
THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Annual report and financial statements
for the year ended 31 August 2016

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

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**Reference and administrative details of the academy, its governors and advisers
for the year ended 31 August 2016**

Members

Mr A Hunt
Mr P Irons
Mrs T Rees
Mr N Singh (resigned 25 July 2016)
Mrs S Taylor (resigned 9 December 2015)
Mr D Walker (resigned 8 October 2016)
Mrs P Wilson (resigned 25 July 2016)

Governors

Mr P Irons, Chair¹
Mrs P Wilson, Vice Chair (resigned 25 July 2016)¹
Dr S Ahmad
Mr S Battlemuch
Ms A Cannon
Mr W Davidson
Mr P Drysdale (resigned 9 December 2015)¹
Mr N Goforth (resigned 22 April 2016)
Mrs R Hudlin¹
Mr A Hunt¹
Mr A Ishaque
Mr N Jackson¹
Mrs E Jackson, joint Vice Chair from 3rd February 2016
Mrs T Rees, Principal¹
Miss A Saunders
Mr N Singh (resigned 25 July 2016)¹
Ms A Smart-Gosrani
Mr D Walker (resigned 8 October 2016)¹
Mr S Deadman-Corsie (appointed 18 March 2016)
Mr C Gregory (appointed 18 March 2016)
Mrs K Shale (appointed 18 March 2016)
Mrs S Taylor (resigned 9 December 2015)

¹ members of the Strategic and Financial Planning Committee

Company registered number

07597390

Company name

The Fernwood Academy Trust

Principal and registered office

The Fernwood Academy Trust, Goodwood Road, Nottingham, Nottinghamshire, NG8 2FT

Company secretary

Mr P Robinson

Senior management team

Mrs T Rees, Principal
Mr D Rowe, Deputy Principal
Mr A Baldwin, Assistant Principal
Mrs J Eldridge, Assistant Principal

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**Reference and administrative details of the academy, its governors and advisers
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Advisers (continued)

Mr K Mayle, Assistant Principal
Mrs M Morrill, Assistant Principal
Mr S Roe, Assistant Principal

Independent auditors

Smith Cooper Limited, 2 Lace Market Square, Nottingham, NG1 1PB

Bankers

Lloyds TSB, Old Market Square, Nottingham, Nottinghamshire, NG1 6FD

THE FERNWOOD ACADEMY TRUST
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Governors' report
for the year ended 31 August 2016

The Governors present their annual report together with the financial statements and auditor's report of the charitable company for the 1 September 2015 to 31 August 2016. The Annual report serves the purposes of both a Governors' report, and a Directors' report under company law.

Structure, governance and management

a. CONSTITUTION

The academy is a charitable company limited by guarantee and an exempt charity.

The charitable company's Memorandum of Association is the primary governing document of the academy trust.

The Governors of The Fernwood Academy Trust are also the directors of the charitable company for the purpose of company law.

The charitable company is known as The Fernwood Academy.

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

b. MEMBERS' LIABILITY

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

c. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF GOVERNORS

The Governors (other than associate governors) are directors of the charitable company for the purposes of the Companies Act 2006 and trustees for the purposes of the charity legislation.

The term of office for any Governor shall be 4 years, save that this time limit shall not apply to the principal. Subject to eligibility any Governor may be reappointed or re-elected.

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

During the period under review the Governing Body held 6 meetings.

The articles of association state that:

- The Trust can appoint 1 Governor,
- The Local Authority appoints 1 Governor,
- The governing body appoints 2 Partnership Governors and 5 Community Governors,
- 7 governors are elected parent Governors,
- 3 governors are elected staff Governors,
- 3 further co-opted governors can be appointed by the Governing Body,
- The Principal is an ex-officio Governor.

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Governors' report (continued)
for the year ended 31 August 2016

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

The training and induction provided for new Governors will depend on their existing experience. In brief, appropriate training and support is provided to Governors throughout their membership in appropriate areas, for example, induction, or specific areas such as pupil discipline, finance, complaints and admissions. This programme is supplemented by structured Governor visits, including giving governors a chance to meet staff and students and tour the school. All governors are provided with copies of policies, procedures, minutes, accounts, budget and other documents that they will need to undertake their role as governor.

e. PAY POLICY FOR KEY MANAGEMENT PERSONNEL

The pay policy does not discriminate between key management personnel and other teaching staff and is based on performance management in line with pupil progress and outcomes. The main parameters used for setting key management personnel salaries are national teacher pay and conditions guidance, job responsibilities and experience.

f. ORGANISATIONAL STRUCTURE

The Governing Body normally meets 6 times each year. The governing body establishes an overall framework for the governance of the academy and agrees membership of committees. It receives reports from its committees for approval. It monitors the activities of the committees through the minutes of their meetings. It also establishes the terms of reference for its committees.

The Governing Body is responsible for setting strategy and general policy, adopting an annual plan and budget, monitoring the academy's use of funds and making major decisions about the direction of the academy, capital expenditure and senior staff appointments.

The Principal has responsibility for the day to day management of the academy. The Principal is the accounting officer.

g. GOVERNORS' INDEMNITIES

During the period, an indemnity from the Charitable Company was available to the governors against liabilities that might be incurred by them in defending proceedings against them in respect of the affairs of the Charitable Company. The indemnity is subject to the provisions of the Companies Act and is set out in the Articles of Association. The Trust has purchased Academies Risk Protection Arrangement (RPA) which covers Governors Liability Insurance with unlimited indemnity, the RPA also covers staff.

