

Company Registration No. 08087508 (England and Wales)

ZEST ACADEMY TRUST

(A COMPANY LIMITED BY GUARANTEE)

TRUSTEES' REPORT AND AUDITED ACCOUNTS

FOR THE YEAR ENDED 31 AUGUST 2016



ZEST ACADEMY TRUST

CONTENTS

	Page
Reference and administrative details	1
Trustees' report	2 - 10
Governance statement	11 - 13
Statement on regularity, propriety and compliance	14
Statement of Trustees' responsibilities	15
Independent auditor's report on the accounts	16 - 17
Independent reporting accountant's report on regularity	18 - 19
Statement of financial activities including income and expenditure account	20
Balance sheet	21
Statement of cash flows	22
Notes to the accounts including accounting policies	23 - 42

ZEST ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Members	Mr M Gray (resigned 22/04/2016) Mr E Collett (resigned 23/07/2016) Mrs J Edwards (resigned 22/04/2016) Mr B Thompson (appointed 22/04/2016) Mr D Brookes (appointed 22/04/2016) Mr D Fann (appointed 22/04/2016)	
Trustees	Mr E Collett (Chairman) (Resigned 23 July 2016) Mr B Thompson (Chair from 29/11/2016) (Appointed 21 June 2016) Mrs A Kilby (Staff Governor) (Resigned 22 April 2016) Mr M Gray (Principal and Accounting Officer) Mr P Thompson Mr S West Mrs J Evans Mrs S Cardwell (Appointed 22 April 2016) Mrs A Edwards (Resigned 22 April 2016) Mr A Matthews (Resigned 22 April 2016) Mrs K Lillico (Resigned 16 November 2015) Mr M Nash (Resigned 22 April 2016) Mrs J May (Resigned 22 April 2016)	
Senior management team		
- CEO	Mr M Gray	
- Director of Business and Finance	Mrs S Cardwell	
Company secretary	Mrs E Johnson	
Company registration number	08087508 (England and Wales)	
Company name	Zest Academy Trust	
Registered office	Waterloo Road Blackpool FY4 3AG	
Academies operated	Location	CEO
Waterloo Primary Academy	Blackpool	Mr M Gray
Independent auditor	Moore and Smalley LLP Richard House 9 Winckley Square Preston PR1 3HP	
Solicitors	Brabners Chaffe Street LLP 7-8 Chapel Street Preston PR1 8AN	

ZEST ACADEMY TRUST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees present their annual report together with the accounts and independent auditor's reports of the Charitable Company for the period 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

Waterloo Primary Academy officially changed its name and status on 22nd April 2016. The trust has converted from single academy status to multi academy status. As of the 31st August 2016, Waterloo Primary Academy remains as the only academy within the trust.

In accordance with the articles of association the Charitable Company has adopted a "Scheme of Governance" approved by the Secretary of State for Education. The Scheme of Governance specifies, amongst other things, the basis for admitting students to the Academy, the catchment area from which the students are drawn, and that the curriculum should be broad, balanced and comply with the substance of the national curriculum.

It should be noted that the Academy Trust have adopted the terminology 'Academy Council' and 'Academy Council Members' opposed to 'Governors and 'Governing Body'.

Structure, governance and management

Constitution

Zest Academy Trusts incorporated name change came in to force on 22 April 2016. The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The Academy Trust name change was incorporated on 22nd April 2016 following Waterloo Primary Academy's incorporation on 29th May 2012.

The trustees of Zest Academy Trust are also the directors of the Charitable Company for the purposes of company law. Details of the Trustees who served during the year are included in the Reference and Administrative Details on page 1.

Members' liability

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

Trustees' indemnities

The Academy has purchased indemnity insurance to protect governors and officers from claims arising in connection with Academy business. The insurance provides cover of up to £5,000,000 on any one claim.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Method of recruitment and appointment or election of Members, Trustees and Academy Council Members

Members

The Articles of Associations under Article 12 states that the number of members of the Academy Trust shall not be less than three.

Trustees / Directors

The Articles of Associations under Article 45 states that the number of Trustees of the Academy Trust shall not be less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum.

Subject to Articles 48-49 and 53 the Academy Trust shall have the following Trustees:

- 5 trustees appointed under Article 50
- minimum of 2 parent trustees under Articles 53-56 in the event that no Academy Councils are established
- Co-opted trustees under Article 58
- Original trustees named in the statement delivered pursuant to sections 9 and 12 of the Companies Act 2006
- The total number of trustees including the Chief Executive Officer under Article 57 shall not exceed one third of the total number of Trustees

Academy Councils

The Academy Trust has appointed Academy Councils within its academies with the membership structure as follows:

- 2 parent academy council members
- 1 teaching academy council member
- 1 non-teaching academy council member
- academy council members as appointed by the board of Trustees

The term of office for any Trustee or Academy Council Member shall be 4 years, save that this time limit shall not apply to any post which is held ex officio. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected.

Policies and procedures adopted for the induction and training of Members, Trustees and Academy Council Members

The training and induction provided for new Members, Trustees and Academy Council Members will depend on their existing experience.

All Members, Trustees and Academy Council Members are provided with copies of key documents, such as policies, procedures, accounts, budgets, plans and other documents on appointment and in relation to their role. Induction training for Academy Council Members is provided by Blackpool Borough Council Governors Services, the Academy's Outsourced Service Contract Supplier and on-going training is detailed through monthly newsletters, specifying availability. Further training for Academy Council Members, Trustees and Members are available and organised as a need arises.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Organisational structure

The Academy Trust consists of four levels of organisation structure: Members, Trustees / Directors, Academy Council Members, the Principal and Senior Leadership Team.

