

Registered number: 07510578

**HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)**

GOVERNORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2017

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

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HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE UTC, ITS GOVERNORS AND ADVISERS FOR THE YEAR ENDED 31 AUGUST 2017

Members	Dr G J Rodgers Mrs J H Greening (resigned 10 October 2017) Brunel University London Heathrow Airport Limited
Governors	Dr G J Rodgers, Chairman Mr B W Hersom, Principal (resigned 21 July 2017) Mrs J. S. Harper, Executive Principal (appointed 24 July 2017) Mrs J Body Wg Cdr S L Cawdery (resigned 31 August 2017) Mr R D Elgy (resigned 31 December 2016) Ms C M P Harbord (resigned 31 December 2016) Ms S Hossain Ms A M Martin, Parent Governor (resigned 16 January 2017) Mr S K Patel, Parent Governor Dr R Scoble (appointed 26 September 2016) Mrs P Stannett (appointed 23 January 2017)
Secretary to the Governors	Mr R J Bush
Executive Princial and Accounting Officer	Mrs J. S. Harper
Senior Leadership Team	Mr W Edwards, Principal (appointed 1 September 2017) Mr B W Hersom, Principal (resigned 21 July 2017) Mr D Philip, Vice Principal (resigned 30 September 2016)
Registered and principal office	Heathrow Aviation Engineering UTC Potter Street Northwood HA6 1QG
Registration number	07510578
Company name	Heathrow Aviation Engineering UTC
Independent Auditors	Price Bailey LLP Chartered Accountants Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

GOVERNORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2017

The Governors present their Report together with the financial statements of Heathrow Aviation Engineering UTC ('the Academy', 'the Academy Trust' or 'the Charitable Company') for the year 1st September 2016 to 31st August 2017.

The financial statements have been prepared in accordance with the Academy Trust accounting policies and comply with the Academy Trust Articles of Association, the Companies Act 2006, the Education & Skills Funding Agency ('ESFA') 'Academies Accounts Direction 2015 to 2016 (SORP 2005)' and the Charity Commission 'Accounting and Reporting by Charities' Statement of Recommended Practice' 2005.

STRUCTURE, GOVERNANCE and MANAGEMENT

Constitution and Regulation

The Academy Trust is a company limited by guarantee with no share capital, registered in England & Wales number 07510578 and is an 'exempt charity' as defined by Schedule 3 of the Charities Act 2011 being a 'qualifying Academy proprietor' as defined by section 12(2) of the Academies Act 2010.

The Academy Trust Articles of Association ('Articles') dated 20 February 2014 is its constitutional document and is governed by a governing body ('Governors') who are the Directors of the Academy Trust for the purposes of company law.

The Academy Trust is regulated by the Secretary of State for Education in accordance with its Funding Agreement.

Members' Liability

Each Member of the Academy Trust undertakes to contribute to the assets of the Charitable Company in the event of it being wound up whilst being a Member, or within one year after ceasing to be a Member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before ceasing to be a Member.

Governors' Indemnities

The Governors are covered by indemnity insurance purchased at the Academy Trust's expense to cover the liability of the Governors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust. Such indemnity will not apply to any act or omission which the Governors knew to be a breach of trust or breach of duty or which was committed by the Governors in reckless disregard to whether it was a breach of trust or breach of duty or not; nor will such indemnity extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Governors in their capacity as Directors of the Academy Trust.

Method of Recruitment and Appointment of Governors

The Governors are mainly recruited through the Academy Trust's connections with its sponsor organisations, the elected representatives of parents and the Executive Principal (ex-officio). The arrangements for the appointment of Governors is set out in the Articles of Association of the Academy Trust.

Policies and Procedures Adopted for the Induction and Training of Governors

The Academy Trust is committed to providing the Governors with appropriate training to enable them to effectively perform their role and duties.

The Governors undertook a facilitated training session in relation to their responsibilities during September 2016 known as the 'Governor Review, Accountability and Support Programme'. The Academy Trust is a member the National Governors' Association and a number of Governors have engaged in the training provided by the Association, the Baker Dearing Trust and other organisations. Many of the Governors also take part in relevant training provided by their employers in their full-time professional roles.

