

**Tauheedul Free Schools Trust
(A Company Limited by Guarantee)**

Trustees' Report and Audited Financial Statements

**FOR THE YEAR ENDED
31 AUGUST 2013**

Company Registration Number 07353849

Tauheedul Free Schools Trust

Trustees' Report and Audited Financial Statements

For the Year Ended 31 August 2013

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Abbreviations

CPI – Consumer Price Index
DfE – Department for Education
EFA – Education Funding Agency
FRS – Financial Reporting Standard
GAG – General Annual Grant
LGPS – Local Government Pension Scheme
SCR – Standard Contribution Rate
SERPS – State Earnings-Related Pension Scheme
TFST – Tauheedul Free Schools Trust
TIBHS – Tauheedul Islam Boys' High School
TIGHS – Tauheedul Islam Girls' High School
TIFECT – Tauheedul Islam Faith, Education and Community Trust
TPS – Teachers' Pension Scheme

Tauheedul Free Schools Trust

Company Information

For the Year Ended 31 August 2013

Company Information

Company Registration Number 07353849 (England and Wales)

Principal and Registered Office
31 Bicknell Street
Blackburn
Lancashire
BB1 7EY

Trustees
Ismail Adam
Faruk Bharucha
Faruk Dasu #
Mohamed Isap *
Kamruddin Isap Kothia
Habib Patel *
Hamid Patel #
Mohmed Hanif Sufi *
Rashid Valli #
Ali Vika

* Members of the Policy, Finance and Resources Committee

Members of the Audit Committee

Chief Executive Hamid Patel

Independent Auditors
Beever and Struthers
Chartered Accountants
Central Buildings
Richmond Terrace
Blackburn
Lancashire
BB1 7AP

Bankers
Lloyds Bank
Church Street
Blackburn
Lancashire
BB2 1JQ

Tauheedul Free Schools Trust

Trustees' Annual Report

For the Year Ended 31 August 2013

The trustees present their annual report together with the financial statements and auditor's reports of the charitable company for the year ended 31 August 2013.

Structure, Governance and Management

Constitution

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 trustees of TFST are also the directors of the charitable company for the purposes of company law. The charitable company is known as TFST. Details of the trustees who served during the year are included in the company information details on page 1. During the year, on 13 May 2013, a number of the trustees were formally appointed as directors at Companies House, to correct an administrative error.

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

In accordance with the normal commercial practice the Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £1,000,000 on any one claim as shown in note 11 to the accounts.

Principal Activities

TFST is incorporated as a multi-academy trust and the principle activities and core purpose of the Academy Trust, as set out in its Articles of Association and funding agreement are:

- to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools with a designated Islamic religious character offering a broad and balanced curriculum conducted in accordance with the principles, practices and ethos of Islam, both generally and in particular with the principles, practices and ethos of Islam, both generally and in particular in relation to arranging for religious education and daily acts of worship as required by the Funding Agreement.

In 2012/13 the primary undertakings of the Trust were the operation of the TIBHS, the project management of the pre-opening stage for The Olive Schools in Blackburn and Hackney, and running the National College North West Leadership programme.

Method of Recruitment and Appointment or Election of Trustees and Governors

Trustees, who are also directors of the Academy Trust for the purposes of company law, are nominated by TIFECT (the member), the Trustees, the parent members of the Local Governing Bodies or the Secretary of State. The board of trustees shall comprise a majority of trustees appointed by the member, any staff directors if appointed by the member, the chairperson of the Local Governing body or a representative thereof, the Chief Executive Officer if one is appointed by the member, a minimum of two parent trustees, and any additional or further trustees as appointed by the Secretary of State.

Trustees are appointed for a fixed term of 4 years but are eligible for re-election at the end of the fixed term.

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Trustees' Annual Report

For the Year Ended 31 August 2013

Policies and Procedures Adopted for the Induction and Training of Trustees

Following their appointment/election all new trustees receive an introduction to their role from the Chair and Chief Executive. This introduction includes tours of the School sites and the opportunity to meet members of a Schools Senior Leadership Team.

The trustees of TFST are committed to providing adequate opportunities for trustees to undertake and receive suitable training so as to enable them to undertake their role more effectively.

The Trust management will ensure that new trustees receive sufficient support and information to enable them to effectively discharge their role, including support from paid staff as appropriate and entitlement to expenses. All trustees are required to sign and adhere to the Code of Conduct held by the Trust, and undertake identified training within a Trustees Training Programme.

Organisational Structure

The trustees are responsible for the general control and management of the trust. The trustees give their time freely and receive no remuneration or other financial benefits. The trustees act as governors of TFST and are also the directors of the charitable company for the purposes of company law.

The trustees meet together as a body termly and are responsible for all decisions taken in relation to the running of the activities provided by the charity. To assist in the smooth running of the charitable trust the trustees are in the process of setting up six sub-committees which will meet up to three times a year each:

- Policy, Finance and Resources Committee – policy development and review including staff and finance policies - responsible for the setting and monitoring of the trust's and individual school's budgets.
- Audit Committee – approval of annual report and financial statements - independent checking of financial controls, systems, transactions and risks.
- Performance Management Committee – reviewing and agreeing procedures for performance management and ratifying the recommendations of the Local Governing Bodies with respect to the appraisal of the head teacher.
- Academic Board – monitor and review individual school student achievement across all key stages.
- Admissions Committee – to determine and review, within statutory provisions and requirements, the Admission Policy of the trust for individual schools.
- Ethos and Spirituality Committee – to ensure that all initiatives of the Trust are compliant with the ethos and spirituality of its foundation.