The Academy Trust members are responsible for:

- determining the Trust constitution
- vision and values
- appointing and removing Trustees
- approving the Trusts annual financial accounts

The Trustees are responsible for:

- strategy and leadership
- policies and practice
- financial management
- risk management
- central services

Academy Council members are responsible for:

- curriculum and standards
- teaching and learning
- pupil progress
- annual budget monitoring
- academy admissions

The Academy Council Members have powers delegated to them from the Trustees to make decisions on behalf of the academy as detailed in the scheme of delegation.

During the course of 2015 – 2016 academic year the Academy Trust met twice since their incorporation in April 2016. The Academy Council Members met at least three times.

The Trustees have adopted a scheme of financial delegation, which clearly sets out the level of financial authority delegated to the CEO / Principal (who is the Accounting Officer) and other members of staff.

Arrangements for setting pay and remuneration of key management personnel

The Academy Trust has a robust performance management policy in place for setting pay and remuneration for key Trust personnel.

Performance targets are set in the autumn term by the Academy Council Members and Trustees, following a meeting with the external School Improvement Advisor. These progress measures are reviewed regularly but are linked to pupil progress, strategic leadership and individual operational performance. In the summer term the Pay and Performance Academy Council Members and Trustees meet to assess performance. Recommendations are then made to the full Academy Council and Trustees.

Related parties and other connected charities and organisations

Zest Academy Trust is a Multi Academy Trust with one academy, Waterloo Primary Academy.

The Trust works closely with a cluster of local Blackpool academies, sharing best practice and working collaboratively on a variety of topics. The Trust also provides administrative support to Blackpool Schools Partnership.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Objectives and activities

Objects and aims

Zest Academy Trust is ambitious, optimistic and forward thinking. It aims to:

- Recruit and retain high quality staff
- Deliver and develop quality first teaching. Provide a relevant and engaging curriculum
- Build capacity for improvement with schools
- Promote wellbeing
- Celebrate diversity
- Deliver rapid and sustained improvement

The Trust is committed to achieving outcomes for all its children. Principals supported by Academy Council Members and Trustees are committed fully to securing the highest standards and to sustaining improvement in all areas of the school's work. The Trust benefits from a high standard of leadership not only in the Trust but also within its academy.

Zest Academy Trust will:

- promote a love of learning, have a constant focus on teaching and assessment and will effectively manage all its resources
- prepare our children for life's challenges by creating innovative, safe learning environments that challenge preconceptions and expectations
- value each member of the ZEST learning community by trusting, supporting and treating each other with dignity and respect
- enable our family of schools to maintain and develop their own school identity, sharing innovative practice and support
- enable staff to develop professionally and share their enthusiasm and love of learning with the children in their care
- share expertise and experience within the ZEST community and will collaboratively support professional development and build effective learning capacity
- always challenge to improve

Objectives, strategies and activities

The Trusts' long term objective is to establish a successful Multi Academy Trust which works collaboratively with its academy's. The Trust has the capacity to sponsor schools who are in need of support and identified by the Regional Schools Commissioner.

We firmly believe that our Trust should:

- Provide guidance and support
- Challenge where appropriate
- Work collaboratively
- Be committed to improving outcomes for children

The Trust is also committed to adhering to the 7 principles of public life (the Nolan Principles).

Public benefit

The Trustees are aware of the Charity Commission Guidance on providing public benefit and have had due regard to this in exercising their duties during the year. The key public benefit delivered by Zest Academy Trust as identified in the Articles of Association is to provide education to the young people of the community it serves.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Strategic report

Achievements and performance

The new KS1 and KS2 curriculum assessment test express outcomes as a scaled score of 100 or more.

KS2 attainment by subject					
	Reading	Grammar, punctuation and spelling	Mathematics	Writing	Combined Subjects
School	68%	70%	55%	83%	47%
Local Authority	60%	68%	69%	74%	46%
National	66%	72%	70%	74%	53%

KS1 attainment by subject			
	Reading	Mathematics	Writing
School	72%	69%	70%
Local Authority	79.4%	66.5%	74.3%
National	73.9%	65.5%	72.6%

Year 1 Phonics			
	2014	2015	2016
School	82%	80%	80%
Local Authority	73.3%	77.5%	80.7%
National	74%	77.7%	80.6% <i>unvalidated</i>

Reception achieving a Good level of development			
	2014	2015	2016
School	22%	43%	48%
Local Authority	52%	55%	64.5%
National	60%	66%	69.3%

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Key performance indicators

The Trust utilises a variety of KPIs such as financial data, assessment data and Ofsted ratings.

Waterloo primary Academy was inspected in February 2014 with the following outcomes being achieved.

OFSTED (February 2014)

Overall effectiveness	Good 2
Previous inspection:	Not previously inspected (As an academy)
This inspection:	Good 2
Achievement of pupils:	Good 2
Quality of teaching:	Good 2
Behaviour and safety of pupils:	Good 2
Leadership and management:	Outstanding 1

KS2 progress measures are highlighted within the percentile distribution across all three subjects.

Percentiles	Reading	Writing	Mathematics
Top 5%	4.6 and above	4.4 and above	4.3 and above
Next 20%	1.8 to 4.5 *	1.9 to 4.3 *	1.6 to 4.2
Next 15%	0.7 to 1.7	1.8 to 1.8	0.6 to 1.5
Middle 20%	-0.6 to 0.6	-0.5 to 0.7	-0.6 to 0.5 *
Next 15%	-1.6 to 0.7	-1.6 to -0.6	-1.6 to -0.7
Next 20%	-4.0 to 1.7	-4.8 to 1.7	-4.0 to -1.7
Bottom 5%	-4.1 and below	-4.9 and below	-4.1 and below

Progress measures for Waterloo Primary Academy are:

Reading	Writing	Mathematics
+ 2.7 *	+3.8 *	+0.3 *

Attendance

We work tirelessly to improve our attendance, as it is always a challenge to meet the 95% required standard. Academic year 2015/2016 had an attendance figure of **94.5%**.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Going concern

After making appropriate enquiries, the board of Trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason the board of Trustees continues to adopt the going concern basis in preparing the accounts. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies.

