim for the highest grades

It has long been a concern that our most able students have chosen to enrol at post 16 colleges located outside the borough of Halton. In an attempt to halt this out of borough drift and provide opportunities for high quality post 16 education locally, the school was granted permission to open a sixth form on the Heath site from September 2014. The Heath School was also successful in its bid to the Priority Schools Building Programme and we are delighted to have been awarded capital funding for a new build 11-19 school

b Going concern

After making appropriate enquiries, the governing body has a reasonable expectation that The Heath School 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

c Key financial performance indicators

Financial performance is monitored monthly against budget and established expenditure profiles, which will have increased relevancy as the Academy becomes established and there is more historical data on which to build projections

Income and cashflow are also monitored on a monthly basis to ensure funding is received in line with agreements and that the financial liquidity of the Academy is maintained

The Academy held fund balances at 31 August 2012 of £7,318,416 comprising £7,065,821 of restricted funds and £252,595 of unrestricted general funds. Of the restricted funds, £7,708,347 is represented by tangible fixed assets

The Pension reserve which is considered part of restricted funds was £667,000 in deficit

The main financial performance indicator is the level of reserves held at the Balance Sheet date. In the period under review, £23,991 was carried forward representing 0.32% of GAG

As funding is based on pupil numbers this is also a key performance indicator. Pupil numbers as at August 2012 were 1100, an increase of 10 over 2011. It is anticipated that this number will continue to rise during the current financial year

Another key financial performance indicator is staffing costs as a percentage of GAG. For 2012 this was 81%, this can not be compared to previous years as the College was not previously in receipt of GAG

The finance governors review the financial performance of the monthly accounts against the forecast budget at each committee meeting

It is the Governors' current aim to maintain an in year balanced budget to secure the longer term future financial future of the College. This was achieved during this period and it is anticipated that this will continue into the current financial year

Financial review

a. Financial and risk management objectives and policies

The majority of School income is from the Education Funding Agency in the form of GAG. The School objective is to spend the GAG resources efficiently and to build up reserves through other activities

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

b Principal risks and uncertainties

The Academy is funded directly from the EFA funding streams and as such these are considered to be reasonably safe and secure. The main risk likely to be encountered is a change in government policy and subsequent possible cuts in funding levels. Falling numbers is considered the next most serious risk to the Academy although the school is currently at full capacity and this trend is expected to continue.

The Heath School is over-subscribed at entry and student numbers have been sustained for many years. The Heath is preferred choice for most parents and number on roll is projected to increase year on year until 2017-18 representing a low risk.

c. Reserves policy

It is prudent and sound financial practice to establish an adequate level of reserves for the following reasons:

- To build up a contingency for unforeseen events
- To allow for delays in funding and allow the finances to cope with short term cash flow problems
- To establish a provision to allow funding for lifecycle costs which will increase as the building, plant and equipment ages. The fund will also be required to refresh the ICT resources which have a relatively short lifespan.

As funding for the academy will not increase to allow for increased costs resulting from aging as detailed above, it is necessary to make allowance from budgets available and carry the reserve forwards.

The Academy's current free reserves (total funds less those held in fixed assets and restricted reserves) is £252,595. Restricted general funds excluding the pension reserve are £7,732,821, with a pension reserve of (£667,000). Restricted fixed asset funds are £7,708,347.

This will help achieve the objectives set above, however the level of reserves will need to be revisited if additional use of reserves are required to ensure that the finances of the academy are managed on a long term sustainable basis.

The Governors review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Governors have determined that the appropriate level of free reserves should be equivalent to two weeks' expenditure.

The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The academy's current level of free reserves of £252,595 (total funds less the amount held in fixed assets and restricted funds) is much less than is needed. The Academy intends to make every effort to build up free reserves to this level by building additional capacity in other services such as school support.

There is a pension fund deficit within restricted funds of (£667,000) arising from the transfer of the pension liability of £294,000 from the Local Authority on conversion to an Academy, impacted by movements in the year. This does not mean that an immediate liability for this amount crystallises. The deficit position of the pension scheme would generally result in a cash flow effect for the Academy Trust in the form of an increase in employers' pension contributions over a period of years.

d Investment policy

The Business Manager will liaise closely with the Commercial Account Manager at Lloyds TSB to ensure the best available rate of return is achieved on any reserves.