Risk Management

A review of the risks faced by TFST was conducted and systems established to mitigate those risks. TFST has identified the major risks it faces and has documented these within its 3-year development plan and updates them in its 1-year annual operating statement in the form of a risk matrix. Risks are associated with finance, numbers and delivery. Internal risks are managed through segregation of duties and checking procedures. The Trustees are fully appraised at Trustee meetings and also between meetings of any issues that impact upon the management of risk. The Audit Committee has ongoing responsibility for the monitoring of risks and will tender for Internal Audit Support to ensure maintained compliance as the Trust activities grow.

Tauheedul Free Schools Trust

Trustees' Annual Report

For the Year Ended 31 August 2013

Connected Organisations, including Related Party Relationships

TFST comes under the parent company TIFECT and is also associated with the following TIFECT controlled companies:

- Tauheedul Islam Relief Trust – Charity number 1140511 and Company number 07514472 – the fundraising arm of TIFECT.
- Tauheedul Education (Dormant) – Company number 07790360 - the future trading arm of TIFECT to provide support, training and consultancy to our schools and academies, as well as other schools nationally and beyond.
- Tauheedul Sponsored Academies Trust (Dormant) – Company number 07898996 – responsible for sponsoring schools to become academies which do not have an Islamic Faith ethos.
- Tauheedul Community Enterprise (Dormant) – Company number 07937275.

Objectives and Aims

Tauheedul Free Schools are non-selective Muslim faith-based schools which welcome pupils from all faiths and none. They offer a high-powered academic curriculum and promote progressive Islamic and traditional British values.

In a society where great inequality already exists, Free Schools can be powerful agents of change. TFST has responded to the aspirations of communities across England by establishing a network of high-performing Free Schools. Based on the outstanding success of TIGHS in Blackburn, these schools are also rooted in the local context and driven by the ambitions of local parents.

Our vision is nothing less than the creation of a transformational network of Tauheedul schools. Although each of these schools will take account of local circumstances, they will have a consistent brand, reflecting the key Tauheedul characteristics of:

- Faith Ethos
- Educational Excellence and
- Community Service.

Faith Ethos

Inspired by its origins in the Muslim faith, TFST recognises how important that can be to its adherents. It emphasises, through its organisation, the centrality of:

- A faith identity and a wider spiritual identity that connects the whole world – we are all from the family of God.
- A wholesome identity – one family, one world.
- An approach that has connections with relevance for people of all faiths and none.
- A belief that we are all part of, and are contributing to, something far greater than ourselves.
- A focus on character development – exemplary behaviour, respect, care, compassion, strength and self-discipline.
- An environmental responsibility – a green and sustainable agenda.
- A healthy body and mind.
- Outstanding pastoral care.

Educational excellence

TFST schools promote excellence in everything their pupils undertake. School leadership, classroom teachers and associate staff, together with parents, are all geared up to improve social mobility and inspire in the learners:

- High expectations, aspirations and a spirit of excellence.
- Personalised excellence – that results from a passionate belief
- That each individual is unique and special – our job is to nurture this talent.
- Healthy competition – that will permeate the life and conduct of the school.
- Ambition for all students – to go to university or pursue a career.

Tauheedul Free Schools Trust

Trustees' Annual Report

For the Year Ended 31 August 2013

Community service

The TFST is not an inward-looking organisation. It recognises the importance of society and the contribution each individual must make to sustain it. The purpose of the network, therefore, has to be to celebrate the importance of society, and to require all pupils (and all staff) to make explicit and generous-hearted contributions to society, especially to those least well-off within it. Consequently, TFST will instill curriculum awareness and personal objectives in pupils that reflect the importance of these values.

As an example, the TFST will constantly be:

- Ensuring that a Big Society ethos permeates the school.
- Promoting service, respect and citizenship among the pupils and parents.
- Developing responsibility in the individual to him or herself, to peers, to the local community and to the Big Society.
- Focusing on leadership.

Learners at each of the Tauheedul Free Schools will find themselves part of an elite – but certainly not elitist – organisation; one where rigorous and dynamic learning, progress and achievement will be coupled with a commitment to wider personal progression, including the development of character and an intelligent moral and ethical compass. Such schools will develop learners who are outstanding believers, active and participatory citizens and exemplary members of their community – contributing to the development of a successful 'Big Society'.

This network of ambitious Free Schools will see all of its young people as an immense pool of human potential, irrespective of their faith, race, gender or socio-economic background. By providing them with outstanding educational experiences, TFST can drive their ambitions and deliver their dreams for the future. It has embraced those values that promote social mobility and when put into practice, will fast-track our young people on to the best universities, into prestigious employment and the professions.

TFST will ensure the delivery of these aspirations through robust quality assurance mechanisms which will allow for the individual autonomy of each school within a demanding and meticulous school improvement framework. As a result, all pupils will be supported to achieve their full potential.

Our Brand

TFST will aim to achieve its vision and deliver educational excellence wherever it can establish roots, by establishing the following brand standards across all its academies:

- Outstanding academic achievement by learners from all backgrounds. The curriculum will provide a solid foundation for future learning at every stage. Pathways to meet every learner's needs will be intellectually challenging and designed to prepare our young people for the full range of opportunities, once they leave us. Their academic successes will contribute towards their achievement of the TFST mini-Baccalaureate in primary, and the TFST Baccalaureate in secondary school.
- An extended and richly diverse curriculum enrichment programme: A wide programme of enrichment opportunities aimed at; developing key 'personal skills and aptitudes'; sports and cultural opportunities; and 'catch-up' activities personalised to help those individuals in need of additional help with literacy and numeracy. These extra-curricular elements form part of the TFST Baccalaureate.
- A culture of high expectations with ambitious targets for all our young people as well as our staff: TFST schools are high-powered organisations with an emphasis on 'excellence in everything'. They use cutting edge research to develop an innovative and highly successful pedagogy and to push the boundaries of the possible to achieve the improbable. The best learning goes hand in hand with the most inspirational teaching.
- Outstanding efficiency, accountability and transparency: TFST schools have robust financial management and transparency, with the annual independent auditor's report sent to all parents in accessible language. They will be based on outstanding planning and communications, supported by an integrated management information system and a shared learning platform for all stakeholders, with robust quality assurance processes at all levels.