Financial review

The School's total incoming resources during the year were £3,521,605 (2015: £3,578,411). The majority of the academy's income derives from central government funding via the Education Funding Agency, in the form of current grants. Total funding received for the School's educational operations in the year was £3,434,853 (2015: £3,439,682) and further details are provided in note 4 to the accounts.

Total outgoing resources for the year were £3,453,792 (2015: £3,304,339), the majority of which related to the direct provision of educational operations of £3,453,792 (2015: £3,304,339). The excess of income over expenditure was £67,813 (2015: £274,072).

At the year end the School's total reserves were £2,949,789 (2015: £3,500,976), including unrestricted funds of £147,767 (2015: £130,761) and restricted funds of £2,802,022 (2015: £3,370,215). Restricted funds include fixed assets of £3,721,739 (2015: £3,501,858), less the LGPS pensions scheme deficit of £1,523,000 (2015: £834,000). The remaining balances on restricted funds relate to funding received to date, which is due to be spent in future years in accordance with the terms of funding. Further detail is provided in note 16.

The deficit on the LGPS does not mean that an immediate liability crystallises. The deficit results in a cash flow effect for the academy in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income. There is therefore no direct impact on the free reserves of the academy trust because of recognising the deficit. 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.

At 31 August 2016 all assets shown in the accounts were used exclusively for providing education and associated support services to students of the School.

Reserves policy

The Trust Board review the reserve levels each year. The review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. 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 and repairs.

The Trusts current reserves, net of amounts allocated to fixed assets and the pension deficit, are £751,050 (2015: £833,118).

The Academy Council Members designated £700,000 of reserves towards a sports hall project that was under construction at the year end. This project will be completed by December 2016.

The Trust will take appropriate action to ensure that reserves are always at a prudent level.

Restricted GAG reserves

The Trustees have considered the level of GAG reserves which they believe will provide sufficient working capital to cover delays between the spending and receipt of grants and unexpected or planned future revenue and capital costs. At 31 August 2016 the school held GAG reserves of £555,442 (2015: £694,727). The Trust aim to have in their reserves at least one month's salary and business costs with additional costs being accumulated for school improvement.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Unrestricted reserves

In addition to the GAG reserve, which can only be utilised for the restricted purposes set out in the Funding Agreement, the Trust holds unrestricted free reserves, which provide additional working capital and are not committed or designated at 31 August 2016 the level of unrestricted reserves held was £147,767 (2015: £130,761), which is in line with the reserves policy.

Restricted pension scheme reserve

On conversion, the School inherited a deficit of £867,000 in respect of the Local Government Pension Scheme, which many of the non-teaching staff belong to. This deficit having decreased to £834,000 in August 2015, has now increased to £1,523,000 by 31 August 2016, mainly due to changes in actuarial assumptions. The level of any deficit payments will be reviewed following the latest actuarial valuation in 2016 for introduction in April 2017. The School does not have an obligation to settle this liability immediately and there are no indications that it will crystallise in the foreseeable future. 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.

Investment policy and powers

All investments are agreed by the board of Trustees, which has regard to the Charity Commission guidance in relation to charity investment policy. The Trust does not currently hold any investments other than cash, which is held for its normal operations. The Trustees have adopted a low risk strategy to its cash holdings. Surplus cash is held in an instant access deposit account to ensure that there is always access to sufficient cash to meet short and medium term requirements.

Principal risks and uncertainties

The Trustees have assessed the major risks to which the Academy Trust is exposed, in particular those relating to teaching, provision of facilities, other operational areas of the Trust and its finances. These risks are reviewed on an annual basis by the CEO, Director Business and Finance and Academy trustees. A number of new operational systems have been implemented during the year in order to minimise specific risks. These include safeguarding, internal financial systems of delegation and experienced interchangeable office staff. Where significant financial risk is still remaining the Trust ensures that adequate insurance cover and a Business Continuity plan is in place.

The internal financial systems of delegation are based on the Academies Financial Handbook September 2016 alongside the Trusts scheme of delegation. The systems are based on a framework of segregation of duties, schemes of delegation that include authorisation and approval. Financial management information is provided to Academy Council Members and Trustees on a quarterly basis. The Director Business and Finance notifies Trustees and Members when the DfE update the Financial Handbook and highlights significant areas of change.

The responsible officer role has been performed, by Mr David Brookes and reports have been presented to the Academy Council Members. No major issues have been identified. Any recommendations have been implemented.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

Financial and risk management objectives and policies

The Trust has receives most of its income on a monthly basis and manages its cash flow accordingly.

The key Trust financial objectives are;

- Adhere to the 7 principles of public life
- Apply at all time, best value principles
- Monitor and report on financial matters

In line with the financial objectives the Trust recognises that risk management is key to the success of the Trust.

The Trust maintains a risk register which considers, strategic and reputational risks, operational risk, compliance risks and financial risks. The register is a live working document and reviewed annually by the CEO and Director of Business and Finance.

Plans for future periods

The Trust will continue striving to improve the levels of performance of its students.

A key focus for Waterloo primary Academy is to improve maths attainment at KS2. The use of additional teachers will enable more focussed teach and learning to take place. The school have also implemented 'maths mastery' throughout and arranged for additional training for staff relating to maths.

The academy also continues to provide specialist Physical Education by utilising the Governments PE sports grant.

Funds held as custodian trustee on behalf of others

For the year ending 31 August 2016 there are no assets and arrangements for safe custody segregation.

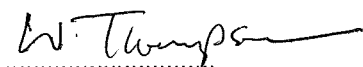
Auditor

In so far as the Trustees are aware:

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

A resolution proposing that Moore and Smalley LLP be reappointed as auditor of the Charitable Company will be put to the members.