Objectives and Activities

a. OBJECTS AND AIMS

The principal object of The Fernwood Academy Trust is 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 curriculum with a strong emphasis on care and discipline. In setting our objectives and planning our activities the Governors have given careful consideration to the charity commission's general guidance on public benefit.

In accordance with The Fernwood Academy Trust's funding agreement, arrangements are made to meet the conditions of grant on such matters as admissions, exclusions, arrangements for pupils with special educational needs (SEN) and the curriculum.

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Governors' report (continued)
for the year ended 31 August 2016

b. OBJECTIVES, STRATEGIES AND ACTIVITIES

The Fernwood Academy Trust's main strategy is encompassed in its vision and ethos which is to ensure that the academy is one where everybody will achieve the highest standards. In particular we aim to:

- challenge every pupil to raise their aspirations and excel in academic achievements
- instil in pupils the values and characteristics necessary to become successful, confident and responsible members of society
- teach pupils the values of self-discipline, resilience and endeavour in order to become life-long learners
- prepare pupils to participate in and contribute to a society with ever changing scientific, technical and international needs.

c. ACTIVITIES FOR ACHIEVING OBJECTIVES

To this end the activities that will be provided include to:

- establish a broad, balanced and innovative curriculum which integrates theory, practice and has enterprise and 'learning by doing' at its core
- be relentlessly focused on developing the potential of all students, helping them learn for themselves and then support others
- foster creativity and initiative, encouraging everyone to aim for excellence in all they do.
- build pride by valuing each and every individual and equipping them to take responsibility for their own actions
- provide a range of additional enrichment activities for every student beyond the normal academy day
- build strong partnerships with parents, carers, employers and the local community, with the academy becoming a centre of learning for the local community
- work with a range of partners, including business, together with further and higher education to enhance the curriculum, provide work placements and to build strong employability skills
- recruit, retain and develop high quality, enterprising and open minded staff that are positive, cooperative and contributing members of the local community and make best use of existing and new staff expertise
- make extensive and innovative use of well-designed ICT to engage learners and improve teaching and administration.

d. PUBLIC BENEFIT

The Governors have given consideration to the guidance on public benefit published by the Charity Commission. The main public benefit delivered by The Fernwood Academy Trust is the maintenance and development of a quality education by the school. It is the governors' aim to deliver outstanding learning to all its students during the journey of improvement towards excellence.

e. EQUAL OPPORTUNITIES POLICY

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

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Governors' report (continued)
for the year ended 31 August 2016

a. Achievements and performance

KEY FINANCIAL PERFORMANCE INDICATORS

This is Fernwood School's fifth annual report since converting to academy status on 1st May 2011. During the reporting year the following achievements, developments, proposals and aspirations were secured, discussed and implemented:-

- The practice of providing more information to Governors through presentations to enable them to carry out their core duties more effectively continued. During the year presentations were made by the Senior Leadership Team and other appropriate staff on a variety of subjects including the new Ofsted framework (September 2015), a review of the Fernwood Award, safeguarding (specifically in relation to female genital mutilation), the review of behaviour (responding to staff and pupil concerns to deal with low level disruption and provide a greater consistency of approach across the school), the work with outside agencies to support students arising from pupil exclusion experiences and an update on the progress of the professional development of teaching and learning at the school.
- 2016 GCSE results (on the basis of provisional figures) were the best ever achieved by the school and improved on 2015 outcomes. These results were also the best in the city for most measures. 74.13% of pupils achieved 5 A* - C grades, including English and maths, 46% achieved the English Baccalaureate, 81.05% and 84.1% of pupils made at least 3 levels of progress in English and maths respectively and for 4 levels of progress in the same subjects the figures were 48.95% and 43.08% respectively. In terms of new curriculum measures, the school's Attainment 8 figure was 5.5 (Grade B) and the Progress 8 estimate stood at 0.04. The Basics measure (% of students achieving GCSE English and maths) was 78%. Mathematics has been an area of considerable focus for the Academy as the results over a sustained period of time, although well above national averages, did not match the English results. I am pleased to report that there has been considerable improvement in this area with the results now matching (and in case exceeding) those of English. The in school gap in achievement for pupil premium students remains a school development priority as does the performance of our lower ability students.
- In 2014/15 it was reported that significant management action was taken in maintaining the Academy's financial position due to continuing reductions in Government funding and local factors. This pressure has not eased in 2015/16 and such a prudent approach has been maintained, seeking to reduce expenditure and increase income wherever possible without detriment to teaching and learning. This ensured that a budget was set for 2016/17 that contained a projected surplus to carry forward into 2017/18. Although some reserves were used to set this budget, these were considerably less than projected earlier in the year and vindicated the robust approach to maximising savings in all aspects of the business, both reducing expenditure by carefully monitoring staff costs and increasing income through school initiatives where this was possible. It was recognised, however, that the use of reserves was not a sustainable option year on year.
- Management accounts were regularly reviewed in the year and a prompt response made to Responsible Officer audit and other findings. The medium term financial plan was also reviewed by the Finance Committee on a termly basis, such practice informing the need to continue to secure savings as referred to in the preceding paragraph in all areas of spend and noting that a potential deficit position might occur in 2018/19.
- From the above narrative it is clear that the Academy faces a number of risks going forward and the focus on risk has, therefore, continued in the reporting year. This process has been overseen by the Finance Committee each term when the Risk Register is considered and adjustments being made where necessary to respond to changes.
- The Governing Body continues to operate as an Own Admissions Authority, adhering to the 2014 School Admissions Code. The Academy continues to be popular and heavily over-subscribed with applications for its 200 places (541 for intake in 2016/17). The local pressure for in-catchment places eased in the year, as at the time of ranking applications, only 1 in-catchment request could not be offered. Admissions for 2016/17 were ranked in accordance with the Academy's approved admissions arrangements and the Code referred to above. Further internal rigour continues to be added to the process in checking applications. This applies also to in-year applications which the Trust continues to administer internally. Any appeals against admission decisions are processed in accordance with the 2012 School Admissions Appeals Code and the Trust contracts with Nottinghamshire County Council who provide a Clerked Appeals Service.
- In respect of future admissions, the Governing Body agreed to raise the school Published Admission