Tauheedul Free Schools Trust

Trustees' Annual Report

For the Year Ended 31 August 2013

Our Brand (continued)

- Outstanding teaching that grows character, spiritual intelligence and self-discipline: TFST focuses on character development – exemplary behaviour, respect, care, compassion, strength and self-discipline – as central to achieving their vision for young people.
- Community service and charitable giving that shapes pupils' personal development: TFST shares values that are consistent with a vision of an interactive, but diverse community; this vision is reflected in the curriculum, enrichment and community service of each academy. All pupils, from the youngest to the oldest, will engage in community service, contributing towards society whilst also adding to their achievement of the TFST Baccalaureate.

Public Benefit

The Trustees have considered the Charity Commission's guidance on Public Benefit. The key public benefit delivered by TFST is the development of the high quality education provided in its schools, to the public benefit of all children local to these schools.

Achievements and Performance

TFST has achieved the following in the 2012/13 academic year:

- TIBHS has successfully completed the first year of operation;
- The Olive School Blackburn has successfully moved to opening stage;
- The Olive School Hackney has successfully moved to opening stage;
- TFST has successfully delivered the National College North West leadership Programme for the first of three years; and
- TFST has received pre-opening approval for six further secondary schools, three to open in 2014 and three in 2015.

Going Concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Tauheedul Free Schools Trust

Trustees' Annual Report

For the Year Ended 31 August 2013

Financial Review

During the year ended 31 August 2013 TFST has received income of £2,145,210 comprising:

- Year 1 funding for TIBHS;
- Year zero restricted start-up funding for the Olive Schools, Blackburn and Hackney;
- Start-up funding for the additional 6 free schools in pre-opening stage;
- Capital grants towards ICT equipment at TIBHS;
- National College Scholarship funding and associated candidate fees for the North West Leadership Programme; and,
- Central Office Management fees and consultancy.

Over the year TFST expended £1,958,966 leading to a surplus of £186,244. Of this £55,205 relates to restricted GAG for TIBHS which is being carried forward to be utilised in future years. TFST has an unrestricted fund carried forward of £64,870 which will be used within the Academies Charitable objectives.

Due to the timing of the stage payments of the start-up grants for the additional free schools TFST had cash reserves of £840,021 as at 31 March 2013 (2012: £19,000) and was carrying forward deferred income of £582,380 in relation to these grants. These monies will be spent in the future year on the pre-opening costs of these free schools.

During the year the Accounting officer has been working with the Central Management team, the business managers and TFST's external auditor to implement efficient and quality financial management systems. These systems are continuously under review and will be implemented at each component school as they open.

During the year TFST received financial and management support from TIGHS, a state maintained school, governed in part by the TIFECT directors.

Financial and Risk Management Objectives and Policies

The Academy Trust's financial objectives are:

- To ensure that the financial resources available for the children each year is spent on the children attending school during that year to maximise their learning opportunities,
- To generate extra income wherever possible so as to enhance school life and activities without being over-reliant on parents and carer contributions,
- To apply best value principles in all purchases, at all times.
- To monitor and evaluate the value for money of all staff,
- To prevent areas of wastage.
- These objectives were achieved in the year ending 31st August 2013.

Principal Risks and Uncertainties

The Academy Trust has undertaken work during the period to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Academy Trust's assets and reputation.

Based on its mission, the Audit Committee undertakes a comprehensive review of the risks to which the Academy Trust is exposed. They identify systems and procedures, including specific, preventable actions which should mitigate any potential impact on the Academy Trust. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Finance & Buildings Committee will also consider any risks which may arise as a result of a new area of work being undertaken by the Academy.

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For the Year Ended 31 August 2013

Principal Risks and Uncertainties (continued)

A risk register is maintained at the Academy Trust level which is reviewed at least annually by the Audit Committee and more regularly when necessary. The risk register identifies key risks, the likelihood of these risks occurring, their potential impact on the academy and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors which may affect the Academy Trust. Not all factors are within the Academy Trust's control. Other factors besides those listed below may also adversely affect the Academy Trust.

1. Government Funding

The Academy Trust has considerable reliance on continued Government funding through the EFA. In 2012/2013, 92% (2011/12: 97%) of the Academy's revenue was ultimately publicly funded including inherited assets, and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or in the same terms.

This risk is mitigated in a number of ways:

- Funding is derived from a number of direct and indirect contractual arrangements,
- By ensuring that the Academy Trust is rigorous in delivering high quality education and training,
- Considerable focus and investment is placed on maintaining and managing key relationships with the EFA.

2. Management Override

The Academy Trust is run by the CEO Hamid Patel. He is able to authorise expenditure to levels that are documented within the Financial Handbook of the Trust and has control of many aspects of the Trust.

This risk is mitigated in a number of ways:

- The Board reviews management accounts at regular intervals.
- The Managers of each individual school are qualified professionals, who will be resistant to override.

Reserves Policy

The amount of reserves held are stated in the Financial Review noted above. Subject to EFA's constraints on permitted balances, the Academy Trust's policy is to carry forward a prudent level of resources. The governors review the reserve levels of the Academy Trust annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves, ensuring that the resources available for the year are used specifically for the children attending school during that same year.

The governors have determined that the appropriate level of free reserves should be equivalent to 8 weeks expenditure. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

Cash at the bank on 31st August 2013 was £840,021.

Investment Policy

The Investment Policy of Academy Trust is to keep its funds in registered banks in the UK. The Trustees have the power to invest in such projects as they see fit.