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

Plans for future periods

a. Future developments

During the year 2012-2013 the Academy will be reassessed by Investors in People (IIP) and our School Improvement Partner (SIP) will continue to scrutinise all aspects of school effectiveness. The Academy focus is to improve further from Truly Outstanding to Truly Exceptional. The Heath intends to convert from a single academy to a Multi Academy Trust (MAT) following an approach from the DfE asking The Heath to consider sponsoring other schools. The MAT is to be known as "The Heath Family" and will consist of both primary and secondary schools. It is expected that eventually the MAT will comprise of approximately ten schools of all categories and phases. The Heath, Governors and Directors are totally committed to system leadership and have a long established moral purpose of improving the life chances of all young people, not just those associated with The Heath.

Funds held as custodian

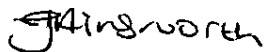
The Heath School currently holds a franchise for events organised under guidance of the Liverpool Institute for the Performing Arts (LIPA). The franchise operates under the trading name Heath Perform Ltd and the funds held for the financial period ended 31st August 2012 stood at £3,175.

Auditor

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

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

This report was approved by order of the members of the Governing Body on 19 December 2012, and signed on its behalf by



Mrs J Ainsworth
Chair

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GOVERNANCE STATEMENT

Scope of Responsibility

As governors, we acknowledge we have overall responsibility for ensuring that The Heath School 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 governing body has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Heath School and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

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

Governor	Meetings attended	Out of a possible
Mrs J Ainsworth, Chair and Director	8	8
Mrs A Parry, Vice Chair and Director	8	8
Mrs H Mullaney, Headteacher and Director	7	8
Mr J Adams, Responsible Officer	8	8
Mrs J Cook	7	8
Mrs L Davies	6	8
Mrs L Prescott	3	8
Mr P Cook	7	8
Mr C Fitzsimons	6	8
Miss V Snelson	8	8
Mrs D Wood, Staff Governor	6	8
Mrs D Brown, Staff Governor	4	8
Mr S Dewhurst, Associate Governor	7	8
Mr J Jardine, Associate Governor	7	8
Mr R Rogers, Associate Governor	6	8

The **Finance and General Purposes Committee** is a sub-committee of the main governing body. Its purpose is to assist the decision making of the governing body, by enabling more detailed consideration to be given to the best means of fulfilling the governing body's responsibility to ensure sound management of the academy's finances and resources, including proper planning, monitoring and probity.

Attendance at meetings in the period was as follows:

Governor	Meetings attended	Out of a possible
Mrs L Davies (Chair)	6	8
Mrs J Ainsworth	8	8
Mrs A Parry	7	8
Mr C Fitzsimons	4	8
Mrs L Prescott	1	8
Miss V Snelson	8	8
Mrs H Mullaney	7	8

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 on-going process designed to identify

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GOVERNANCE STATEMENT (continued)

and prioritise the risks to the achievement of The Heath School's 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 Heath School for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The governing body has reviewed the key risks to which the The Heath School is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The governing body is of the view that there is a formal on-going process for identifying, evaluating and managing the The Heath School's significant risks that has been in place for the period ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the governing body and is being improved with the assistance of the school's accountancy and business consultants.

The Risk and Control Framework

The Heath School'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 governing body,
- regular reviews by the Finance and General Purposes Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes,
- setting targets to measure financial and other performance,
- clearly defined purchasing (asset purchase or capital investment) guidelines,
- delegation of authority and segregation of duties,
- identification and management of risks.

The governors have appointed Mr J Adams, a Governor, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on The Heath School's financial systems. PKF (UK) LLP have been appointed to support the RO in his work. On a quarterly basis, the RO reports to the governing body on the operation of the systems of control and on the discharge of the governing body's financial responsibilities.

Review of Effectiveness

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

- the work of the Responsible Officer,
- the work of the external auditor,
- the financial management and governance self-assessment process,
- the work of the executive managers within The Heath School who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the governing body on 19 December 2012 and signed on its behalf by


Mrs J Ainsworth
Chair


Mrs H Mullaney
Accounting Officer

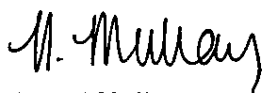
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Heath School I have considered my responsibility to notify the The Heath School governing body 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 The Heath School and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the The Heath School governing body 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 The Heath School's funding agreement and the Academies Financial Handbook.

I confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the governing body and the EFA or, if occurring after the date of this statement, will be notified to the governing body and the EFA.



Mrs H Mullaney
Accounting Officer

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GOVERNORS' RESPONSIBILITIES STATEMENT

The governors (who act as trustees for charitable activities of the academy and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the governors' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2011/12 issued by the Education Funding Agency ("the EFA")

Company law requires the governors to prepare financial statements for each financial year. Under company law the governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the academy and of the incoming resources and application of resources, including its income and expenditure, of the academy for the year.

In preparing those financial statements the governors are required to

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

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

The governors are responsible for ensuring that in its conduct and operation the academy 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 DfE/EFA have been applied for the purposes intended.

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HEATH SCHOOL

We have audited the financial statements of The Heath School ("the academy") for the period ended 31 August 2012 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2011/12 issued by the Education Funding Agency ("the EFA").

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

Respective responsibilities of governors and auditor

As explained more fully in the governors' responsibilities statement, the governors (who are also directors of the company 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. We have been appointed as auditor under the Companies Act 2006 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the academy's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the governors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the academy's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Accounts Direction 2011/12 issued by the EFA, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion

- the information given in the governors' annual report for the financial period for which the financial statements are prepared is consistent with the financial statements,

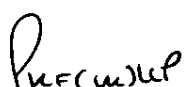
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HEATH SCHOOL

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 and the Accounts Direction 2011/12 issued by the EFA requires us to report to you if, in our opinion

- adequate and proper accounting records have not been kept in respect of the academy, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements do not accord with the accounting records, or
- certain disclosures of governor's remuneration specified by law are not made, or
- any information or explanation to which we are entitled has not been afforded to us



Mark Sykes (Senior statutory auditor)
for and on behalf of **PKF (UK) LLP**, Statutory auditor
Liverpool, UK

23 December 2012

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE HEATH SCHOOL AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 22 March 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Heath School during the period 1 June 2011 to 31 August 2012 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 Heath School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Heath School 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 Heath School and the EFA, for our work, for this report, or for the conclusion we have formed

Respective responsibilities of The Heath School's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Heath School's funding agreement with the Secretary of State for Education dated 01 June 2011 and the Academies Financial Handbook as published by DfES in 2006, 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 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 June 2011 to 31 August 2012 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 2011/12 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.

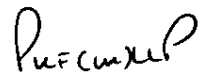
A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a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

Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 June 2011 to 31 August 2012 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Matter 1 During the year a finance lease agreement was entered into with regards to the purchase of educational software for the students, for which prior approval from the EFA had not been sought.



PKF (UK) LLP
Liverpool, UK

23 December 2012

THE HEATH SCHOOL
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)
FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	Unrestricted funds 2012 £	Restricted general funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income - transfer from Local Authority on conversion	3	148,097	(266,097)	7,678,875	7,560,875
Activities for generating funds	4	31,321	-	-	31,321
Incoming resources from charitable activities	5				
Funding for the academy's educational operations		108,406	7,879,359	22,225	8,009,990
TOTAL INCOMING RESOURCES		287,824	7,613,262	7,701,100	15,602,186
RESOURCES EXPENDED					
Charitable activities					
Academy's educational operations		35,229	7,711,429	134,212	7,880,870
Governance costs	6	-	15,900	-	15,900
TOTAL RESOURCES EXPENDED	9	35,229	7,727,329	134,212	7,896,770
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS		252,595	(114,067)	7,566,888	7,705,416
Gross transfers between funds	20	-	(141,459)	141,459	-
NET INCOME/ (EXPENDITURE) FOR THE YEAR		252,595	(255,526)	7,708,347	7,705,416
Actuarial gains and losses on defined benefit pension schemes		-	(387,000)	-	(387,000)
NET MOVEMENT IN FUNDS FOR THE YEAR		252,595	(642,526)	7,708,347	7,318,416
Total funds brought forward at 26 April 2011		-	-	-	-
TOTAL FUNDS CARRIED FORWARD AT 31 AUGUST 2012		252,595	(642,526)	7,708,347	7,318,416