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Governors' report (continued)
for the year ended 31 August 2016

Number to 210 (an increase of 10 pupils) in 2017/18. This was in response to the school being encouraged to do so by the Local Authority and having regard to the increased provision being made for local primary schools to expand their numbers of pupils. The Governing Body took the view that this modest increase was appropriate to recognise the operational issues that the school would face if numbers were raised significantly in the short term without any corresponding additional building capacity.

- Outcomes from teachers' performance appraisal in 2014/15 were considered by the Governing Body in the autumn term having regard to targets set for the preceding year and, in appropriate cases, salary progression was approved with effect from 1st September 2015.
- The Governing Body was assured that the staffing turnover in the year was not excessive and that most staff who left the school had done so for reasons of promotion or retirement. The school was confident that quality replacements had been made, with the school not facing the type of recruitment problems reported at other schools throughout the Country. A new senior leadership structure (to be effective from 1st September 2016) had been approved which would be better structured to respond to school improvement priorities.
- Governance arrangements were regularly reviewed during the year having regard to the Governing Body's status as a single converter Academy. An on-going overview of national developments in this respect (particularly the proposals in the Government White Paper "Education Excellent Everywhere") was maintained. In terms of action this led to the consideration of formal reports, presentations from a local Multi-Academy Trust (MAT) on its experiences of moving from a single Academy to a MAT and informal discussions with other local educational institutions regarding possible future formal collaboration. Further to last year's report a review of current governance arrangements was conducted and an in-principle approval given to revised arrangements (principally involving increased delegation to Committees). In the light of the on-going debate around the development of MATs, as referred to above, it was subsequently decided to hold this proposal in abeyance and re-visit it in 2016/17 depending on any MAT developments.

b. REVIEW OF ACTIVITIES

The academy's main funding source is the General Annual Grant (GAG) received monthly from the Education Funding Agency (EFA). The academy also generates additional income through its catering operation and secondment of staff for partnership working. During the period the academy also secured capital funding to support the on-going capital works. Revenue funding is mainly used to employ educational staff and procure educational resources for the school and its pupils.

The academy's financial position at the end of the period is £8,981,537; of which £10,226,030 is restricted fixed asset funds, leaving a total deficit reserve balance of both general restricted and unrestricted funds of (£1,244,493); this is due to the LGPS deficit of (£2,420,000). However, the LGPS liability will not materialise in the near future and actual reserve funding available to the academy excluding the LGPS liability is £1,175,507, of which £702,328 is restricted funding and £473,179 is unrestricted funding.

c. INVESTMENT POLICY AND PERFORMANCE

The academy operates an investment policy that seeks to maximise returns, commensurate with a very low risk profile.

Financial review

a. GOING CONCERN

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

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Governors' report (continued)
for the year ended 31 August 2016

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Given the nature of the academy's operations and financing, the financial risks faced by the academy are limited. The academy manages such risks by ensuring an adequate level of reserves is maintained to deal with unexpected events. The academy also carefully monitors and manages cash flow through the year including working capital requirements.

A liability of £2,420m is shown in the academy balance sheet in respect of the local government pension scheme. The academy does not expect to have to fund the deficit other than in the normal course of making contributions to the pension fund. The risk to the academy is that if the deficit increases so too will the amount of pension contributions the academy is required to make. However this risk may be mitigated by any future proposed reform of the pension scheme. The academy maintains a three year financial plan, which considers various funding scenarios and how these can be managed and planned for. The academy's risk management policy requires the governors to assess the major risks to which the trust will be exposed and consider how the risks can be managed and mitigated.

c. PRINCIPAL RISKS AND UNCERTAINTIES

Capital works

The academy requires large amounts of building and maintenance work, due to the buildings that house the academy being old and, in some cases, quite frail. It is difficult to assess what health and safety issues will emerge throughout the year and cost can build up. The building/maintenance work is continuous and can lead to disruption of pupils and staff. These risks are managed through the academy holding a large reserve and timing building/maintenance works to be scheduled for completion out of school hours and during the holidays where practical.

Funding

The Department for Education (DfE) is working towards a national funding formula for schools and has also introduced the Education Services Grant, these changes guarantee the academy will lose at a minimum 1.5% funding per pupil per annum over the medium term. The academy is mitigating this risk by holding a healthy reserve which will support the academy as the funding reduces.

Child protection and welfare issues

This is managed through having clear child protection and health and safety policies; Adherence to statutory recruitment procedures including CRB checks; child protection training for all staff; conducting external child protection and health and safety audits and implementing any recommendations. The academy employs a dedicated child protection officer and retains the services of a strategic health and safety advisor.

d. RESERVES POLICY

The academy held total reserves of £8,981,537 including £10,226,030 in fixed asset reserves.