Organisational Structure

The Board of Governors is responsible for the appointment and appraisal of the Executive Principal and is accountable to the Members of the Academy Trust and the Department for Education.

The Board of Governors has established a 'Schedule of Responsibilities and Matters reserved for the Board of Governors'.

The Executive Principal, acting as Chief Executive Officer and Accounting Officer, and supported by the UTC Principal, is responsible for all aspects of the day to day management and operation of the Academy Trust.

Connected Organisations including Related Party Relationships

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Owing to the nature of the Academy Trust's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is possible that from time to time transactions may take place with an organisation in which a Governor may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's 'Prevention of Conflicts of Interest Policy'.

The Academy Trust has connections with the following organisations:

- Brunel University London as University sponsor.
- Heathrow Airport Limited as lead Employer sponsor.
- British Airways Plc as Employer sponsor.
- Royal Air Force (Northolt) as Employer sponsor.
- Virgin Atlantic Airways Limited as Employer sponsor.
- Royal Aeronautical Society as education and training adviser.
- Aviation Skills Partnership Limited as a training adviser.

In July 2017 the Governors resolved to enter into a 'Memorandum of Understanding' with Activate Learning Education Trust, Oxford, for the provision of various management services including, inter alia, the Executive Principal & Accounting Officer, the UTC Principal and the Chief Financial Officer.

Public Benefit

The Governors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission. The Academy Trust has operated in accordance with its Department for Education Funding Agreement as a non-charging, not-for-profit organisation throughout the year.

STRATEGIC AND OPERATIONAL REVIEW

Objectives and Strategy

The principal objective of the Academy Trust is, inter alia, to advance for the public benefit education in the United Kingdom by establishing, maintaining, managing and developing a University Technical College ('UTC') providing a broad and balanced curriculum of secondary education including the specialist provision of technical education particularly that related to aviation and aerospace engineering.

The long term strategy is to develop an academically successful learning community which benefits from the provision of the resources provided and enable its graduate students to continue with their studies in higher or further education or to enter into apprenticeship training.

Principal Activities

The third year of operation of the UTC, in its purpose built premises in Northwood Middlesex, has continued its mission to ensure that it's students are provided with an education throughout from years 10 to 13 inclusive, to achieve their potential in public examinations and be fully prepared to enter employment and further training in industry or academic settings. Students are also encouraged to participate in various extra-curricular activities notably the successfully established Combined Cadet Force (RAF) unit and a programme of educational field days and visiting lecturers.

In common with many other UTCs, the student numbers registered are well below those originally planned and agreed with the Department for Education. The average number of registered and originally planned students during the Year was as follows:-

	2017		2016		2015	
	Registered	Planned	Registered	Planned	Registered	Planned
Year 10	18	150	42	150	41	75
Year 11	41	150	41	75	0	0
Year 12	86	150	105	150	84	75
Year 13	64	150	41	75	0	0
Total	209	600	229	450	125	150

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Achievements and Performance

Validated data for 2017 is not yet available; therefore Progress 8 should be treated with caution.

The table below shows the performance of Year 11, who completed their studies in the summer of 2017.

Year 11 Cohort Summary	2017		2016		DIFFERENCE
Measure	Total	%	Total	%	
Cohort	41	100	39	100	
Attainment/Progress 8 Summary					
Measure	Total	%	Total	%	
Average Total Attainment 8	37.7		50.9		-13.2
Average Attainment 8 Grade	3.77		5.09		-1.32
Average Total Progress 8	-0.55		0.22		-0.77
Pupils achieving a Positive Progress 8 score	11	32.4	19	55.9	-23.50
Basics 9-4					
Measure	Total	%	Total	%	
Students Achieving 9-4/A*-C in English and Maths	17	41.5	21	53.8	-12.30
Students Achieving 9-4/A*-C in English	20	48.8	11	28.2	0.21
Students Achieving 9-4/A*-C in Maths	25	62.5	28	75.7	-0.13

Particular highlights include:

100% A*-C in GCSE Biology and Chemistry and Physics

100% of students achieved a level 2 (equivalent to grade C or above) in the Engineering specialism

An improvement in English Language results at GCSE

Post 16

The performance of students resitting GCSE English and mathematics.