Tauheedul Free Schools Trust

Trustees' Annual Report

For the Year Ended 31 August 2013

Plans for Future Periods

TFST will seek to grow as a Free Schools Trust and continue to work with communities across the country within three geographical clusters (North West, Midlands and London) to open Free Schools that meet the needs of those communities and meet the Trust aims and objectives. Within its open schools the Trust will work to ensure the high performance of its students.

To complete these aims, TFST is opening two new free schools in September 2013, one in Blackburn and one in Hackney. They also plan, and have received initial approval to proceed with, 3 schools which will be opened in September 2014, located in Coventry, Bolton and Waltham Forest, with a further 3 schools planned to open in September 2015, located in Preston, Birmingham and Slough.

Auditors

In so far as the trustees are aware:

- there is no relevant audit information of which the Academy Trust'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.

Beever and Struthers are willing to continue in office and a resolution to appoint them will be proposed at the Annual General Meeting.

Approved by order of the trustees on 18 December 2013 and signed on their behalf by:

Kamruddin Isap Kothia
Chair of Trustees

Tauheedul Free Schools Trust

Governance Report

For the Year Ended 31 August 2013

Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that TFST 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 Chief Executive as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between TFST 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 twice during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Ismail Adam	2	2
Faruk Bharucha	2	2
Faruk Dasu	1	2
Mohamed Isap	2	2
Kamruddin Isap Kothia	2	2
Habib Patel	2	2
Hamid Patel	2	2
Mohmed Hanif Sufi	2	2
Rashid Valli	2	2
Ali Vika	1	2

The **Policy, Finance and Resources Committee** is a sub-committee of the main board of trustees. Its purpose is to:

Assist the decision making of the Trust, by enabling more detailed consideration to be given to the best means of the Trust responsibility to ensure sound governance with regard to the policy and management of the Trusts', including proper planning, monitoring and probity.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Mohamed Isap	3	3
Habib Patel	3	3
Mohmed Hanif Sufi	3	3

Tauheedul Free Schools Trust

Governance Report

For the Year Ended 31 August 2013

The **Audit Committee** is also a sub-committee of the main board of trustees. Its purpose is to:

Assist the decision making of the Trust, by enabling more detailed consideration to be given to the best means of the Trust's responsibility to ensure financial probity. This Committee provides a process for independent checking of financial controls, systems, transactions and risks. During the year it appointed the external auditors for the Trust.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Faruk Bharucha	0	1
Faruk Dasu	1	1
Hamid Patel	1	1
Rashid Valli	1	1

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 in TFST for the 1st September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the academy 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 on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1st September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

The academy 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 finance and general purposes committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and decided to appoint an Internal Auditor in 2013/14. During 2012/13 the Finance Manager of the Trust has undertaken additional duties in ensuring that the internal controls within the Trust Schools are in place and operating at the expected level.

Tauheedul Free Schools Trust

Governance Report

For the Year Ended 31 August 2013

Review of Effectiveness

As accounting officer the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by the work of the 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 and a plan to ensure continuous improvement of the system is in place.

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

Kamruddin Isap Kothia
Chair of Trustees

Hamid Patel
Accounting Officer

Tauheedul Free Schools Trust

Statement on Regularity, Propriety and Compliance

For the Year Ended 31 August 2013

As accounting officer of Tauheedul Free Schools Trust I have considered my responsibility to notify the Academy Trust Governing Body and the EFA 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. 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 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.

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

Hamid Patel
Accounting Officer

Date: 18 December 2013

Tauheedul Free Schools Trust

Statement of Responsibilities of Trustees

For the Year Ended 31 August 2013

The trustees (who act as governors of Tauheedul Free Schools Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the EFA, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

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

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

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

Kamruddin Isap Kothia
Chair of Trustees

Tauheedul Free Schools Trust

Independent Auditors' Report on the financial statements to the members of TFST

We have audited the financial statements of Tauheedul Free Schools Trust for the year ended 31 August 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2012/13 issued by the EFA.

The report is made solely to the Governing 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 Governing Body 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 company and the Governing 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 Statement of Responsibilities of Trustees, the Trustees are responsible for the preparation of the Trustees' Annual Report and the financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and the Academies Accounts Direction 2012/13 issued by the EFA.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

Tauheedul Free Schools Trust

Independent Auditors' Report on the financial statements to the members of TFST

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**G M Wilson (Senior Statutory Auditor)
For and on behalf of Beever and Struthers**

Chartered Accountants and Statutory Auditors
Central Buildings
Richmond Terrace
Blackburn
Lancashire
BB1 7AP

18 December 2013

Tauheedul Free Schools Trust

Independent Auditors' Assurance Report on Regularity to the Governing Body of TFST and the EFA

In accordance with the terms of our engagement letter dated 12 September 2013 and further to the requirements of the EFA as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by the Academy Trust during the period 1 September 2012 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the governing body and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Academy Trust and the EFA those matters we are required to state to it 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 governing body and the EFA, for our review work, for this report, or for the opinion we have formed.

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

The accounting officer is responsible, under the requirements of the Academy Trust's funding agreement with the Secretary of State for Education dated 1 November 2011 and the Academies Financial Handbook, extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2013 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusion includes:

- Review that the activities are in keeping with the academy's framework and charitable objectives; and
- Testing undertaken on a sample basis to review whether the academy's expenditure is in accordance with the Funding Agreement; and
- Other testing in accordance with the guidance issued in the Academies Accounts Direction 2013.