A deficit of £1,718,646 has arisen on the General Restricted Fund. This is due to the deficit of £2,420,000 on the Local Government Pension Scheme ("LGPS") which is allocated to this fund. The LGPS liability will not crystallise immediately and, as a consequence, any following commentary with regard to the Restricted General Fund excludes the LGPS deficit.

The governors have set a reserves policy as follows:

- Maintain £300,000 in reserves in order to cover any unexpected urgent expenditure requirements
- Maintain sufficient reserves to cover the cost of replacing the academy's existing ICT equipment and buildings when they come to the end of their useful life.

The reserves policy excludes fixed asset reserves. It also excludes any deficit in respect of the pension liability. Balances as at 31st August 2016 exceeded those required to be held under the reserves policy.

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Governors' report (continued)
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Plans for future periods

a. FUTURE DEVELOPMENTS

In accordance with the aims and objectives of The Fernwood Academy Trust, the academy will continue to sharply focus on, and drive, improvements in the levels of performance of its students at all levels and will continue to ensure that all students progress to further and higher education.

The academy will continue to develop outstanding teaching and learning as identified by "Ofsted" April 2012 by attracting, recruiting and developing outstanding teachers and leaders. This will be achieved by further developing the school's professional development road map.

The academy will push boundaries in relation to curriculum innovation. In particular it seeks to focus on the use of new technology to expand the areas of science, engineering, maths and computing.

The specific focus for 2016-17

- Continue to improve outcomes for all students with a particular focus on narrowing the gap in achievement between advantaged and disadvantaged students
- Further enhance provision for, and the achievement of students who enter the school below L4 in mathematics and reading and for those students who have special educational needs and/or disabilities.
- Working with the Local Authority aim to secure funding from the EFA to expand the existing school estate to accommodate the increase in pupil numbers in the catchment area
- Continue to develop the school curriculum in light of government changes to the National Curriculum and external examinations
- Strengthen partnership work with other schools, Bilborough College, LEAD and Nottingham Universities
- Continue to improve the fabric and condition of the building and addressing any urgent Health and Safety concerns
- Continue to review the current Published Admissions Number (PAN).

DISCLOSURE OF INFORMATION TO AUDITORS

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 relevant audit information and to establish that the charitable company's auditors are aware of that information.

This report was approved by order of the Board of Governors as the company directors, on 24/12/16 and signed on its behalf by:


Mr P Irons, Chair
Chair of the Governing Body


Mrs T Rees, Principal
Accounting Officer

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Governance Statement

SCOPE OF RESPONSIBILITY

As Governors, we acknowledge we have overall responsibility for ensuring that The Fernwood 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 Governors 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 Fernwood Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Governors 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 Statement of Governors' responsibilities. The Board of Governors has formally met 8 times during the year. Attendance during the year at meetings of the Board of Governors was as follows:

Governor	Meetings attended	Out of a possible
Mr P Irons, Chair	6	8
Mrs P Wilson, Vice Chair	6	8
Dr S Ahmad	8	8
Mr S Battlemuch	5	8
Ms A Cannon	5	8
Mr W Davidson	6	8
Mr P Drysdale	2	3
Mr N Goforth	1	5
Mrs R Hudlin	7	8
Mr A Hunt	6	8
Mr A Ishaque	7	8
Mr N Jackson	7	8
Mrs E Jackson	7	8
Mrs T Rees, Principal	8	8
Miss A Saunders	6	8
Mr N Singh	0	6
Ms A Smart-Gosrani	7	8
Mr D Walker	2	8
Mr S Deadman-Corsie	3	4
Mr C Gregory	4	4
Mrs K Shale	4	4
Mrs S Taylor	0	2

The Strategic and Financial Planning Committee is a sub-committee of the main Board of Governors. Part of its remit is to consider all financial management, internal control and budgeting matters and advise the Governing Body on appropriate courses of actions in relation to these matters.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Mr P Irons, Chair	3	3
Mr P Drysdale	0	1
Mr A Hunt	3	3
Mr N Jackson	3	3
Mrs T Rees, Principal	2	3
Mr N Singh	0	3
Mr D Walker	0	3
Mrs P Wilson	1	3
Mrs R Hudlin	1	1

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Governance Statement (continued)

REVIEW OF VALUE FOR MONEY

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

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

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Fernwood 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 Governors has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Governors.

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Governors;
- regular reviews by the Strategic and Financial Planning Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The Board of Governors has considered the need for a specific internal audit function and has decided to appoint Hobsons (Chartered Accountants) as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On a termly basis, the internal auditor reports to the Board of Governors on the operation of the systems of control and on the discharge of the Board of Governors' financial responsibilities. In particular the checks carried out in the current period included:

- testing of purchase systems
- testing of payroll systems
- testing of control account/bank reconciliations
- testing of capital contracts
- testing of income transactions

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Governance Statement (continued)

The governors confirm the internal auditor has delivered their schedule of work as planned, no material control issues were identified.