2015-2017 Resits

GCSE Results by the end of Year 13

Qualification:	Students	A* to C (%)
English Language	55	34.5%
National Average		35%
Maths	20	20.0%
National Average		36%

- From the above table it can be seen that both English Language and Mathematics are both National averages of 35 and 36%.
- English Language is 17% below and Mathematics is 16% below the national average of those students taking it at 17/18 years of age.

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Level 3 courses

Below is a summary of the results for Post 16 students.

	2017	2016
Cohort Summary	Total	Total
Cohort	108	47
A Level & Other Academic Cohort	28	20
Vocational Cohort	60	21
Applied General Cohort	14	3
Tech Level Cohort	46	19
	2017	2016
A Level & Other Academic Cohort	Total	Total
A Level APS Per Entry	19.72	14.55
A Level Avg Grade Per Entry	D	E+
	2017	2016
Applied General	Total	Total
Applied General APS Per Entry	23.67	21.67
Applied General Avg Grade Per Entry	M	M-
Applied General Value Added	-0.17	-0.35
Applied General Students Retained	14	3
	2017	2016
Tech Level	Total	Total
Tech Level APS Per Entry	35.88	28.44
Tech Level Avg Grade Per Entry	D	M+
Students Included in Tech Level Completion & Attainment	48	19
Tech Level Students Retained	46	19

In general Post 16 results have seen a general increase since 2016, particular highlights include:

- An improvement in the Average grade at A level
- An improvement in the Average grade in the Engineering specialisms, this is expected to be above the national average.
- An improvement in the Applied general value added, this should place the UTC as roughly average.

Student destinations

The table below shows the destination of students who finished KS4 at the UTC in the summer of 2017:

Numbers on roll		41
Number continuing to study at the UTC next year		13
Number going to post 16 provision in other schools		3
Number going to post 16 provision in FE colleges		22
Number going into apprenticeships	Intermediate (Level 2)	2
	Advanced (Level 3)	0
Number going into employment		0
Other known destinations (Note 2)		1

98% of students moved to positive destinations. Only one student has an unknown destination, therefore only 2% NEET.

Post 16

Number of Students -Year 12

Numbers on roll	82
Number continuing to study at the UTC next year	64
Number transferring to FE college courses at Level 3 or above	15
Other known destinations	3

Number of Students- Year 13

Numbers on roll	62
Number going into Higher Education	32
Number going into apprenticeships:	
Higher (Level 4-5)	7
Number going into employment	17
Number not going into employment, education or training	6

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Performance Objectives and Key Performance Indicators

Recruitment of students

The number of students on roll fluctuates. It is the convention to report on student numbers as of the termly census and for some purposes the spring census. As of the autumn census 2017 the school had recruited 90 Year 12 students and 40 Year 10 students. These numbers continue to be disappointing but are moving in the right direction, especially Year 10 and with good recruitment in 2018, will see the biggest number on roll in the UTC's short history.

Retention

Just under a third of Year 11 students progressed to our Sixth Form. In future years we would expect this figure to increase significantly. This will be dependent on the UTC recruiting students who are genuinely interested in the engineering specialism. Other UTCs that have been open for longer are starting to see an increased retention after 4/5 years.

Year 12 students follow a Level 3 course and are expected to remain at Heathrow UTC for 2 years. Other students take a Level 2 course which ends after 1 year. Approximately two thirds of the Level 3 cohort progressed to year 2 of the course.

Attendance

Attendance in KS4 and KS5 is well below what is expected for students nationally. Attendance remained low overall at 82.23% in KS4 and 82.9% in KS5 with persistent absence high for some. The relatively low attendance is mainly accounted for by a small number of students with histories of poor attendance and the long distances some students travel.

Discipline

The Leadership Team have focused upon improving behaviour and embedding systems that are consistently used by all staff. The UTC continues to have too many applications from students who would ordinarily move via Fair Access Panels; however, this is being addressed with Local Authorities.