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

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities

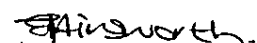
The notes on pages 18 to 38 form part of these financial statements

THE HEATH SCHOOL
(A company limited by guarantee)
REGISTERED NUMBER. 07614421

BALANCE SHEET
AS AT 31 AUGUST 2012

	Note	£	2012 £
FIXED ASSETS			
Tangible assets	16		7,708,348
CURRENT ASSETS			
Debtors	17	196,496	
Cash at bank and in hand		265,262	
		<u>461,758</u>	
CREDITORS amounts falling due within one year	18	<u>(173,723)</u>	
NET CURRENT ASSETS			<u>288,035</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>7,996,383</u>
CREDITORS: amounts falling due after more than one year	19		<u>(10,967)</u>
NET ASSETS EXCLUDING PENSION SCHEME ASSETS/(LIABILITIES)			<u>7,985,416</u>
Defined benefit pension scheme liability	26		<u>(667,000)</u>
NET ASSETS INCLUDING PENSION SCHEME ASSETS/(LIABILITIES)			<u><u>7,318,416</u></u>
FUNDS OF THE ACADEMY:			
Restricted income funds			
General funds	20	24,474	
Fixed asset funds	20	7,708,347	
		<u>7,732,821</u>	
Restricted funds excluding pension liability			
Pension reserve		<u>(667,000)</u>	
Total restricted funds			<u>7,065,821</u>
Unrestricted funds	20		<u>252,595</u>
			<u><u>7,318,416</u></u>

The financial statements were approved by the Governors on 19 December 2012 and signed on their behalf, by


J Ainsworth, Chair

The notes on pages 18 to 38 form part of these financial statements

THE HEATH SCHOOL
(A company limited by guarantee)

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	2012 £
Net cash inflow from operating activities	22	208,789
Capital expenditure and financial investment	23	(119,527)
Cash transferred on conversion to an academy trust	23	176,000
INCREASE IN CASH IN THE PERIOD		265,262

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE PERIOD ENDED 31 AUGUST 2012

	2012 £
Increase in cash in the period	265,262
CHANGE IN NET FUNDS RESULTING FROM CASH FLOWS	265,262
New finance lease	(21,933)
MOVEMENT IN NET FUNDS IN THE PERIOD	243,329
NET FUNDS AT 31 AUGUST 2012	243,329

THE HEATH SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, the Academies Accounts Direction issued by the EFA, applicable accounting standards and the Companies Act 2006. A summary of the principle accounting policies, which have been applied consistently, except where noted, is set out below.

1.2 Company status

The academy is a company limited by guarantee. The members of the company are the Governors named on page 1. In the event of the academy being wound up, the liability in respect of the guarantee is limited to £10 per member of the academy.

1.3 Fund accounting

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

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

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

THE HEATH SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES (continued)

1.4 Incoming resources

All incoming resources are included in the statement of financial activities when the academy is legally entitled to the income and the amount can be quantified with reasonable accuracy

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. The general annual grant ('the GAG') from the DfE, which is intended to meet recurrent costs, is credited directly to the statement of financial activities. Other grants from government agencies and other bodies are recognised in the period in which they are receivable to the extent the conditions of funding have been met. 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.

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

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

Fixed assets transferred from the Local Authority on conversion have been recorded in the balance sheet at cost, with an equivalent amount included as voluntary income.

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 Resources expended

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

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

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

All resources expended are recorded net of VAT unless it is irrecoverable.

1.6 Going concern

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

THE HEATH SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES (continued)

1.7 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised

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

Long term leasehold property comprises land and buildings transferred from the Local Authority. The buildings have been included in the balance sheet at cost equivalent to open market value and are being depreciated over the remaining lease term.