The Trustees' report, incorporating a strategic report, was approved by order of the board of Trustees, as the company directors, on 29/11/16.... and signed on its behalf by:



Mr B Thompson
Chair from 29/11/2016

ZEST ACADEMY TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2016

Scope of responsibility

As Trustees we acknowledge we have overall responsibility for ensuring that Zest 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 Trustees has delegated the day-to-day responsibility to the CEO, 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 Zest Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of Trustees has formally met 2 times during the year since their incorporation in April 2016. Attendance during the year at meetings of the board of Trustees was as follows:

Trustees	Meetings attended	Out of possible
Mr E Collett (Chairman) (Resigned 23 July 2016)	1	2
Mr B Thompson (Chair from 29/11/2016) (Appointed 21 June 2016)	2	2
Mr M Gray (Principal and Accounting Officer)	2	2
Mr P Thompson	2	2
Mr S West	1	2
Mrs J Evans	1	2
Mrs S Cardwell (Appointed 22 April 2016)	2	2

On incorporation to a Multi Academy Trust the Board was dissolved and reformed in line with government requirements.

The Trust board has no sub-committee's and the financial monitoring and audit reporting is within the terms of the Trust Board.

A review of governance is carried out annually within the Trust and Academy. The Trustees and Academy Council Members have a good understanding of business matters and data assessment, however following the recent skills audit areas for development have been identified and the Trust is working hard to address this.

Review of value for money

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

ZEST ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

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

Improving Educational Results

- Financial Governance
- Approved audit of compliance from the Education Funding Agency
- Development of the assessment, tracking and monitoring process

Central Services and Income Generation

- Reviewed Service Contracts to gain best quality and effectiveness for least cost.
- Clear lines of responsibilities and accountabilities within the central service team
- HR service contract offered to other academies
- In house FSM administration
- Business consultancy

Reviewing controls and managing risks

- Full risk register produced and reviewed regularly
- Collaboration and sharing good practice with local schools

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 and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for Waterloo Primary Academy from 1 September 2015 and in Zest Academy Trust from conversion on 22 April 2016 to 31 August 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

The board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However the Trustees have appointed Mr David Brooks, an external Business Manager, as Responsible Officer ("RO").

ZEST ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems.

Checks for the 2015 - 2016 were undertaken on 24th September 2015, 13th January 2016 and 27th April 2016. The following systems were reviewed:

- testing of payroll systems
- testing of purchase systems
- testing of control account/bank reconciliations

A report was produced for the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. No issues or irregularities were found.

Review of effectiveness

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

- the work of the responsible officer
- the work of the external auditor
- the financial management and governance self-assessment process
- the work of the executive managers within the Academy Trust 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 Trustees and Academy Council Members Finance Sub Committee of Waterloo Primary Academy and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of Trustees on 29/11/16..... and signed on its behalf by:



Mr B Thompson
Chair from 29/11/2016



Mr M Gray
Principal and Accounting Officer

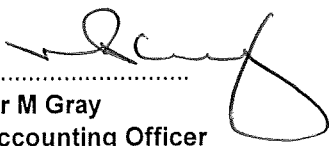
ZEST ACADEMY TRUST

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2016

As Accounting Officer of Zest 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.

I confirm that I and the Academy Trust's 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.


.....
Mr M Gray
Accounting Officer

29/11/16
.....

ZEST ACADEMY TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2016

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

Company law requires the Trustees to prepare accounts for each financial year. Under company law the Trustees must not approve the accounts 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 accounts, the Trustees are required to:


- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- make judgements 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the board of Trustees on ~~29/11/16~~..... and signed on its behalf by:



.....
Mr B Thompson
Chair from 29/11/2016

ZEST ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS TO THE MEMBERS OF ZEST ACADEMY TRUST

We have audited the accounts of Zest Academy Trust for the year ended 31 August 2016 set out on pages 20 to 42. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 15, the Trustees, who are also the directors of Zest Academy Trust for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts 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 accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Trustees' Report including the incorporated strategic report to identify material inconsistencies with the audited accounts 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 accounts

In our opinion the accounts:

- 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;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts.

ZEST ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS TO THE MEMBERS OF ZEST ACADEMY TRUST (CONTINUED)

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 accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Christine Wilson (Senior Statutory Auditor)
for and on behalf of Moore and Smalley LLP
Chartered Accountants
Statutory Auditor

Richard House
9 Winckley Square
Preston
PR1 3HP

Dated: 15/12/16

ZEST ACADEMY TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO ZEST ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 15 November 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 Zest Academy Trust during the period 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 Zest Academy Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Zest Academy Trust and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Zest Academy Trust and EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Zest Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Zest Academy Trust's funding agreement with the Secretary of State for Education dated 29 June 2012 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 period 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 EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

We have undertaken testing as appropriate in line with the guidance included in Technical release 08/12AAF from the Institute of Chartered Accountants in England and Wales.

The work undertaken to draw our conclusion includes an evaluation of the control environment of the school together with enquiry, analytical review and substantive testing of transactions.