Tauheedul Free Schools Trust

Independent Auditors' Assurance Report on Regularity to the Governing Body of TFST and the EFA

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 2012 to 31 August 2013 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

GRAHAM WILSON (Senior Statutory Auditor)
For and on behalf of
BEEVER AND STRUTHERS
Chartered Accountants
& Statutory Auditor

Central Buildings
Richmond Terrace
Blackburn
Lancashire
BB1 7AP

18 December 2013

Tauheedul Free Schools Trust

Statement of Financial Activities (Including Income and Expenditure Account)

For the Year Ended 31 August 2013

	Note	Unrestricted Funds £	Restricted Funds £	Restricted Fixed Asset Funds £	Total 2013 £	Total 2012 £
INCOMING RESOURCES						
Incoming resources from generating funds:						
Activities for generating funds	2	2,160	-	-	2,160	-
Investment income	3	526	-	-	526	-
Incoming resources from charitable activities:						
Grant funding for the Academy's educational operations	4a	-	1,869,398	94,892	1,964,290	144,000
Other funding for the Academy's educational operations	4b	-	178,234	-	178,234	-
Total incoming resources		2,686	2,047,632	94,892	2,145,210	144,000
RESOURCES EXPENDED						
Costs of Generating Funds:						
Consultancy		1,475	-	-	1,475	-
Charitable activities:						
Academy's educational operations	6	-	1,918,318	23,723	1,942,041	144,000
Governance costs	7	-	15,450	-	15,450	-
Total resources expended	5	1,475	1,933,768	23,723	1,958,966	144,000
Net incoming resources before transfers		1,211	113,864	71,169	186,244	-
Gross transfers between funds		63,659	(63,659)	-	-	-
Net income for the period		64,870	50,205	71,169	186,244	-
Other recognised gains and losses						
Actuarial (losses) on defined benefit pension schemes	15,24	-	(45,000)	-	(45,000)	-
Net movement in funds		64,870	5,205	71,169	141,244	-
Reconciliation of funds						
Funds brought forward at 1 Sept 2012	15	-	-	-	-	-
Funds carried forward at 31 August 2013		64,870	5,205	71,169	141,244	-

The Statement of Financial Activities includes all gains and losses in the period and therefore a statement of total recognised gains and losses has not been prepared.

All of the Academy Trust's activities derive from continuing operations during the above two financial periods.

Tauheedul Free Schools Trust

Balance Sheet

As at 31 August 2013

	Note	2013		2012	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	12		71,169		-
CURRENT ASSETS					
Debtors	13	163,980		41,000	
Cash at Bank and in Hand		840,021		19,000	
		<u>1,004,001</u>		<u>60,000</u>	
CREDITORS					
Amounts Falling Due Within One Year	14	(883,926)		(60,000)	
NET CURRENT ASSETS					
			<u>120,075</u>		-
NET ASSETS EXCLUDING PENSION LIABILITY					
			191,244		-
Pension Scheme Liability	24		(50,000)		-
NET ASSETS INCLUDING PENSION LIABILITY					
			141,244		-
FUNDS OF THE ACADEMY					
Restricted Funds					
Fixed asset funds	15		71,169		-
General funds	15		55,205		-
Pension reserve	15		(50,000)		-
Total Restricted Funds			<u>76,374</u>		-
Unrestricted Funds					
General fund	15		64,870		-
Total Unrestricted Funds			<u>64,870</u>		-
TOTAL FUNDS					
			141,244		-

The financial statements were approved by the Board of Trustees and authorised for issue on 18 December 2013.

Kamruddin Isap Kothia
Chair of Trustees

Company number: 07353849

Tauheedul Free Schools Trust

Cash Flow Statement

For the Year Ended 31 August 2013

	Notes	2013 £	2012 £
Net cash inflow from operating activities	18	820,495	19,000
Returns on investments and servicing of finance	19	526	-
Capital expenditure	20	-	-
Increase in cash in the year	21	<u>821,021</u>	<u>19,000</u>
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2012		<u>19,000</u>	-
Net funds at 31 August 2013	21	<u>840,021</u>	<u>19,000</u>

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

1. Accounting Policies

Basis of Accounting

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

Incoming Resources

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

- **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 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.

GAG is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

As prescribed by the Academy Accounts Direction 2013, Start-up grants have been apportioned over two accounting periods on an April to March basis.

- **Other Income**

Other income, including courses provided to management staff at other schools and provision of teacher training, 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.

Resources Expended

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

- **Costs of Generating Funds**

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

- **Charitable activities**

These are costs incurred on the Academy Trust's educational operations.

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

1. Accounting Policies (continued)

- **Governance Costs**

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

All resources expended are inclusive of VAT where irrecoverable.

Tangible Fixed Assets

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

Depreciation

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

Computer equipment 25% per annum

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.

Assets held under operating lease

Rentals under operating leases are charged on a straight line basis over the lease term.

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.

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

1. Accounting Policies (continued)

Pensions Benefits

Retirement benefits to employees of the Academy Trust are provided by the TPS and the LGPS. These are defined benefit schemes, are contracted out of the SERPS, 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 quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

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 governors.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the EFA 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 EFA.

2. Activities for Generating Funds

	Unrestricted Funds £	Restricted Funds £	Total 2013 £	Total 2012 £
Consultancy	2,160	-	2,160	-
	<u>2,160</u>	<u>-</u>	<u>2,160</u>	<u>-</u>

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

3. Investment Income

	Unrestricted Funds £	Restricted Funds £	Total 2013 £	Total 2012 £
Current Account interest	526	-	526	-
	526	-	526	-
	526	-	526	-

4. Incoming Resources from Charitable Activities

4a. Grant Funding for Academy's Educational Operations

DfE / EFA revenue grants

GAG	-	892,442	892,442	-
Start Up Grants	-	679,478	679,478	144,000
Capital Grants	-	94,892	94,892	-
Other DfE / EFA grants	-	280,878	280,878	-
	-	1,947,690	1,947,690	144,000
	-	1,947,690	1,947,690	144,000

Other Government grants

Local Authority Grants	-	16,600	16,600	-
	-	16,600	16,600	-
	-	1,964,290	1,964,290	144,000