REVIEW OF EFFECTIVENESS

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

- the work of the internal auditor;
- the work of the external auditors;
- the work of the executive managers within the academy who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Strategic and Financial Planning 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 Governors on 14/12/14 and signed on their behalf, by:



**Mr P Irons, Chair
Chair of Trustees**



**Mrs T Rees, Principal
Accounting Officer**

Date:

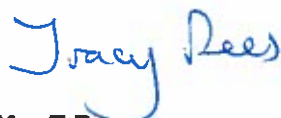
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Statement on Regularity, Propriety and Compliance

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

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

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



Mrs T Rees
Accounting Officer

Date: 14/12/16

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Statement of Governors' responsibilities
for the year ended 31 August 2016

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Governors on 14/12/16 and signed on its behalf by:



Mr P Irons, Chair
Chair of Trustees

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Independent auditors' report on the financial statements to the members of The Fernwood Academy Trust

We have audited the financial statements of The Fernwood 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the 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 Governors' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Independent auditors' report on the financial statements to the members of The Fernwood 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 Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Smith Cooper Limited

Sarah Flear (Senior statutory auditor)

for and on behalf of

Smith Cooper Limited

Chartered Accountants and Statutory Auditors

2 Lace Market Square

Nottingham

NG1 1PB

Date: 15 December 2014

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Independent reporting auditors' assurance report on regularity to The Fernwood Academy Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 8 August 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Fernwood 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 Fernwood 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 Fernwood 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 Fernwood Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF THE FERNWOOD ACADEMY TRUST'S ACCOUNTING OFFICER AND THE REPORTING AUDITORS

The accounting officer is responsible, under the requirements of The Fernwood Academy Trust's funding agreement with the Secretary of State for Education dated 6 April 2011, and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

APPROACH

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

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

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

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

The work undertaken to draw to our conclusion includes:

- a review of the outcome of the 2015 regularity audit
- a review of the evidence used to support the Accounting Officer's conclusions on the Regularity Statement
- a review of the adequacy of the work of the Responsible Officer and the adequacy of the program of work
- a review of the reports prepared by the Responsible Officer during the year ended 31 August 2016
- a review of the internal control environment and whether the environment has regard to regularity of transactions. Consideration to significant changes in the control environment and whether this has led to potential weaknesses
- confirmation through enquiry and sample testing that gifts and hospitality are given and received in line with the Academy Trust's policies
- confirmation through enquiry and sample testing that the use of expense claims or credit cards and petty

Independent reporting auditors' assurance report on regularity to The Fernwood Academy Trust and the Education Funding Agency (continued)

- cash adheres to internal control principles and that items are not for personal benefit
- confirmation through enquiry and sample testing that expenditure does not contravene the funding agreement
- confirmation through enquiry and sample testing that the lines of delegation and limits set both internally and by the EFA have been adhered to
- consideration to procurement and tendering procedures ensuring these have been correctly adhered to and administered
- consideration to the compliance of the Academy's delegated authorities over financial transactions and evidence of prior approval from the Secretary of State where applicable
- a review of declarations of business interests for all governors/directors and key staff
- a review of transactions with connected parties ensuring these have been completed following correct procurement and tendering procedures
- a review of meeting minutes of the various committees

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.

Smith Cooper Limited

Smith Cooper Limited
Chartered Accountants
2 Lace Market Square
Nottingham
NG1 1PB

Date: *15 December 2016*

THE FERNWOOD 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	Total funds 2016 £000	As restated Total funds 2015 £000
INCOME FROM:						
Donations and capital grants	2	-	3	-	3	198
Charitable activities	3	30	5,711	72	5,813	5,968
Other trading activities	4	207	42	-	249	228
Investments	5	1	-	-	1	1
TOTAL INCOME		238	5,756	72	6,066	6,395
EXPENDITURE ON:						
Raising funds	7	206	-	-	206	196
Charitable activities	6	-	5,676	310	5,986	6,235
TOTAL EXPENDITURE	7	206	5,676	310	6,192	6,431
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		32	80	(238)	(126)	(36)
Actuarial gains/(losses) on defined benefit pension schemes	21	-	(819)	-	(819)	36
NET MOVEMENT IN FUNDS		32	(739)	(238)	(945)	-
RECONCILIATION OF FUNDS:						
Total funds brought forward		441	(979)	10,464	9,926	9,926
TOTAL FUNDS CARRIED FORWARD		473	(1,718)	10,226	8,981	9,926

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)
Registered number: 07597390

Balance sheet
as at 31 August 2016

	Note	£000	2016 £000	2015 £000
FIXED ASSETS				
Tangible assets	13		10,226	10,464
CURRENT ASSETS				
Stocks	14	7		15
Debtors	15	233		229
Cash at bank and in hand		1,012		815
		<u>1,252</u>		<u>1,059</u>
CREDITORS: amounts falling due within one year	16	(77)		(103)
NET CURRENT ASSETS			<u>1,175</u>	<u>956</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>11,401</u>	<u>11,420</u>
Defined benefit pension scheme liability	21		<u>(2,420)</u>	<u>(1,494)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>8,981</u></u>	<u><u>9,926</u></u>
FUNDS OF THE ACADEMY				
Restricted income funds:				
Restricted income funds	17	702		515
Restricted fixed asset funds	17	10,226		10,464
Restricted income funds excluding pension liability		<u>10,928</u>		<u>10,979</u>
Pension reserve	17	<u>(2,420)</u>		<u>(1,494)</u>
Total restricted income funds			<u>8,508</u>	<u>9,485</u>
Unrestricted income funds	17		<u>473</u>	<u>441</u>
TOTAL FUNDS			<u><u>8,981</u></u>	<u><u>9,926</u></u>

The financial statements were approved by the Governors, and authorised for issue, on 14/12/16 and are signed on their behalf, by:

Mr P Irons, Chair
 Chair of Trustees 

The notes on pages 22 to 41 form part of these financial statements.