ZEST ACADEMY TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO ZEST ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (CONTINUED)

Conclusion

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



Christine Wilson
Reporting Accountant
Moore and Smalley LLP

Richard House
9 Winckley Square
Preston
PR1 3HP

Dated: 15/12/16

ZEST ACADEMY TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2016

		Unrestricted funds	Restricted general funds	Restricted fixed asset funds	Total 2016	Total 2015
	Notes	£	£	£	£	£
Income and endowments from:						
Donations and capital grants	3	8,787	5,823	11,302	25,912	85,612
Charitable activities:						
- Funding for educational operations	4	153,524	3,287,152	-	3,440,676	3,439,682
Other trading activities	5	53,925	-	-	53,925	52,280
Investments	6	1,092	-	-	1,092	837
Total income and endowments		<u>217,328</u>	<u>3,292,975</u>	<u>11,302</u>	<u>3,521,605</u>	<u>3,578,411</u>
Expenditure on:						
Charitable activities:						
- Educational operations	8	209,764	3,088,980	155,048	3,453,792	3,304,339
Total expenditure	7	<u>209,764</u>	<u>3,088,980</u>	<u>155,048</u>	<u>3,453,792</u>	<u>3,304,339</u>
Net income/(expenditure)		7,564	203,995	(143,746)	67,813	274,072
Transfers between funds		9,442	(373,069)	363,627	-	-
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit pension schemes	22	-	(619,000)	-	(619,000)	(41,000)
Net movement in funds		<u>17,006</u>	<u>(788,074)</u>	<u>219,881</u>	<u>(551,187)</u>	<u>233,072</u>
Reconciliation of funds						
Total funds brought forward		130,761	(131,643)	3,501,858	3,500,976	3,267,904
Total funds carried forward	16	<u>147,767</u>	<u>(919,717)</u>	<u>3,721,739</u>	<u>2,949,789</u>	<u>3,500,976</u>

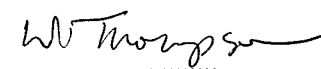
ZEST ACADEMY TRUST

BALANCE SHEET

AS AT 31 AUGUST 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	12		3,721,739		3,501,858
Current assets					
Debtors	13	132,126		104,867	
Cash at bank and in hand		769,297		863,948	
		<u>901,423</u>		<u>968,815</u>	
Current liabilities					
Creditors: amounts falling due within one year	14	(150,373)		(135,697)	
Net current assets			<u>751,050</u>		<u>833,118</u>
Net assets excluding pension liability			<u>4,472,789</u>		<u>4,334,976</u>
Defined benefit pension liability	22		(1,523,000)		(834,000)
Net assets			<u><u>2,949,789</u></u>		<u><u>3,500,976</u></u>
Funds of the Academy Trust:					
Restricted funds	16				
- Fixed asset funds			3,721,739		3,501,858
- Restricted income funds			603,283		702,357
- Pension reserve			(1,523,000)		(834,000)
Total restricted funds			<u>2,802,022</u>		<u>3,370,215</u>
Unrestricted income funds	16		<u>147,767</u>		<u>130,761</u>
Total funds			<u><u>2,949,789</u></u>		<u><u>3,500,976</u></u>

The accounts set out on pages 20 to 42 were approved by the board of Trustees and authorised for issue on 29/11/16 and are signed on its behalf by:



Mr B Thompson
Chair from 29/11/2016

Company Number 08087508

ZEST ACADEMY TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Net cash provided by operating activities	20		267,884		373,232
Cash flows from investing activities					
Dividends, interest and rents from investments		1,092		837	
Capital grants from DfE and EFA		11,302		11,193	
Payments to acquire tangible fixed assets		(374,929)		(83,873)	
			(362,535)		(71,843)
Change in cash and cash equivalents in the reporting period			(94,651)		301,389
Cash and cash equivalents at 1 September 2015			863,948		562,559
Cash and cash equivalents at 31 August 2016			769,297		863,948

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

Zest Academy Trust is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the Trustees' report.

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

The accounts 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. Adoption of the new accounting standard FRS102 this year has resulted in some classification changes in the presentation of the comparative information from what was reported in the prior year.

Zest Academy Trust meets the definition of a public benefit entity under FRS 102. The financial statements are prepared in sterling, which is the functional currency of the Academy. Monetary amounts in these financial statements are rounded to the nearest £.

These accounts for the year ended 31 August 2016 are the first accounts of Zest Academy Trust prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 September 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 24.

1.2 Going concern

The Trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the accounts 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 accounts.

1.3 Income

All incoming resources are recognised when the Academy Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants receivable

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

(Continued)

General Annual Grant is recognised in full in the statement of financial activities in the period 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.

Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Academy Trust has provided the goods or services.

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

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

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 are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

(Continued)

Expenditure on raising funds

This includes all expenditure incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable activities

These 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.

Governance costs

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

1.5 Tangible fixed assets and depreciation

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

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

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Land and buildings	50 to 125 years
Computer equipment	3 years
Fixtures, fittings & equipment	4 to 5 years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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

1.6 Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

1.7 Leasing and hire purchase commitments

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

(Continued)

1.8 Taxation

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

1.9 Pensions benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, 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 are 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 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.

1.10 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency and other government bodies.

1.11 Critical accounting estimates and areas of judgement

Accounting 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.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

(Continued)

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.

Valuation of the Local Government Pension Scheme defined benefit liability

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 or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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.

Useful economic life of tangible fixed assets

The useful economic life of tangible fixed assets is judged at the point of purchase. These are disclosed above under the policy for tangible fixed assets and depreciation..

Impairment of fixed assets

At each balance sheet date, management undertake an assessment of the carrying value of tangible fixed assets to determine whether there is any indication that the value has been impaired. Where necessary, impairment is recorded as an impairment loss.

Critical areas of judgement

Classification and valuation of long leasehold land and buildings

The academy's long leasehold land and buildings are held under a 125 year lease and are wholly used in the course of the academy's business and are held within the academy. No value was paid for the land and buildings, which have been incorporated into the accounts as a donated asset, based on a depreciated replacement cost valuation carried out as at 31 March 2013 on behalf of the Department for Education by DTZ. This valuation has been adjusted to take account of depreciation in the period since conversion, to arrive at an estimate for the value of land and buildings acquired on conversion. Subsequent purchases of land and buildings are initially measured at cost.