Performance of leadership

The Interim Principal remained at the UTC until July 2017. The Leadership Team has been restructured to include five Assistant Principals, who managed most curriculum teams as well as aspects of the whole UTC.

The UTC was inspected by Ofsted during the Spring Term 2017 and was judged to be 'Requires Improvement'.

In July 2017, a new Executive Principal and Principal, who both have extensive experience of leadership in UTCs were brought in to lead the UTC into 2017/2018 and beyond.

Plans for Future Periods

The Governors main concern at the present time is the recruitment of a sufficient number of well-motivated students to fill the available capacity of the UTC's premises and thereby secure its long term financial viability. To address this concern in July 2017 the Governors resolved to enter into a 'Memorandum of Understanding' with Activate Learning Education Trust, Oxford, with a view to improving the cost effectiveness and academic performance of the UTC and consequently encourage the recruitment of an increased number of students.

The Governors are aware of the need to balance the management of recurrent funding with the need to deliver the expected standard of education. The recruitment of a sufficient number of students into the UTC has been very challenging since it was opened. Having explored all other avenues, the Governors have been left with no choice but to restructure UTC's staffing arrangements with a view to reducing the cost human resources while still being able to deliver value for money in line with the charitable objectives stated in the Articles of Association.

FINANCIAL REVIEW

The principal source of funding for the Academy Trust during the year were the Capital and General Annual Grants ('GAG') received from the Education & Skills Funding Agency ('ESFA') supplemented by sponsor donations in kind. All expenditure on fixed assets, funded by ESFA Capital Grants, are capitalised.

The financial results for the year and year end position, as shown in the Audited Financial Statements, are considered by the Governors to be unsatisfactory. The Governors acknowledge that the Academy Trust is reporting a deficit in respect of its general restricted reserves at the balance sheet date. This includes a GAG pupil number adjustment ('clawback') of £494,719 (2016: £ 156,071) and arrangements for the repayment of the 'clawback' are under the supervision of the ESFA subject to the terms of a Financial Notice to Improve.

Notwithstanding the foregoing the financial projections, agreed with the ESFA, indicate that the Academy Trust has sufficient financial resources to deliver its educational programme in 2017 – 2018.

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Financial and Risk Management Objectives and Policies

The Audit, Compliance and Risk Committee of the Board of Governors has assessed the major risks to which the Academy Trust is exposed. The control over expenditure has been maintained through the establishment of the Financial Management and Infrastructure Committee of the Board and the development of the Financial Policy and Procedures including Scheme of Delegation Manual.

Principal Risks and Uncertainties

The Governors consider that the Academy Trust's risk management and internal controls are in compliance with the EFA Academies Financial Handbook 2015, and that improvements to these controls and the management of risk generally will continue to be made as the UTC develops.

The Governors assess the principal long term risks and uncertainties facing the UTC as follows:-

- Students: Inability to recruit a financially viable number of students in Year 10 and Year 12 and the retention of those students subsequently.
- Grant income: A material decrease in income affecting provision resulting from the inability to recruit a viable number of students.
- Staff recruitment: Inability to attract and retain the required specialist academic staff.

Reserves Policy

The Academy Trust has no free reserves.

Investment Policy

The Academy Trust has no investments.

Going Concern

The Governors have resolved that the undertakings of the UTC will be transferred to Active Learning Education Trust within twelve months of the date of approval of these financial statements subject to the consent of the Secretary of State for Education.

PROVISION OF INFORMATION TO AUDITORS

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

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

The Governors' Report, incorporating a strategic report, was approved on 13 December 2017 and signed on its behalf by:

Dr G J Rodgers
Chairman

HEATHROW AVIATION ENGINEERING UTC

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

The Governors, acknowledge we have overall responsibility for ensuring that Heathrow Aviation Engineering UTC ('the 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 the Academy Trust's objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Governors have delegated the day-to-day responsibility to the Executive Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Heathrow Aviation Engineering UTC and the Secretary of State for Education. They are also responsible for reporting to the Governors any material weaknesses or failures in risk management and internal control.

GOVERNANCE

The information on governance included here supplements that described in the Governors' Report and in the Governors' Responsibilities Statement.