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Statement of cash flows
for the year ended 31 August 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net cash provided by operating activities	19	268	161
<hr/>			
Cash flows from investing activities:			
Dividends, interest and rents from investments		1	1
Purchase of tangible fixed assets		(72)	(433)
<hr/>			
Net cash used in investing activities		(71)	(432)
<hr/>			
Change in cash and cash equivalents in the year		197	(271)
Cash and cash equivalents brought forward		815	1,086
<hr/>			
Cash and cash equivalents carried forward		1,012	815
<hr/> <hr/>			

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 August 2016

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

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

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

1.2 Going concern

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

1.3 Income

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

Grants are included in the Statement of financial activities 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.

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

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

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

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.

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 August 2016

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

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

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of financial activities 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, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line
Furniture and equipment	-	20% straight line
Computer equipment	-	33.3% straight line

1.6 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.

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 August 2016

1. ACCOUNTING POLICIES (continued)

1.7 Stocks

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

1.8 Interest receivable

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

1.9 Taxation

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

1.10 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.

1.11 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.

1.12 Liabilities and provisions

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

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 August 2016

1. ACCOUNTING POLICIES (continued)

1.13 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 21, 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.

1.14 Fund accounting

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

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

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

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

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 August 2016

1. ACCOUNTING POLICIES (continued)

1.15 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, 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. DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	<i>As restated</i> Total funds 2015 £000
Donations	-	3	-	3	37
Capital Grants	-	-	-	-	161
	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>198</u>

In 2015, of the total income from donations and capital grants, £Nil was to unrestricted funds and £198,000 was to restricted funds.

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 August 2016

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	<i>As restated</i> <i>Total</i> <i>funds</i> <i>2015</i> <i>£000</i>
DfE/EFA revenue grants				
General Annual Grant (GAG)	-	5,393	5,393	5,505
Other DfE/EFA grants	-	262	262	239
	<u>-</u>	<u>5,655</u>	<u>5,655</u>	<u>5,744</u>
Other government grants				
Special educational projects	-	21	21	32
Other educational funding	-	30	30	22
	<u>-</u>	<u>51</u>	<u>51</u>	<u>54</u>
Other income from the academy trust's educational operations				
School trip income	-	78	78	141
Other incoming resources	30	-	30	29
	<u>30</u>	<u>5,784</u>	<u>5,814</u>	<u>5,968</u>

In 2015, of the total income from funding for academy's educational operations, £29,000 was to unrestricted funds and £5,939,000 was to restricted funds.

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	<i>Total</i> <i>funds</i> <i>2015</i> <i>£000</i>
Catering income	159	-	159	141
Hire of facilities	44	-	44	23
Uniform sales	4	-	4	19
Staff consultancy	-	42	42	45
	<u>207</u>	<u>42</u>	<u>249</u>	<u>228</u>

In 2015, of the total income from other trading activities, £183,000 was to unrestricted funds and £45,000 was to restricted funds.

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 August 2016

5. INVESTMENT INCOME

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Bank interest	1	-	1	1

In 2015, of the total investment income, £1,000 was to unrestricted funds and £Nil was to restricted funds.

6. ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2016 £000	Support costs 2016 £000	Total 2016 £000	Total 2015 £000
Funding for educational operations	4,969	1,017	5,986	6,235

7. EXPENDITURE

	Staff costs 2016 £000	Premises 2016 £000	Other costs 2016 £000	Total 2016 £000	As restated Total 2015 £000
Expenditure on raising funds	104	-	102	206	196
Academy's educational operations:					
Direct costs	4,180	184	605	4,969	5,223
Support costs	479	89	449	1,017	1,012
	<u>4,763</u>	<u>273</u>	<u>1,156</u>	<u>6,192</u>	<u>6,431</u>

In 2016, of the total expenditure, £206,000 (2015 - £196,000) was to unrestricted funds and £5,986,000 (2015 - £6,235,000) was to restricted funds.

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 August 2016

8. NET INCOME/EXPENDITURE

Net income/(expenditure) for the period includes:

	2016	2015
	£000	£000
Operating lease rentals	16	11
Depreciation	310	322
Fees payable to auditor for:		
- audit	8	8
- other services	6	5

During the year there were no individual transactions exceeding £5,000 falling under the following headings:

- Ex-gratia/compensation payments
- Gifts made by the trust
- Fixed asset losses
- Stock losses
- Unrecoverable debts
- Cash losses

THE FERNWOOD ACADEMY TRUST
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 August 2016

9. CHARITABLE ACTIVITIES

	Total funds 2016 £000	<i>As restated</i> Total funds 2015 £000
DIRECT COSTS - EDUCATIONAL OPERATIONS		
Teaching and educational support staff costs	3,360	3,572
National insurance	293	275
Pension cost	527	479
Depreciation	310	322
Educational supplies	225	246
Examination fees	71	68
Staff development	16	14
Educational consultancy	48	66
Other direct costs	83	135
Technology costs	34	41
Travel and subsistence	2	5
	4,969	5,223
ANALYSIS OF SUPPORT COSTS		
Support staff wages and salaries	323	312
National insurance	15	12
Pension cost	142	208
Insurance	31	43
Technology costs	10	12
Water rates	8	8
Recruitment and support	21	17
Maintenance of premises	81	89
Cleaning	8	7
Rates	25	25
Operating lease rentals	16	11
Energy	81	91
Other support costs	196	121
Transport	32	27
Other occupancy costs	14	17
Governance costs	14	13
	1,017	1,013
	5,986	6,236