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.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

L/Term Leasehold Property	-	Over the remaining lease term
Motor vehicles	-	25% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	33.33% straight line
Property improvements	-	20% straight line

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the academy. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of financial activities so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

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

1.10 Taxation

The academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

THE HEATH SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES (continued)

1.11 Pensions

Retirement benefits to employees of the academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets are held separately from those of the academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 26, the TPS is a multi-employer scheme and the academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

1.12 Conversion to an academy trust

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

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

Fixed assets transferred on conversion from the Local Authority include long term leasehold property at a cost of £7,608,638, with a corresponding credit to voluntary income. The cost of the property has been recorded as the valuation of the property from the Education Funding Agency. Other assets and liabilities transferred on conversion include the pension deficit of £294,000.

Further details of the transaction are set out in note 25.

THE HEATH SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

2 GENERAL ANNUAL GRANT (GAG)

	2012 £
Result and Carry Forward for the Year	
GAG Allocation for current year	7,418,325
Total GAG Available to spend	<u>7,418,325</u>
Recurrent expenditure from GAG	(7,238,875)
Fixed assets purchased from GAG	(141,459)
Other transfers from GAG	(14,000)
GAG Carried forward to next year	<u>23,991</u>
Maximum permitted GAG carried forward at end of current year (12% allocation for current year)	(890,199)
GAG to surrender to DfE	<u>(866,208)</u>
(12% rule breached if result is positive)	<u><u>No breach</u></u>

3. VOLUNTARY INCOME

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Transfer from Local Authority on conversion	<u>148,097</u>	<u>7,412,778</u>	<u>7,560,875</u>

4. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Hire of facilities	<u>31,321</u>	<u>-</u>	<u>31,321</u>

5 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Funding for the academy's educational operations	<u>108,406</u>	<u>7,901,584</u>	<u>8,009,990</u>

THE HEATH SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
DfE/EFA revenue grant			
General annual grant (GAG)	-	7,418,325	7,418,325
Other DfE/EFA grants	-	200,928	200,928
	<u>-</u>	<u>7,619,253</u>	<u>7,619,253</u>
Other funding			
School to school support	108,406	-	108,406
Contributions to school fund	-	192,973	192,973
Other income	-	10,892	10,892
National Learning College	-	78,466	78,466
	<u>108,406</u>	<u>282,331</u>	<u>390,737</u>
	<u>108,406</u>	<u>7,901,584</u>	<u>8,009,990</u>

6. GOVERNANCE COSTS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Auditor's remuneration - Audit of financial statements	-	8,400	8,400
Auditor's remuneration - Responsible officer audit	-	1,000	1,000
Legal and professional fees	-	6,500	6,500
	<u>-</u>	<u>15,900</u>	<u>15,900</u>

7. DIRECT COSTS

	Funding for academy's educational operations £	Total 2012 £
Pension finance costs	2,000	2,000
Teaching and educational supplies	63,846	63,846
Education supplies	451,677	451,677
Examination fees	148,669	148,669
School fund expenditure	255,620	255,620
Depreciation	120,884	120,884
Wages and salaries	4,339,731	4,339,731
National insurance	359,329	359,329
Pension cost	619,571	619,571
	<u>6,361,327</u>	<u>6,361,327</u>

THE HEATH SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

8. SUPPORT COSTS

	Funding for academy's educational operations £	Total 2012 £
Pension finance costs	2,000	2,000
Education supplies	2,508	2,508
Staff development	37,539	37,539
Depreciation	13,327	13,327
Maintenance of premises	121,197	121,197
Recruitment and support	15,849	15,849
Cleaning	12,800	12,800
Rent and rates	320,994	320,994
Security and transport	2,795	2,795
Insurance	63,263	63,263
Catering	85,426	85,426
Other support costs	104,405	104,405
Legal and professional fees	29,668	29,668
Governors insurance	888	888
Wages and salaries	607,233	607,233
National insurance	33,469	33,469
Pension cost	66,182	66,182
	<u>1,519,543</u>	<u>1,519,543</u>

9. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff costs 2012 £	Other costs 2012 £	Total 2012 £
Funding for the academy's educational operations	6,025,515	1,855,355	7,880,870
Governance	-	15,900	15,900
	<u>6,025,515</u>	<u>1,871,255</u>	<u>7,896,770</u>

10. ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2012 £	Support costs 2012 £	Total 2012 £
Funding for the academy's educational operations	6,361,327	1,519,543	7,880,870