Board of Governors

The Board of Governors formally met five times during the year and the attendance of each Governor was as follows:

Governor	Meetings attended	Out of a possible
Dr G J Rodgers, Chairman	4	5
Mr B W Hersom, (Principal to 21/07/17)	5	5
Mrs J. S. Harper, (Executive Principal from 24/07/17)	0	0
Mrs J Body	5	5
Wg Cdr S L Cawdery	2	5
Mr R D Elgy	0	0
Ms C M P Harbord	0	2
Ms S Hossain	2	5
Ms A M Martin (Parent Governor)	2	2
Mr S K Patel, (Parent Governor)	1	5
Dr R Scoble	4	4
Mrs P Stannett	1	2

Audit, Compliance and Risk Committee

The Audit, Compliance and Risk Committee is a sub-committee of the Board of Governors whose purposes are, inter alia: (1) to review the audit aspects of the Annual Financial Statements including the effectiveness of the external Auditors, (2) to monitor the effectiveness of risk management and internal control, (3) to monitor the UTC's policy on fraud and irregularity and ensure all significant losses have been investigated and reported, (4) to ensure that arrangements are in place to promote efficiency, effectiveness and value for money, (5) to report to and advise the Board.

Attendance at meetings of the Committee in the year was as follows:

Governor	Meetings attended	Out of a possible
Mrs J Body (Committee Chairman)	3	3
Mr R D Elgy	0	1
Ms A M Martin	1	1
Dr R Scoble	2	2
Mr B W Hersom (Principal & Non-voting Attendee)	3	3

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GOVERNANCE STATEMENT (continued)

Financial Management and Infrastructure Committee

The Financial Management and Infrastructure Committee is a sub-committee of the Board of Governors whose purposes are, inter alia: (1) to review the periodic management accounts of the UTC, (2) to review the pay policy and annual budgets of the UTC, (3) to review the effectiveness of the Chief Financial Officer and Business Manager, (4) to monitor all aspects of the financial management, systems and infrastructure of the UTC, (5) to review the effectiveness and value for money of contracted service providers, and (6) to report to and advise the Board.

Attendance at meetings of the Committee in the Year was as follows:-

Governor	Meetings attended	Out of a possible
Dr G J Rodgers (Committee Chairman)	1	1
Wg Cdr S L Cawdery	1	1
Mr B W Hersom (Principal)	1	1

Governance Review

The Board of Governors has established a suite of sub-committees to monitor and review the management and activities of the UTC and advise the Board as follows:-

- Audit, Compliance and Risk
- Financial Management and Infrastructure
- Human Resources and Safeguarding
- Teaching and Learning

In addition the Board has appointed 'link' governors to monitor and advise them in connection with (1) student 'Safeguarding', (2) Health and Safety, (3) 'Prevent' and 'British Values', (4) students with special educational and accessibility needs, (5) 'Looked After Children', (6) Combined Cadet Force (RAF), and (7) Baker Dearing Trust.

In September 2016 the Board undertook a facilitated 'Governor Review, Accountability and Support Programme' to record and collate evidence of how effective and efficient it evaluates its governance. Subsequently the focus of the Board's activity has been to consider and assess the opportunities to improve the academic and financial performance of the UTC by becoming part of, or supported by, a multi-academy trust. In July 2017, subsequent to approval received from the Department for Education, the Governors resolved to enter into a 'Memorandum of Understanding' with Activate Learning Education Trust in Oxford.

REVIEW OF VALUE FOR MONEY

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

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

The Academy Trust has a Procurement Policy which requires that when contracts come to an end the price and service level are reviewed, benchmarked and quotes from other suppliers are sought to ensure best value for money is maintained.

Staff salary reviews are based on staff performance and on the achievement of targets.

The Academy Trust has achieved value for money during the Year by undertaking a review of the services provided by contractors in respect of catering, cleaning, information technology support and facilities management. Subsequently the catering and cleaning contracts have been reassigned.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The risk management and internal control system ('the System') 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 is documented in the Financial Policy and Procedures including Scheme of Delegation Manual ('Procedures Manual') approved by the Board of Governors on 26th September, 2016 and has been designed and implemented to identify, evaluate, manage and mitigate the UTC's significant risks.