2 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to limits at 31 August 2016 on the amount of GAG that could be carried forward from one year to the next.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

3 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Capital grants	-	11,302	11,302	11,193
Other donations	8,787	5,823	14,610	74,419
	<u>8,787</u>	<u>17,125</u>	<u>25,912</u>	<u>85,612</u>

The income from donations and capital grants was £25,912 (2015: £85,612) of which £8,787 was unrestricted (2015: £64,419), £5,823 was restricted (2015: £10,000) and £11,302 was restricted fixed assets (2015: £11,193).

4 Funding for the Academy Trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
DfE / EFA grants				
General annual grant (GAG)	-	2,561,844	2,561,844	2,544,953
Other DfE / EFA grants	-	576,523	576,523	562,321
	<u>-</u>	<u>3,138,367</u>	<u>3,138,367</u>	<u>3,107,274</u>
Other government grants				
Local authority grants	-	128,314	128,314	209,749
	<u>-</u>	<u>128,314</u>	<u>128,314</u>	<u>209,749</u>
Other funds				
Other incoming resources	153,524	20,471	173,995	122,659
	<u>153,524</u>	<u>20,471</u>	<u>173,995</u>	<u>122,659</u>
Total funding	<u>153,524</u>	<u>3,287,152</u>	<u>3,440,676</u>	<u>3,439,682</u>

The income from funding for educational operations was £3,440,676 (2015: £3,439,682) of which £153,524 was unrestricted (2015: £96,955) and £3,287,152 was restricted (2015: £3,342,727).

5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Other income	53,925	-	53,925	52,280
	<u>53,925</u>	<u>-</u>	<u>53,925</u>	<u>52,280</u>

The income from other trading activities was £53,925 (2015: £52,280) of which £53,925 was unrestricted (2015: £52,280).

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Short term deposits	1,092	-	1,092	837

The income from funding for investment income was £1,092 (2015: £837) of which £1,092 was unrestricted (2015: £837).

7 Expenditure

	Staff costs £	Premises & equipment £	Other costs £	Total 2016 £	Total 2015 £
Academy's educational operations					
- Direct costs	2,413,261	58,184	209,145	2,680,590	2,575,653
- Allocated support costs	387,870	159,963	225,369	773,202	728,686
	<u>2,801,131</u>	<u>218,147</u>	<u>434,514</u>	<u>3,453,792</u>	<u>3,304,339</u>
Total expenditure	<u>2,801,131</u>	<u>218,147</u>	<u>434,514</u>	<u>3,453,792</u>	<u>3,304,339</u>

Net income/(expenditure) for the year includes:

	2016 £	2015 £
Fees payable to auditor for:		
- Audit	6,960	6,930
- Other services	3,510	2,695
Operating lease rentals	16,246	16,246
Depreciation of tangible fixed assets	155,048	111,508

Central services

No central services were provided by the Academy Trust to its academy during the year and no central charges arose.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

8 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Direct costs - educational operations	148,338	2,532,252	2,680,590	2,575,653
Support costs - educational operations	61,426	711,776	773,202	728,686
	<u>209,764</u>	<u>3,244,028</u>	<u>3,453,792</u>	<u>3,304,339</u>

The expenditure on educational operations was £3,453,792 (2015: £3,304,339) of which £209,764 was unrestricted (2015: £153,239), £3,088,980 was restricted (2015: £3,039,592) and £155,048 was restricted fixed assets (2015: £111,508).

	2016 £	2015 £
Analysis of support costs		
Support staff costs	387,870	340,786
Depreciation and amortisation	96,864	85,513
Premises costs	116,351	143,604
Other support costs	153,893	145,394
Governance costs	18,224	13,389
	<u>773,202</u>	<u>728,686</u>

9 Staff costs

	2016 £	2015 £
Wages and salaries	2,222,748	2,105,085
Social security costs	143,992	139,435
Operating costs of defined benefit pension schemes	408,059	344,455
Staff costs	<u>2,774,799</u>	<u>2,588,975</u>
Supply staff costs	22,443	39,212
Staff restructuring costs	3,889	3,000
Total staff expenditure	<u>2,801,131</u>	<u>2,631,187</u>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

9 Staff costs

(Continued)

Staff numbers

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

	2016 Number	2015 Number
Teachers	36	35
Administration and support	69	68
Management	4	4
	<u>109</u>	<u>107</u>

Higher paid staff

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

	2016 Number	2015 Number
£90,001 - £100,000	<u>1</u>	<u>1</u>

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £3,889 (2015: £3,000). Individually, the payments were: £133, £320, £1,131 and £2,305.

Key management personnel

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 £168,203 (2015: £157,493).

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

10 Trustees' remuneration and expenses

One or more 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, and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees.

The value of trustees' remuneration and other benefits was as follows:

M Gray - Principal and Trustee:

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

Employers' pension contribution - £16,000 - £20,000 (2015: £10,000 - £15,000)

A Kilby - Staff Trustee (Resigned on formation of Zest Academy Trust Board - 22 April 2016):

Remuneration - £15,000 - £20,000 (2015: £20,000 - £25,000)

Employers' pension contribution - £nil - £5,000 (2015: £nil - £5,000)

K Lillico - Staff Trustee (Resigned on 16 November 2015):

Remuneration - £nil - £5,000 (2015: £nil - £5,000)

Employers' pension contribution - £nil - £5,000 (2015: £nil - £5,000)

J May - Staff Trustee (Resigned on formation of Zest Academy Trust Board - 22 April 2016):

Remuneration - £25,000 - £30,000 (2015: £5,000 - £10,000)

Employers' pension contribution - £nil - £5,000 (2015: £nil - £5,000)

S Cardwell - Staff Trustee (Appointed on formation of Zest Academy Trust Board - 22 April 2016):

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

Employers' pension contribution - £nil - £5,000 (2015: £nil)

During the year travel and subsistence expenses totalling £nil (2015: £nil) were reimbursed to Trustees. As disclosed within the related parties note there were no other transactions involving the Trustees.