4b. Other Funding for Academy's Educational Operations

	Unrestricted Funds £	Restricted Funds £	Total 2013 £	Total 2012 £
Other Income				
Catering Income	-	37,884	37,884	-
Trip Income	-	29,679	29,679	-
Bus Income	-	7,936	7,936	-
Other Income	-	102,735	102,735	-
	-	178,234	178,234	-
	-	178,234	178,234	-

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

5. Resources Expended

	Staff Costs £	-Non Pay Premises £	Expenditure- Other Costs £	Total 2013 £	Total 2012 £
Costs of activities for generating funds	1,475	-	-	1,475	-
Academy's educational operations					
Direct costs	732,819	23,723	234,163	990,705	48,000
Allocated support costs	356,254	242,535	352,547	951,336	96,000
	<u>1,090,548</u>	<u>266,258</u>	<u>586,710</u>	<u>1,943,516</u>	<u>144,000</u>
 Governance costs including allocated support costs	 -	 -	 15,450	 15,450	 -
	<u>1,090,548</u>	<u>266,258</u>	<u>602,160</u>	<u>1,958,966</u>	<u>144,000</u>

Net incoming resources for the period include:

	2013 £	2012 £
Operating lease – Land and buildings	170,012	-
Operating lease – Other	1,298	-
Fees payable to auditor - audit	10,500	-
Fees payable to previous auditor - audit	4,950	-
Depreciation	23,723	-

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

6. Charitable Activities – Academy’s educational operations

	Unrestricted Funds £	Restricted Funds £	Total 2013 £	Total 2012 £
Direct Costs				
Teaching and educational support staff costs	-	732,819	732,819	35,000
Depreciation	-	23,723	23,723	-
Educational supplies	-	27,099	27,099	-
Examination fees	-	647	647	-
Staff development	-	2,490	2,490	-
Educational consultancy	-	93,863	93,863	6,000
Other Direct Costs	-	110,064	110,064	7,000
	-	990,705	990,705	48,000
Allocated support costs				
Support staff costs	-	356,254	356,254	22,000
Recruitment and support	-	36,016	36,016	23,000
Net interest on pension scheme liability	-	5,000	5,000	-
Maintenance of premises and equipment	-	49,615	49,615	-
Cleaning	-	4,159	4,159	-
Rent & rates	-	173,294	173,294	-
Insurance	-	15,467	15,467	2,000
Security and transport	-	45,418	45,418	-
Catering	-	83,558	83,558	-
Other support costs	-	182,555	182,555	49,000
	-	951,336	951,336	96,000
	-	1,942,041	1,942,041	144,000

7. Governance Costs

	Unrestricted Funds £	Restricted Funds £	Total 2013 £	Total 2012 £
Auditor's remuneration	-	15,450	15,450	-
	-	15,450	15,450	-
	-	15,450	15,450	-

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

8. Staff costs

Staff costs during the period were:	2013 £	2012 £
Wages and salaries	790,722	57,000
Social security costs	64,622	-
Pension costs	103,617	-
	<u>958,961</u>	<u>57,000</u>
Staff Seconded from TIGHS	131,587	-
	<u>1,090,548</u>	<u>57,000</u>

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

	2013 No.	2012 No.
Charitable Activities		
Teachers	9	2
Administration and support	10	2
Management	5	-
	<u>24</u>	<u>4</u>

The average number of employees calculated in accordance with the Companies Act 2006 requirements is not materially different from that above.

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

	2013 No.	2012 No.
£70,001 - £80,000	3	1
£90,001 - £100,000	1	-
	<u>4</u>	<u>1</u>

Three of the above employees participated in the TPS. During the year ended 31 August 2013, pension contributions for these staff amounted to £19,915 (2012: £nil).

9. Central Services

The academy trust has provided the following central services to its academies during the year:

- Financial Services
- Human Resources
- Facilities and Estates
- Governance
- Business Support
- ICT Strategy
- Education Standards Assurance

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

9. Central Services (continued)

The trust charges each school on the basis of a flat 4% of GAG. However in the current year additional charges have been made to TIBHS because of staffing issues at the new school being covered by staff from the central services.

The actual amounts charged during the year were as follows:

	2013 £	2012 £
TIBHS	62,929	-
	<u>62,929</u>	<u>-</u>

10. Governors' remuneration and expenses

None of the trustees received any payments or expenses from the Academy in respect of their role as trustees during the year ended 31 August 2013. The Chief Executive was not remunerated through the Academy during the year.

Related party transactions involving the trustees are set out in note 25.

11. Governors' and Officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance providers cover up to £1,000,000 on any one claim, and the cost for the year ended 31 August 2013 was £594 (2012: £404). The cost of this insurance is included in the total insurance cost.

12. Tangible Fixed Assets

	School Equipment £	Total £
Cost		
At 1 September 2012	-	-
Additions	94,892	94,892
At 31 August 2013	<u>94,892</u>	<u>94,892</u>
Depreciation		
At 1 September 2012	-	-
Charged in year	23,723	23,723
At 31 August 2013	<u>23,723</u>	<u>23,723</u>
Net Book Value		
At 31 August 2012	-	-
At 31 August 2013	<u>71,169</u>	<u>71,169</u>

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

13. Debtors

	2013 £	2012 £
Trade debtors	-	41,000
Other debtors	87,559	-
Prepayments	76,421	-
	<u>163,980</u>	<u>41,000</u>

14. Creditors: Amounts falling due within one year

	2013 £	2012 £
Trade creditors	238,265	57,000
Other creditors	33,344	-
Social security and other taxes	29,937	-
Accruals and deferred income	582,380	3,000
	<u>883,926</u>	<u>60,000</u>

Deferred income

	2013 £
Deferred income at 1 September 2012	-
Resources deferred in the year	582,380
Amounts released from previous years	-
	<u>582,380</u>
Deferred income at 31 August 2013	<u>582,380</u>

The deferred income held at 31 August 2013 consists mainly of Start Up Grants for Academies which have not yet opened.