During the year ended 31 August 2016, the academy incurred the following Governance costs:

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10. STAFF COSTS

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	3,701	3,945
Social security costs	311	289
Operating costs of defined benefit pension schemes	682	700
	<u>4,694</u>	<u>4,934</u>
Supply teacher costs	69	19
	<u>4,763</u>	<u>4,953</u>

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

	2016 No.	2015 No.
Teachers	83	79
Administration and support	67	69
Management	7	7
	<u>157</u>	<u>155</u>

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

	2016 No.	2015 No.
In the band £70,001 - £80,000	1	1
In the band £90,001 - £100,000	0	1
In the band £100,001 - £200,000	1	0

The 2 (2015 - 2) employees above participated in the Teachers' Pension Scheme.

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £767,519 (2015 - £771,753).

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11. GOVERNORS' REMUNERATION AND EXPENSES

One or more of the trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment.

T Rees (principal and trustee)

Remuneration £100,000 - £105,000 (2015: £90,000 - £95,000)

Employer's pension contributions £15,000 - £20,000 (2015: £10,000 - £15,000)

N Jackson (staff trustee)

Remuneration £35,000 - £40,000 (2015: £35,000 - £40,000)

Employer's pension contributions £5,000 - £10,000 (2015: £5,000 - £10,000)

A Saunders (staff trustee)

Remuneration £20,000 - £25,000 (2015: £20,000 - £25,000)

Employer's pension contributions £Nil - £5,000 (2015: £Nil - £5,000)

A Cannon (staff trustee)

Remuneration £45,000 - £50,000 (2015: £45,000 - £50,000)

Employer's pension contributions £5,000 - £10,000 (2015: £5,000 - £10,000)

Mrs L Kingston (staff trustee)

Remuneration £Nil (2015: £15,000 - £20,000)

Employer's pension contributions £Nil (2015: £Nil - £5,000)

During the year retirement benefits were accruing to 3 Governors (2015 - 4) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 1 Governor (2015 - 1) in respect of defined benefit pension schemes.

During the year, no Governors received reimbursement of expenses £Nil (2015 - £39).

12. GOVERNORS' AND OFFICERS' INSURANCE

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

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13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Furniture and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 September 2015	10,913	290	506	11,709
Additions	2	3	67	72
Disposals	-	-	(7)	(7)
At 31 August 2016	<u>10,915</u>	<u>293</u>	<u>566</u>	<u>11,774</u>
Depreciation				
At 1 September 2015	693	125	427	1,245
Charge for the year	184	54	72	310
On disposals	-	-	(7)	(7)
At 31 August 2016	<u>877</u>	<u>179</u>	<u>492</u>	<u>1,548</u>
Net book value				
At 31 August 2016	<u>10,038</u>	<u>114</u>	<u>74</u>	<u>10,226</u>
At 31 August 2015	<u>10,220</u>	<u>165</u>	<u>79</u>	<u>10,464</u>

Included in land and buildings is freehold land at valuation of £1,709,000 (2015 - £1,709,000), which is not depreciated.

14. STOCKS

	2016 £000	2015 £000
Finished goods and goods for resale	<u>7</u>	<u>15</u>

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15. DEBTORS

	2016	2015
	£000	£000
Trade debtors	32	2
VAT recoverable	40	62
Other debtors	13	15
Prepayments and accrued income	148	150
	233	229
	233	229

16. CREDITORS: Amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	26	51
Other creditors	3	4
Accruals and deferred income	48	48
	77	103
	77	103

	2016	2015
	£000	£000
Deferred income		
Deferred income at 1 September 2015	14	66
Resources deferred during the year	31	14
Amounts released from previous years	(14)	(66)
	31	14
	31	14

Deferred income relates to Rates income, SEN grants and Inclusion Allowance income which relate to the 2015/16 academic and financial year.

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17. STATEMENT OF FUNDS

	Brought Forward £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
Unrestricted funds						
General Funds - all funds	441	238	(206)	-	-	473
Restricted funds						
General Annual Grant (GAG)	515	5,321	(5,241)	107	-	702
Other DfE/EFA Grants	-	283	(283)	-	-	-
Other income	-	152	(152)	-	-	-
Pension reserve	(1,494)	-	-	(107)	(819)	(2,420)
	<u>(979)</u>	<u>5,756</u>	<u>(5,676)</u>	<u>-</u>	<u>(819)</u>	<u>(1,718)</u>
Restricted fixed asset funds						
Fixed assets transferred on conversion	7,209	-	(212)	-	-	6,997
DfE/EFA Capital Grants	2,231	-	(66)	-	-	2,165
Donations	30	-	(1)	-	-	29
Capital expenditure from GAG	994	72	(31)	-	-	1,035
	<u>10,464</u>	<u>72</u>	<u>(310)</u>	<u>-</u>	<u>-</u>	<u>10,226</u>
Total restricted funds	<u>9,485</u>	<u>5,828</u>	<u>(5,986)</u>	<u>-</u>	<u>(819)</u>	<u>8,508</u>
Total of funds	<u>9,926</u>	<u>6,066</u>	<u>(6,192)</u>	<u>-</u>	<u>(819)</u>	<u>8,981</u>

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

The General Annual Grant, and other DfE/EFA grants relate to government funding for the provision of education by the academy including Special Educational Needs projects. Other restricted income relates to non-government restricted funding.