11 Trustees and officers insurance

In accordance with normal commercial practice, the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance provides cover up to £5,000,000 on any one claim and the cost of this insurance is included in the total insurance cost and is not separately identifiable.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

12 Tangible fixed assets

	Land and buildings	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 September 2015	3,585,000	115,067	79,262	3,779,329
Additions	250,821	81,213	42,895	374,929
	<u>3,835,821</u>	<u>196,280</u>	<u>122,157</u>	<u>4,154,258</u>
Depreciation				
At 1 September 2015	210,900	36,104	30,467	277,471
Charge for the year	68,689	58,184	28,175	155,048
	<u>279,589</u>	<u>94,288</u>	<u>58,642</u>	<u>432,519</u>
Net book value				
At 31 August 2016	<u>3,556,232</u>	<u>101,992</u>	<u>63,515</u>	<u>3,721,739</u>
At 31 August 2015	<u>3,374,100</u>	<u>78,963</u>	<u>48,795</u>	<u>3,501,858</u>

The net book value of land and buildings comprises:

	2016 £	2015 £
Long leaseholds (over 50 years)	<u>3,556,232</u>	<u>3,374,100</u>

Included within leasehold land and buildings is an asset under construction at the year end of £250,821.

13 Debtors	2016 £	2015 £
VAT recoverable	16,174	4,435
Prepayments and accrued income	115,952	100,432
	<u>132,126</u>	<u>104,867</u>
14 Creditors: amounts falling due within one year	2016 £	2015 £
Other taxation and social security	49,146	39,554
Other creditors	48,509	39,167
Accruals and deferred income	52,718	56,976
	<u>150,373</u>	<u>135,697</u>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

15	Deferred income	2016 £	2015 £
	Deferred income is included within:		
	Creditors due within one year	39,640	39,640
		<u>39,640</u>	<u>39,640</u>
	Deferred income at 1 September 2015	39,640	58,722
	Released from previous years	(39,640)	(58,722)
	Amounts deferred in the year	39,640	39,640
		<u>39,640</u>	<u>39,640</u>
	Deferred income at 31 August 2016	<u>39,640</u>	<u>39,640</u>

At the balance sheet date the Academy Trust was holding funds received in advance for the year to 31 August 2016 for the Universal Infant Free School Meals.

16	Funds	Balance at 1 September 2015 £	Incoming resources £	Resources expended £	Gains, losses & transfers £	Balance at 31 August 2016 £
	Restricted general funds					
	General Annual Grant	694,727	2,561,844	(2,337,502)	(363,627)	555,442
	Other DfE / EFA grants	-	576,523	(528,682)	-	47,841
	Other government grants	-	128,314	(128,314)	-	-
	Other restricted funds	7,630	26,294	(24,482)	(9,442)	-
		<u>702,357</u>	<u>3,292,975</u>	<u>(3,018,980)</u>	<u>(373,069)</u>	<u>603,283</u>
	Funds excluding pensions	(834,000)	-	(70,000)	(619,000)	(1,523,000)
	Pension reserve	<u>(131,643)</u>	<u>3,292,975</u>	<u>(3,088,980)</u>	<u>(992,069)</u>	<u>(919,717)</u>
		<u>702,357</u>	<u>3,292,975</u>	<u>(3,018,980)</u>	<u>(373,069)</u>	<u>603,283</u>
	Restricted fixed asset funds					
	DfE / EFA capital grants	-	11,302	(2,826)	-	8,476
	Inherited funds	3,374,100	-	(68,688)	-	3,305,412
	Capital expenditure from GAG and other funds	127,758	-	(83,534)	363,627	407,851
		<u>3,501,858</u>	<u>11,302</u>	<u>(155,048)</u>	<u>363,627</u>	<u>3,721,739</u>
	Total restricted funds	<u>3,370,215</u>	<u>3,304,277</u>	<u>(3,244,028)</u>	<u>(628,442)</u>	<u>2,802,022</u>
	Unrestricted funds					
	General funds	130,761	217,328	(209,764)	9,442	147,767
		<u>130,761</u>	<u>217,328</u>	<u>(209,764)</u>	<u>9,442</u>	<u>147,767</u>
	Total funds	<u>3,500,976</u>	<u>3,521,605</u>	<u>(3,453,792)</u>	<u>(619,000)</u>	<u>2,949,789</u>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

16 Funds

(Continued)

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

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

General Annual Grant must be used for the normal running expenses of the School and any amounts carried forward at the end of a financial period must be used in accordance with the terms of the Funding Agreement.

Other DfE/EFA grants comprise additional funding received for the furtherance of education, which must be used in accordance with the specific terms of each grant.

Other government grants includes local authority nursery grants and other support staff funding.

Other restricted funds include contributions received for school trips.

The pension reserve represents the value of the School's share of the deficit in the Local Government Pension Scheme.

Restricted fixed asset funds include assets inherited on conversion and expenditure out of GAG and other capital grants during the year. Depreciation is charged against the fund.

Total funds analysis by academy

	Total £
Fund balances at 31 August 2016 were allocated as follows:	
Waterloo Primary Academy	703,198
Central services	47,852
	<hr/>
Total before fixed assets fund and pension reserve	751,050
	<hr/>
Restricted fixed asset fund	3,721,739
Pension reserve	(1,523,000)
	<hr/>
Total funds	2,949,789
	<hr/> <hr/>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

16 Funds

(Continued)

Total cost analysis by academy

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total £
Waterloo Primary Academy	2,390,817	340,313	208,187	976,268	3,915,585
	<u>2,390,817</u>	<u>340,313</u>	<u>208,187</u>	<u>976,268</u>	<u>3,915,585</u>