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

15. Funds

	Balance at 1 September 2012 £	Incoming Resources £	Resources Expended £	Gains, Losses And Transfers £	Balance at 31 August 2013 £
Restricted general funds					
GAG	-	892,442	(837,237)	-	55,205
Start Up Grant	-	679,478	(679,478)	-	-
Other DfE / EFA Grants	-	280,878	(280,878)	-	-
Local Authority Grants	-	16,600	(16,600)	-	-
Other Income / Expenditure	-	178,234	(114,575)	(63,659)	-
Pension reserve	-		(5,000)	(45,000)	(50,000)
	<u>-</u>	<u>2,047,632</u>	<u>(1,933,768)</u>	<u>(108,659)</u>	<u>5,205</u>
Restricted fixed asset funds					
DfE/EFA Capital grants	-	94,892	(23,723)	-	71,169
	<u>-</u>	<u>94,892</u>	<u>(23,723)</u>	<u>-</u>	<u>71,169</u>
Total Restricted Funds	<u>-</u>	<u>2,142,524</u>	<u>(1,957,491)</u>	<u>(108,659)</u>	<u>76,374</u>
Unrestricted funds					
Unrestricted funds	-	2,686	(1,475)	63,659	64,870
	<u>-</u>	<u>2,686</u>	<u>(1,475)</u>	<u>63,659</u>	<u>64,870</u>
Total Funds	<u>-</u>	<u>2,145,210</u>	<u>(1,958,966)</u>	<u>(45,000)</u>	<u>141,244</u>

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

Under the funding agreement with the Secretary of State, the academy trust was not subject to limits on the amount of GAG that it could carry forward at 31 August 2013. The carried forward GAG will be used towards the future operations of the free school as allocated below.

The deficit arising on the pension fund has arisen due to the assumptions taken on an FRS 17 basis. Contributions are reviewed periodically by the actuary to return the scheme to surplus over a set period. All future contributions will be met out of the Academy Trust GAG.

The unrestricted funds can be used for any purpose as the trustees see fit within the charitable objectives.

Transfers between funds represent the balances arising on restricted funds where all restrictions have been met at 31 August 2013. Therefore the balance has been transferred to unrestricted funds.

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

15. Funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August 2013 were allocated as follows:

	2013 £	2012 £
Central Services	64,870	-
TIBHS	55,205	-
	120,075	-
Restricted fixed asset fund	71,169	-
Pension reserve	(50,000)	-
	141,244	-

Analysis of academies by cost

	Teaching and Educational Support Staff Costs £	Other Support Staff Costs £	Educational Supplies £	Other Costs (excluding Depreciation) £	Total £
TIBHS	612,703	183,367	18,122	515,395	1,329,587
Central Services	120,116	174,362	50,088	261,090	605,656
	732,819	357,729	68,210	776,485	1,935,243

16. Analysis of Net Assets between funds

Fund balances at 31 August 2013 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Tangible fixed assets	-	-	71,169	71,169
Current assets	64,870	939,131	-	1,004,001
Current liabilities	-	(883,926)	-	(883,926)
Pension scheme liability	-	(50,000)	-	(50,000)
Total net assets	64,870	5,205	71,169	141,244

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

17. Financial commitments

Operating leases

At 31 August 2013 the Academy had annual commitments under non-cancellable operating leases as follows:

	2013 £	2012 £
Land and buildings		
Expiring within one year	2,500	-
Other		
Expiring within two and five years inclusive	1,298	-
	<u> </u>	<u> </u>

18. Reconciliation of net income to net cash inflow from operating activities

	2013 £	2012 £
Net income	186,244	-
Depreciation (note 12)	23,723	-
Capital grants from DfE and other capital income	(94,892)	-
Interest receivable (note 3)	(526)	-
FRS 17 Pension cost less contribution payable (note 24)	6,000	-
FRS 17 Pension finance income (note 24)	(1,000)	-
Increase in debtors	(122,980)	(41,000)
Increase in creditors	823,926	60,000
	<u> </u>	<u> </u>
Net cash inflow from operating activities	820,495	19,000
	<u> </u>	<u> </u>

19. Returns on investments and servicing of finance

	2013 £	2012 £
Interest received	526	-
	<u> </u>	<u> </u>
Net cash inflow from returns on investment and servicing of finance	526	-
	<u> </u>	<u> </u>

20. Capital expenditure and financial investment

	2013 £	2012 £
Purchase of tangible fixed assets	(94,892)	-
Capital grants from DfE / EFA	94,892	-
	<u> </u>	<u> </u>
Net cash outflow from capital expenditure and financial investment	-	-
	<u> </u>	<u> </u>

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

21. Analysis of changes in net funds

	At 1 September 2012 £	Cash flows £	At 31 August 2013 £
Cash in hand and at bank	19,000	821,021	840,021
	<u>19,000</u>	<u>821,021</u>	<u>840,021</u>

22. Contingent Liabilities

The Academy Trust had no contingent liabilities at 31 August 2013.

23. Members' Liability

Each member of the Academy Trust 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.

24. Pension and Similar Obligations

The academies' employees belong to two principal pension schemes: the TPS England and Wales for academic and related staff; and the LGPS for non-teaching staff, which is managed by Lancashire County Council. Both are defined-benefit schemes. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 August 2013.

Contributions amounting to £16,033 (2012: £nil) were payable to the schemes at 31 August 2013 and are included within creditors.

TPS

Introduction

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

During the year, the Academy Trust made contributions of £53,957 (2012: £nil) into the TPS on behalf of the teaching staff.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you

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Notes to the Financial Statements

For the Year Ended 31 August 2013

24. Pension and Similar Obligations (continued)

go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the TPS

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

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

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

TPS Changes

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

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

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For the Year Ended 31 August 2013

24. Pension and Similar Obligations (continued)

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

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

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

LGPS

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £70,241 (2012: £nil), of which employer's contributions totalled £52,215 and employees' contributions totalled £18,026. The agreed contribution rates for future years are 19.1% for employers and between 5.5% and 7.5% for employees depending upon income.