Unrestricted reserves comprise the net of income and expenditure from Music, Catering, Lettings and Uniform transactions.

The loss of £819,000 is an actuarial gain on the defined benefit pension scheme.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

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18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Tangible fixed assets	-	-	-	-	10,464
Current assets	473	779	10,226	10,226	-
Creditors due within one year	-	(77)	-	(77)	1,057
Provisions for liabilities and charges	-	(2,420)	-	(2,420)	(101)
	<u>473</u>	<u>(1,718)</u>	<u>10,226</u>	<u>8,981</u>	<u>9,926</u>

19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016 £000	2015 £000
Net expenditure for the year (as per Statement of financial activities)	(126)	(36)
Adjustment for:		
Depreciation charges	310	322
Dividends, interest and rents from investments	(1)	(1)
Decrease in stocks	8	4
(Increase)/decrease in debtors	(4)	19
Decrease in creditors	(27)	(158)
Capital grants from DfE and other capital income	-	(161)
Defined benefit pension scheme cost less contributions payable	49	116
Defined benefit pension scheme finance cost	59	56
Net cash provided by operating activities	<u>268</u>	<u>161</u>

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash in hand and at bank	1,012	815
Total	<u>1,012</u>	<u>815</u>

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21. 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 Nottinghamshire 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 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 £473,000 (2015 - £405,000).

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

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21. PENSION COMMITMENTS (continued)

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 £137,000 (2015 - £165,000), of which employer's contributions totalled £102,000 (2015 - £123,000) and employees' contributions totalled £35,000 (2015 - £42,000). The agreed contribution rates for future years are 18% for employers and 5.5% - 12.5% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.20 %	4.00 %
Rate of increase in salaries	4.10 %	4.40 %
Rate of increase for pensions in payment / inflation	2.30 %	2.60 %

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

	2016	2015
Retiring today		
Males	22.1	22.1
Females	25.3	25.2
Retiring in 20 years		
Males	24.4	24.2
Females	27.7	27.6

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21. PENSION COMMITMENTS (continued)

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

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equities	1,299	1,159
Bonds	128	113
Property	228	204
Cash	80	56
Gilts	71	44
Other	82	53
	<u>1,888</u>	<u>1,629</u>
Total market value of assets	<u>1,888</u>	<u>1,629</u>

The actual return on scheme assets was £238,000 (2015 - £28,000).

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

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(151)	(238)
Net interest cost	(57)	(55)
Administration expenses	(1)	(1)
	<u>(209)</u>	<u>(294)</u>
Total	<u>(209)</u>	<u>(294)</u>

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

	2016 £000	2015 £000
Opening defined benefit obligation	3,123	2,829
Current service cost	151	183
Contributions by Scheme participants and employers	35	42
Change in financial assumptions	991	(68)
Past service costs, including curtailments	-	55
Estimated benefits paid net of transfers in	(115)	(33)
Interest cost	123	115
	<u>4,308</u>	<u>3,123</u>
Closing defined benefit obligation	<u>4,308</u>	<u>3,123</u>

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21. PENSION COMMITMENTS (continued)

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

	2016 £000	2015 £000
Opening fair value of scheme assets	1,629	1,470
Interest on assets	66	60
Return on assets less interest	172	(32)
Contributions by employer including unfunded	102	123
Contributions by Scheme participants and other employers	35	42
Estimated benefits paid plus unfunded net of transfers in	(115)	(33)
Administration expenses	(1)	(1)
	<u>1,888</u>	<u>1,629</u>
Closing fair value of scheme assets	<u>1,888</u>	<u>1,629</u>

22. 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 £000	<i>As restated</i> 2015 £000
Amounts payable:		
Within 1 year	10	16
Between 1 and 5 years	-	10
Total	<u>10</u>	<u>26</u>

23. RELATED PARTY TRANSACTIONS

Owing to the nature of the Academy'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 a Director has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures.

Robin Hood Energy Limited - a not for profit energy provider in which Mr S Battlemuch (a Governor of the Academy) is a director.

Robin Hood Energy Limited is a subsidiary of the Nottingham City Council and has provided energy to the Academy totalling £3,892 (2015 - £Nil). There was an amount outstanding of £4,671 (2015 - £Nil) at the year end within trade creditors.

In entering into the transactions with Robin Hood Energy Limited, the Academy has complied with the requirements of the EFA's Academies Financial Handbook.

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24. 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.

25. FIRST TIME ADOPTION OF FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

RECONCILIATION OF TOTAL FUNDS	<i>1 September 2014</i>	<i>31 August 2015</i>
	<i>£000</i>	<i>£000</i>
Total funds under previous UK GAAP	9,926	9,926
Total funds reported under FRS 102	<u>9,926</u>	<u>9,926</u>
Reconciliation of net (expenditure)		<i>31 August 2015</i>
		<i>£000</i>
Net (expenditure) previously reported under UK GAAP		(6)
Change in recognition of LGPS interest cost		(30)
Net movement in funds reported under FRS 102		<u>(36)</u>

The only change relates to the recognition of LGPS interest cost. 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 reduce the credit to income/expense by £30,000 and increase the credit in other recognised gains and losses in the SoFA by an equivalent amount.