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GOVERNANCE STATEMENT (continued)

CAPACITY TO HANDLE RISK

Board of Governors or the Audit, Compliance and Risk Committee of the Board has regularly reviewed the UTC's Risk Register and compliance with the Procedures Manual and based on this review the Governors consider that there is an effective system of risk management and internal control which has been in place during the Year and up to the date of approval of the Governors' Report and Financial Statements.

THE RISK AND CONTROL FRAMEWORK

The UTC's risk management and internal control system is based on accounting and administrative procedures and the provision of regular management information set out in the Procedures Manual. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and approved by the Governors;
- setting targets to measure financial and other performance;
- clearly defined procurement policy for the provision of contracted services and capital investment,
- delegation of authority and segregation of duties; and
- identification and management of risks.

The Board of Governors has considered the need for an internal audit and has appointed a suitably qualified member of the Finance Department at Brunel University London to undertake an examination of the UTC's accounting and internal control systems each Spring and Summer terms. The purpose of the internal audit is to identify any non-compliance with the terms of the Funding Agreement and the Procedures Manual and make recommendations where procedures can be improved

The examinations carried out have involved the compliance testing of sample transactions in respect of payroll, purchasing and banking. The findings of the examinations have been reported to and considered by the Audit, Compliance and Risk Committee of the Academy Trust and any recommendations incorporated into the Procedures Manual.

REVIEW OF EFFECTIVENESS

The Executive Principal, as Accounting Officer has responsibility for reviewing the effectiveness of the risk management and internal control system. During the Year the review has been informed by:

- the work of the external auditors,
- the work of the internal auditors,
- the work of the Acting Chief Financial Officer who has responsibility for the development and maintenance of the internal control system,
- the work of the Audit, Compliance and Risk Committee of the Academy Trust.

Approved by order of the Board of Governors on 13 December 2017 and signed on their behalf, by:

Dr G J Rodgers
Chairman

Mrs J. S. Harper
Accounting Officer

HEATHROW AVIATION ENGINEERING UTC

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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Heathrow Aviation Engineering UTC I have considered my responsibility to notify the Academy Trust Board of Governors and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA 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 2016.

I confirm that I and the Academy Trust Board of Governors 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 2016.

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 Governors and ESFA.

Mrs J. S. Harper
Accounting Officer

Date: 13 December 2017

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GOVERNORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 AUGUST 2017

The Governors (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

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

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

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

Approved by order of the Board of Governors on 13 December 2017 and signed on its behalf by:

Dr G J Rodgers
Chairman

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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HEATHROW AVIATION ENGINEERING UTC**

OPINION

We have audited the financial statements of Heathrow Aviation Engineering UTC (The Charitable Company) for the year ended 31 August 2017 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

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

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs as at 31 August 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our Report. We are independent of the UTC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1.1 in the financial statements, which indicates that the undertakings of the UTC will be transferred into Activate Learning Education Trust within twelve months of the date of approval of these financial statements, subject to the consent of the Secretary of State for Education. As stated in note 1.1, as result of these conditions, the financial statements have not been prepared on the going concern basis and have instead been prepared on the basis set out in note 1.1. Our opinion is not modified in respect of this matter.

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF HEATHROW AVIATION ENGINEERING UTC

OTHER INFORMATION

The Governors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report (incorporating the Strategic Report and the Directors' Report for which the financial statements have been prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the UTC and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report .

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

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

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Governors' Responsibilities, the Governors (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the Academy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the UTC or to cease operations, or have no realistic alternative but to do so.