THE HEATH SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

11. NET INCOMING RESOURCES / (RESOURCES EXPENDED)

This is stated after charging

	2012 £
Depreciation of tangible fixed assets	
- owned by the charity	130,145
- held under finance leases	4,067
Auditors' remuneration	8,400
Auditors' remuneration - non-audit	7,500
Operating lease rentals	
- other operating leases	22,985
	<u>22,985</u>

During the period, no Governors received any remuneration, benefits in kind or reimbursement of expenses

12. STAFF COSTS

Staff costs were as follows

	2012 £
Wages and salaries	4,946,964
Social security costs	392,798
Other pension costs (Note 26)	685,753
	<u>6,025,515</u>

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

	2012 No.
Teachers	64
Administration and support	60
Management	10
	<u>134</u>

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

	2012 No.
In the band £60,001 - £70,000	3
In the band £100,001 - £200,000	1
	<u>4</u>

All of the four above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2012, employer's pension contributions for these staff amounted to £52,549

THE HEATH SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

13. GOVERNORS' REMUNERATION

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments from the academy in respect of their role as governors. The value of governors' remuneration was as follows:

	2012 £
Principal	145,643
Other staff Governor	38,666
Other staff Governor	25,594

The figures disclosed in the note above represent remuneration for a 15 month period

14. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2m on any one claim and the cost for the period ended 31 August 2012 was £888.

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

15. OTHER FINANCE COSTS

	2012 £
Expected return on pension scheme assets	108,000
Interest on pension scheme liabilities	(112,000)
	(4,000)

THE HEATH SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

16. TANGIBLE FIXED ASSETS

	L/Term Leasehold Property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Property improvements £	Total £
Cost						
At 26 April 2011	-	-	-	-	-	-
Transfer on conversion	7,608,638	3,000	54,199	13,038	-	7,678,875
Additions	-	-	22,967	132,511	8,207	163,685
At 31 August 2012	7,608,638	3,000	77,166	145,549	8,207	7,842,560
Depreciation						
At 26 April 2011	-	-	-	-	-	-
Charge for the period	76,086	938	16,015	40,163	1,010	134,212
At 31 August 2012	76,086	938	16,015	40,163	1,010	134,212
Net book value						
At 31 August 2012	7,532,552	2,062	61,151	105,386	7,197	7,708,348

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2012 £
Computer equipment	20,333

17. DEBTORS

	2012 £
Other debtors	31,606
Prepayments and accrued income	164,890
	196,496

THE HEATH SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

18. CREDITORS:
Amounts falling due within one year

	2012
	£
Net obligations under finance leases and hire purchase contracts	10,967
Trade creditors	88,255
Social security and other taxes	4,129
Accruals and deferred income	70,372
	173,723
	£
Deferred income	
Resources deferred during the year	47,244

Deferred income relates to income on the school fund which has been received in advance and is being held for expenditure in the next financial period

19 CREDITORS:
Amounts falling due after more than one year

	2012
	£
Net obligations under finance leases and hire purchase contracts	10,967
Obligations under finance leases and hire purchase contracts, included above, are payable as follows	
	2012
	£
Between two and five years	10,967

THE HEATH SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

20. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
Unrestricted funds	-	287,824	(35,229)	-	-	252,595
Restricted funds						
Transfer from Local Authority on Conversion	-	483	-	-	-	483
General Annual Grant (GAG)	-	7,418,325	(7,238,875)	(155,459)	-	23,991
Other DfE/ EFA grants	-	257,169	(257,169)	-	-	-
Other income	-	10,892	(10,892)	-	-	-
School fund	-	220,393	(220,393)	-	-	-
Pension reserve	-	(294,000)	-	14,000	(387,000)	(667,000)
	-	7,613,262	(7,727,329)	(141,459)	(387,000)	(642,526)

£141,459 has been transferred out of restricted funds in respect of fixed asset additions purchased out of GAG. The transfer between GAG and the pension reserve within restricted funds of £14,000 is in respect of movements on the pension liability in the period.