17 Analysis of net assets between funds

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total 2016 £
Fund balances at 31 August 2016 are represented by:				
Tangible fixed assets	-	-	3,721,739	3,721,739
Current assets	147,767	753,656	-	901,423
Creditors falling due within one year	-	(150,373)	-	(150,373)
Defined benefit pension liability	-	(1,523,000)	-	(1,523,000)
	<u>147,767</u>	<u>(919,717)</u>	<u>3,721,739</u>	<u>2,949,789</u>

18 Capital commitments

	2016 £	2015 £
Expenditure contracted for but not provided in the accounts	<u>480,881</u>	<u>31,095</u>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

19 Commitments under operating leases

At 31 August 2016 the total future minimum lease payments under non-cancellable operating leases were as follows:

	2016 £	2015 £
Amounts due within one year	11,386	16,246
Amounts due in two and five years	10,847	22,233
	<u>22,233</u>	<u>38,479</u>

20 Reconciliation of net income to net cash flows from operating activities

	2016 £	2015 £
Net income for the reporting period	67,813	274,072
Adjusted for:		
Capital grants from DfE/EFA and other capital income	(11,302)	(11,193)
Investment income	(1,092)	(837)
Defined benefit pension costs less contributions payable	38,000	29,000
Defined benefit pension net finance cost/(income)	32,000	27,000
Depreciation of tangible fixed assets	155,048	111,508
(Increase)/decrease in debtors	(27,259)	115,990
Increase/(decrease) in creditors	14,676	(172,308)
Net cash provided by operating activities	<u>267,884</u>	<u>373,232</u>

21 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 or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.

22 Pensions and similar obligations

The Academy Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Pension Fund. Both are multi-employer defined benefit schemes.

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

Contributions amounting to £40,474 (2015: £38,001) were payable to the schemes at 31 August 2016 and are included within creditors.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

22 Pensions and similar obligations

(Continued)

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

The pension costs paid to the TPS in the period amounted to £166,912 (2015: £166,912).

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

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

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

22 Pensions and similar obligations

(Continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 13.6% for employers and 5.5 to 6.8% for employees. The estimated value of employer contributions for the forthcoming year is £131,000. Based on the latest actuarial report for the deficit recovery payments, these are due to increase at 4% per annum over the next 2 years. The deficit contributions will be reviewed following the next triennial valuation in 2016.

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.

Total contributions made	2016 £	2015 £
Employer's contributions (rounded)	131,000	120,000
Employees' contributions (rounded)	45,000	41,000
Total contributions	176,000	161,000
Principal actuarial assumptions	2016 %	2015 %
Rate of increases in salaries	3.3	3.8
Rate of increase for pensions in payment	1.9	2.3
Discount rate	2.1	4
Inflation assumption (CPI)	1.8	2.3

Sensitivity analysis at 31 August 2016:

	Central £000	Sensitivity 1 + 0.1% p.a. discount rate £000	Sensitivity 2 + 0.1% p.a. inflation £000	Sensitivity 3 + 0.1% p.a. 1 yr increase in pay growth £000	Sensitivity 4 life expectancy £000
Liabilities	3,146	3,076	3,217	3,172	3,201
Assets	(1,623)	(1,623)	(1,623)	(1,623)	(1,623)
Deficit/(surplus)	1,523	1,453	1,594	1,594	1,578
Projected service cost	253	245	260	260	258
Projected net interest cost	31	31	32	31	32

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

22 Pensions and similar obligations

(Continued)

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

	2016 Years	2015 Years
Retiring today		
- Males	23.0	22.9
- Females	25.6	25.4
Retiring in 20 years		
- Males	25.2	25.1
- Females	27.9	27.8

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

	2016 Fair value £	2015 Fair value £
Equities	626,000	397,000
Government bonds	-	64,000
Other bonds	41,000	30,000
Cash/liquidity	57,000	15,000
Property	154,000	105,000
Other assets	745,000	544,000
Total market value of assets	1,623,000	1,155,000

Actual return on scheme assets - gain/(loss)	309,000	44,000
--	---------	--------

Amounts recognised in the statement of financial activities

	2016 £	2015 £
Current service cost (net of employee contributions)	166,000	146,000
Net interest cost	32,000	27,000
Administrative expenses	3,000	3,000
Total operating charge	201,000	176,000

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

22 Pensions and similar obligations (Continued)

Changes in the present value of defined benefit obligations 2016
£

Obligations at 1 September 2015	1,989,000
Current service cost	166,000
Interest cost	81,000
Employee contributions	45,000
Actuarial loss	879,000
Benefits paid	(14,000)
At 31 August 2016	3,146,000

Changes in the fair value of the Academy Trust's share of scheme assets 2016
£

Assets at 1 September 2015	1,155,000
Interest income	49,000
Return on plan assets (excluding amounts included in net interest):	
Actuarial gain	260,000
Employer contributions	131,000
Employee contributions	45,000
Benefits paid	(14,000)
Administrative expenses	(3,000)
At 31 August 2016	1,623,000

23 Related party transactions

Owing to the nature of the Academy Trust's operations and the composition of the Governing Body being drawn from local public and private sector organisations, transactions may take place with organisations in which the academy trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures. No transactions with related parties occurred during the year.

24 Reconciliations on adoption of FRS 102

The transition to FRS 102 affected the figures reported for the comparative period under previous UK GAAP for funds and net income or expenditure, as follows.

Reconciliation of funds for the previous financial period

	1 September 2014 £	31 August 2015 £
Funds as reported under previous UK GAAP and under FRS 102	3,267,904	3,500,976

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

24 Reconciliations on adoption of FRS 102 (Continued)

Reconciliation of net income for the previous financial period

	2015 £
Net income as reported under previous UK GAAP and under FRS 102	233,072

Notes to reconciliations on adoption of FRS 102

Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in expenses. Under FRS102 a net interest expense, based on the net defined benefit liability, is recognised in expenses. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expenses by £18,000 and decrease the debit in other recognised gains and losses in the SOFA by the equivalent amount.