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HEATHROW AVIATION ENGINEERING UTC**

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Gary Miller (Senior Statutory Auditor)

for and on behalf of

Price Bailey LLP

Chartered Accountants
Statutory Auditors

Causeway House
1 Dane Street
Bishop's Stortford
Hertfordshire
CM23 3BT
15 December 2017

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEATHROW AVIATION ENGINEERING UTC AND THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 23 October 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Heathrow Aviation Engineering UTC during the year 1 September 2016 to 31 August 2017 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 Heathrow Aviation Engineering UTC and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Heathrow Aviation Engineering UTC and the ESFA 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 Heathrow Aviation Engineering UTC and the ESFA, for our work, for this Report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF HEATHROW AVIATION ENGINEERING UTC'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The Accounting Officer is responsible, under the requirements of Heathrow Aviation Engineering UTC's funding agreement with the Secretary of State for Education dated 1 August 2013, and the Academies Financial Handbook extant from 1 September 2016, 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 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2016 to 31 August 2017 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 2016 to 2017 issued by the ESFA. 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 UTC's income and expenditure.

The work undertaken to draw to our conclusions includes:

- Consideration and corroboration of the evidence supporting the Accounting Officers statement on regularity, propriety and compliance.
- Evaluation of the general control environment of the Academy Trust, extending the procedures required for financial statements to include regularity.
- Discussions with and representations from the Accounting Officer and other key management personnel.
- An extension of substantive testing from our audit of the financial statements to cover matters pertaining to regularity, propriety and compliance in particular checking that selected items were appropriately authorised, and appropriate.

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEATHROW
AVIATION ENGINEERING UTC AND THE EDUCATION AND SKILLS FUNDING AGENCY (continued)**

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Reporting Accountant

Price Bailey LLP

Chartered Accountants

15 December 2017

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:						
Donations and capital grants	2	-	12,025	8,731	20,756	32,936
Charitable activities	3	17,294	1,500,405	-	1,517,699	2,048,817
Other trading activities	4	5,909	-	-	5,909	20,596
Investments	5	115	-	-	115	652
TOTAL INCOME		<u>23,318</u>	<u>1,512,430</u>	<u>8,731</u>	<u>1,544,479</u>	<u>2,103,001</u>
EXPENDITURE ON:						
Charitable activities		<u>23,318</u>	<u>2,061,275</u>	<u>292,032</u>	<u>2,376,625</u>	<u>2,589,791</u>
TOTAL EXPENDITURE	6	<u>23,318</u>	<u>2,061,275</u>	<u>292,032</u>	<u>2,376,625</u>	<u>2,589,791</u>
NET EXPENDITURE BEFORE OTHER RECOGNISED GAINS AND LOSSES						
Impairment losses on fixed assets	12	-	(548,845)	(283,301)	(832,146)	(486,790)
Actuarial losses on defined benefit pension schemes	20	-	-	-	-	(17,026)
		-	(11,000)	-	(11,000)	(15,000)
NET MOVEMENT IN FUNDS		<u>-</u>	<u>(559,845)</u>	<u>(283,301)</u>	<u>(843,146)</u>	<u>(518,816)</u>
RECONCILIATION OF FUNDS:						
Total funds brought forward		-	(485,106)	10,919,371	10,434,265	10,953,081
TOTAL FUNDS CARRIED FORWARD		<u>-</u>	<u>(1,044,951)</u>	<u>10,636,070</u>	<u>9,591,119</u>	<u>10,434,265</u>

HEATHROW AVIATION ENGINEERING UTC

**(A COMPANY LIMITED BY GUARANTEE)
REGISTERED NUMBER: 07510578**

**BALANCE SHEET
AS AT 31 AUGUST 2017**

	Note	£	2017 £	£	As restated 2016 £
FIXED ASSETS					
Tangible assets	12		10,621,005		10,913,037
CURRENT ASSETS					
Debtors	13	55,895		42,000	
Cash at bank and in hand	18	41,035		93,310	
			<u>96,930</u>	<u>135,310</u>	
CREDITORS: amounts falling due within one year	14	(1,052,816)		(591,082)	
NET CURRENT LIABILITIES			<u>(955,886)</u>		<u>(455,772)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			9,665,119		10,457,265
Defined benefit pension scheme liability	20		<u>(74,000)</u>		<u>(23,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>9,591,119</u>		<u>10,434,265</u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	15	(970,951)		(462,106)	
Restricted fixed asset funds	15	10,636,070		10,919,371	
			<u>9,665,119</u>	<u>10,457,265</u>	
Restricted income funds excluding pension liability					
Pension reserve		(74,000)		(23,000)	
			<u>9,591,119</u>	<u>10,434,265</u>	
TOTAL FUNDS			<u>9,591,119</u>	<u>10,434,265</u>	