Restricted fixed asset funds

Transfer from Local Authority on conversion	-	7,678,875	(134,212)	-	-	7,544,663
DfE/ EFA capital grants	-	22,225	-	-	-	22,225
Capital expenditure from GAG	-	-	-	141,459	-	141,459
	-	7,701,100	(134,212)	141,459	-	7,708,347
Total restricted funds	-	15,314,362	(7,861,541)	-	(387,000)	7,065,821
Total of funds	-	15,602,186	(7,896,770)	-	(387,000)	7,318,416

THE HEATH SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
General funds	-	287,824	(35,229)	-	-	252,595
Restricted funds	-	7,613,262	(7,727,329)	(141,461)	(387,000)	(642,528)
Restricted fixed asset funds	-	7,701,100	(134,212)	141,461	-	7,708,349
	<u>-</u>	<u>15,602,186</u>	<u>(7,896,770)</u>	<u>-</u>	<u>(387,000)</u>	<u>7,318,416</u>

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

GAG (Restricted general funds)

These are expended on the provision of education, including associated support functions, and on the Academy's related community activities

Restricted fixed assets funds

These funds are carried forward to meet the specific costs of fixed assets projects and to cover future depreciation charges on these projects and on fixed assets currently held

Other unrestricted funds

These are used in support of the Academy's educational and community activities

21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2012 £	Restricted general funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
Tangible fixed assets	-	-	7,708,349	7,708,349
Current assets	252,595	209,162	-	461,757
Creditors due within one year	-	(173,723)	-	(173,723)
Creditors due in more than one year	-	(10,967)	-	(10,967)
Pension scheme liability	-	(667,000)	-	(667,000)
	<u>252,595</u>	<u>(642,528)</u>	<u>7,708,349</u>	<u>7,318,416</u>

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22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £
Net incoming resources before revaluations	7,705,416
Cash transferred on conversion to an academy trust	(176,000)
Depreciation of tangible fixed assets	134,212
Capital grants from DfE and other capital income	(7,701,100)
Increase in debtors	(196,496)
Increase in creditors	162,757
FRS 17 pension costs less contributions payable	(18,000)
FRS pension finance cost	4,000
FRS 17 pension cost introduced on conversion	294,000
Net cash inflow from operations	208,789

23 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(141,752)
Capital grants from DfE	22,225
Net cash outflow capital expenditure	(119,527)
	2012 £
Conversion to an academy trust	
Cash transferred on conversion to an academy trust	176,000

24. ANALYSIS OF CHANGES IN NET DEBT

	26 April 2011 £	Cash flow £	Other non-cash changes £	31 August 2012 £
Cash at bank and in hand	-	265,262	-	265,262
Debt:				
Finance leases	-	-	(21,933)	(21,933)
Net funds	-	265,262	(21,933)	243,329

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25. CONVERSION TO AN ACADEMY TRUST

On 1 June 2011 The Heath School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Heath School from Halton Local Authority for £NIL consideration

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

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

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
- Freehold/leasehold land and buildings	-	-	7,608,638	7,608,638
- Other tangible fixed assets	-	-	70,237	70,237
Bank balances	148,097	483	-	148,580
LGPS pension surplus/(deficit)	-	(294,000)	-	(294,000)
School fund inherited on conversion	-	27,420	-	27,420
Net assets/(liabilities)	<u>148,097</u>	<u>(266,097)</u>	<u>7,678,875</u>	<u>7,560,875</u>

The above net assets include £27,420 that was transferred as cash in respect of the school fund, and £148,580 other cash transferred on conversion

On conversion, operating leases for Portakabins were transferred to the Academy from the Local Authority

26. PENSION COMMITMENTS

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hymans Robertson LLP. Both are defined benefit schemes.

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

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

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts, are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as you go' basis, and employers' contributions are credited to the Exchequer under arrangements governed by the above Act.

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26. PENSION COMMITMENTS (continued)

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases) From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return

The Government Actuary ('GA'), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions

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

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced - effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme and the implications for the academy in terms of the anticipated contribution rates.

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 period ended 31 August 2012 was £231,821, of which employer's

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26 PENSION COMMITMENTS (continued)

contributions totalled £175,442. The agreed contribution rate for future years are 24.6% for employers.

As described in note 25 the LGPS obligation relates to the employees of the academy, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy at the balance sheet date.