Principal Actuarial Assumptions

	At 31 August 2013	At 31 August 2012
Rate of increase in salaries	4.40%	4.30%
Rate of increase for pensions in payment / inflation	2.40%	2.30%
Discount rate for scheme liabilities	4.60%	4.50%
Inflation assumption (CPI)	2.40%	2.30%
Communication of pensions to lump sums	50%	50%

	At 31 August 2013	At 31 August 2012
Retiring today		
Males	22.1	22
Females	24.8	24.7
Retiring in 20 years		
Males	23.9	23.8
Females	26.7	26.6

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

24. Pension and Similar Obligations (continued)

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

	Expected return at 31 August 2013	Fair value at 31 August 2013 £000	Expected return at 31 August 2012	Fair value at 31 August 2012 £000
Equities	7.00%	190	-	-
Government Bonds	3.40%	26	-	-
Other Bonds	4.40%	77	-	-
Property	5.70%	31	-	-
Cash/liquidity	0.50%	18	-	-
Other	7.00%	31	-	-
Total market value of assets		373		-
Present value of scheme liabilities				
- Funded		(423)		-
Deficit in the scheme		(50)		-

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. As at 31 August 2013 this yield was 3.4% p.a.

The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect a risk of default in the corporate bond yield. This means that the expected return on corporate bond investments is lower than the discount rate used in the calculations. As at 31 August 2013 we have taken the expected return as 4.4% p.a. which implies a reduction for the risk of default of 0.1% p.a. when compared with the corporate bond yield/discount rate appropriate to the "mature" deviation profile for example.

It is generally accepted that the yield on equity investments will contain an "equity risk premium" in addition to the yield on Government bonds, which are perceived as the "least-risk" investment class, in order to compensate investors for the additional risk of holding this type of investment. Historical excess equity returns over more than 100 years have been approximately 4% p.a. on average. However, the level of equity risk premium can vary from time to time dependent on market levels and expectations for future returns. We have taken the overall expected return on equities as at 31 August 2013 as 7% p.a., implying an equity risk premium on equities of 3.6% p.a. over and above the gilt yield of 3.4% p.a.

Assumed returns on property are based on the expected long term returns on cash investments, plus a risk premium to allow for expected out-performance of property over cash, and an adjustment for the impact of the expected volatility of the returns.

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Notes to the Financial Statements

For the Year Ended 31 August 2013

24. Pension and Similar Obligations (continued)

The actual return on scheme assets was £17,000 (2012: £nil).

Amounts recognised in the statement of financial activities	2013 £000s	2012 £000s
Current service cost (net of employee contributions)	(49)	-
Total operating charge	<u>(49)</u>	<u>-</u>

Analysis of pension finance costs

Expected return on pension scheme assets	17	-
Interest on pension liabilities	<u>(16)</u>	<u>-</u>
Pension finance costs	<u>1</u>	<u>-</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £45,000 loss (2012: £nil)

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

	2013 £000s	2012 £000s
At 1 September 2012	-	-
Current service cost	49	-
Interest cost	16	-
Employee contributions	15	-
Actuarial loss	<u>343</u>	<u>-</u>
At 31 August 2013	<u>423</u>	<u>-</u>

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

	2013 £000s	2012 £000s
At 1 September 2012	-	-
Expected return on assets	17	-
Employer contributions	43	-
Employee contributions	15	-
Actuarial gain	<u>298</u>	<u>-</u>
At 31 August 2013	<u>373</u>	<u>-</u>

The estimated value of employer contributions for the year ended 31 August 2014 is £43,000.

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Notes to the Financial Statements

For the Year Ended 31 August 2013

24. Pension and Similar Obligations (continued)

The history of experience adjustments is as follows:

	2013 £000s	2012 £000s
Present value of defined benefit obligations	(423)	-
Fair value of share of scheme assets	373	-
Deficit in the scheme	(50)	-
Experience adjustments on share of scheme assets	-	-
Experience adjustments on scheme liabilities:	-	-

Sensitivity Analysis

Disclosure item	Central £000s	Sensitivity 1 <i>+0.1% p.a discount rate</i> £000s	Sensitivity 2 <i>+0.1% p.a inflation</i> £000s	Sensitivity 3 <i>1 year increase in life expectancy</i> £000s
Liabilities	423	414	432	431
Assets	(373)	(373)	(373)	(373)
Deficit/(surplus)	50	41	59	58
Projected Service Cost for next year	49	47	51	50
Projected Expected Return on Assets for next year	(22)	(22)	(22)	(22)
Projected Interest Cost for next year	21	21	21	21

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

Tauheedul Free Schools Trust

Notes to the Financial Statements

For the Year Ended 31 August 2013

25. Related Party Transactions

Owing to the nature of the Academy's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures. Such transactions are only entered into by the Academy Trust after undertaking benchmarking and careful consideration of the appropriateness of these transactions.

The following related party transactions took place in the period of account:

Ebusiness UK Ltd. – a company in which K Kothia, a trustee, is a director. Transactions totalling £596 (2012: £nil), relating to domain name registration took place in the year. There were no amounts outstanding at 31 August 2013 (2012: £nil)

MPG Plus Limited – a company in which M Isap, a trustee, is a director. Transactions totalling £1,095 (2012: £nil), relating to the printing of stationery took place in the year. There were amounts outstanding of £600 at 31 August 2013 (2012: £nil).

TIGHS – Management charges totalling £50,000 were charged to TIGHS in the year, and £131,587 was charged from TIGHS for staff paid by TIGHS, but seconded to TIBHS. The net amount outstanding at 31 August 2013 was £51,558 (2012: £nil) owed to TIGHS.