The amounts recognised in the balance sheet are as follows:

	2012 £
Present value of funded obligations	(2,295,000)
Fair value of scheme assets	1,628,000
Net liability	(667,000)

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

	2012 £
Current service cost	(159,000)
Interest on obligation	(112,000)
Expected return on scheme assets	108,000
Total	(163,000)
Actual return on scheme assets	58,000

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

	2012 £
Current service cost	159,000
Interest cost	112,000
Contributions by scheme participants	56,000
Actuarial Losses	342,000
Liabilities assumed in a business combination	1,626,000
Closing defined benefit obligation	2,295,000

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

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

	2012 £
Expected return on assets	108,000
Actuarial losses	(45,000)
Contributions by employees	56,000
Assets acquired in a business combination	1,332,000
Employer contributions	177,000
	1,628,000

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses was £387,000

The academy expects to contribute £141,000 to its defined benefit pension scheme in 2013

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

	2012
Equities	71 00 %
Bonds	15 00 %
Property	6 00 %
Cash	8 00 %

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

	2012
Discount rate for scheme liabilities	4 10 %
Expected return on scheme assets at 31 August	4 80 %
Rate of increase in salaries	4 50 %
Rate of increase for pensions in payment / inflation	2 20 %

Sensitivity analysis

	Approximate % increase to Employer Liability	Approximate monetary amount
0.5% decrease in Real Discount Rate	15.00 %	355,000
1 year increase in member life expectancy	3.00 %	69,000
0.5% increase in the Salary Increase Rate	8.00 %	193,000
0.5% increase in the Pension Increase Rate	7.00 %	150,000

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26. 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

	2012
Retiring today	
Males	22.9
Females	25.7
Retiring in 20 years	
Males	24.9
Females	27.7

Amounts for the current period are as follows

Defined benefit pension schemes

	2012 £
Defined benefit obligation	(2,295,000)
Scheme assets	1,628,000
Deficit	(667,000)
Experience adjustments on scheme liabilities	(342,000)
Experience adjustments on scheme assets	(45,000)

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

	Expected return at 31 August 2012 %	Fair value at 31 August 2012 2012 £
Equities	5.5	1,156,000
Bonds	2.8	244,000
Property	3.7	98,000
Cash	2.8	130,000
Total market value of assets		1,628,000
Present value of scheme liabilities		(2,295,000)
Net pension liability		(667,000)

The expected rate of return of plan assets is based on market expectations at the beginning of the period

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

Value of scheme assets and liabilities

	Value at 2012 £
Market value of assets	1,628,000
Present value of scheme liabilities	(2,295,000)
Deficit in the scheme	(667,000)
Net pension liability	(667,000)

The following amounts have been recognised in the financial statements in the year to 31 August 2012 under the requirements of FRS17

	2012 £
Operating surplus	
Current service cost	159,000
Total operating charge	159,000
Other finance income	
Expected return on pension scheme assets	108,000
Interest on pension scheme liabilities	(112,000)
Net return	(4,000)
Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)	
Actual return less expected return on pension scheme assets	(45,000)
Experience gains and losses arising on the scheme liabilities	(342,000)
Actuarial loss recognised in STRGL	(387,000)

History of experience gains and losses in the scheme

	2012
Difference between the expected and actual return on scheme assets	
Amount (£)	(45,000)
Percentage of scheme assets	(2.8)%
Experience gains and losses on scheme liabilities	
Amount (£)	(342,000)
Percentage of the present value of the scheme liabilities	(14.9)%
Total amount recognised in statement of total recognised gains and losses	
Amount (£)	(387,000)
Percentage of the present value of the scheme liabilities	(16.9)%

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27. OPERATING LEASE COMMITMENTS

At 31 August 2012 the academy had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2012 £	Other 2012 £
Expiry date:		
Within 1 year	13,804	-
Between 2 and 5 years	8,840	1,031

28 RELATED PARTY TRANSACTIONS

Owing to the nature of the academy's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures.

During the year H Mullaney, Headteacher and Governor, was appointed as Executive Headteacher of Weston Primary School and acted as a member of key management personnel with the ability to direct the financial and operating policy of the entity within the year. In line with FRS 8 this is deemed to be a related party relationship. Included within other income is £26,202 in respect of these services. This balance was received in full within the year and there is no year end debtor balance.

29 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.