The financial statements on pages 18 to 37 were approved by the Governors, and authorised for issue, on 13 December 2017 and are signed on their behalf, by:

Dr G J Rodgers
Chairman

HEATHROW AVIATION ENGINEERING UTC
(A COMPANY LIMITED BY GUARANTEE)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	17	(61,120)	123,756
Cash flows from investing activities:			
Dividends, interest and rents from investments		115	652
Purchase of tangible fixed assets		-	(130,785)
Capital grants from DfE/ESFA		8,730	30,368
Net cash provided by/(used in) investing activities		8,845	(99,765)
Change in cash and cash equivalents in the year		(52,275)	23,991
Cash and cash equivalents brought forward		93,310	69,319
Cash and cash equivalents carried forward	18	41,035	93,310

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Heathrow Aviation Engineering UTC constitutes a public benefit entity as defined by FRS 102.

The Governors have resolved that the undertakings of the UTC will be transferred to Active Learning Education Trust within twelve months of the date of approval of these financial statements subject to the consent of the Secretary of State for Education. For this reason the going concern basis of preparing the financial statements will not be adopted.

The UTC's functional and presentational currency is Pounds Sterling.

1.2 Company status

The UTC is a company limited by guarantee. The Members of the Company are the shown on page 1. In the event of the UTC being wound up, the liability in respect of the guarantee is limited to £10 per Member of the UTC. The UTC's registered office is Heathrow Aviations Engineering UTC, Potter Street, Northwood, HA6 1QG.

1.3 Income

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

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

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating Income and Expenditure Account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

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

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

Expenditure on charitable activities are costs incurred on the UTC's educational operations, including support costs and those costs relating to the governance of the UTC apportioned to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

1.5 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised 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. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Long Term Leasehold Property	-	50 years straight line
Long Term Leasehold Land	-	125 years straight line
Plant and machinery	-	20 years straight line
Computer equipment	-	5 years straight line

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

1.6 Taxation

The UTC 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 UTC 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.

1.7 Debtors

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

1.8 Cash at Bank and in hand

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

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.9 Liabilities and provisions

Liabilities and provisions 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 UTC anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.10 Financial instruments

The UTC only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the UTC and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

1.11 Pensions

Retirement benefits to employees of the Academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the UTC 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 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.12 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, 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 2016 has been used by the Actuary in valuing the pensions liability at 31 August 2017. 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.

The Governors have made the assumption that the transfer of operating activities to Activate Learning Education Trust will take place during the next financial year. Should the transfer not take place, there may be a significant impact on the carrying values of any of the assets included within these financial statements.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Donations	12,025	-	12,025	2,568
Capital grants	-	8,731	8,731	30,368
	<u>12,025</u>	<u>8,731</u>	<u>20,756</u>	<u>32,936</u>
<i>Total 2016</i>	<u>2,568</u>	<u>30,368</u>	<u>32,936</u>	

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	1,063,949	1,063,949	1,632,441
Other DfE / ESFA grants	-	266,603	266,603	133,218
Start up grant	-	129,945	129,945	228,725
	<u>-</u>	<u>1,460,497</u>	<u>1,460,497</u>	<u>1,994,384</u>
Other government grants				
Local Authority grants	-	19,314	19,314	26,251
	<u>-</u>	<u>19,314</u>	<u>19,314</u>	<u>26,251</u>
Other funding				
Catering income	17,294	-	17,294	19,576
Cadet bursary funding	-	20,594	20,594	8,606
	<u>17,294</u>	<u>20,594</u>	<u>37,888</u>	<u>28,182</u>
	<u>17,294</u>	<u>1,500,405</u>	<u>1,517,699</u>	<u>2,048,817</u>
<i>Total 2016</i>	<u><u>19,576</u></u>	<u><u>2,029,241</u></u>	<u><u>2,048,817</u></u>	

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Other income	5,909	-	5,909	20,596
	<u>5,909</u>	<u>-</u>	<u>5,909</u>	
<i>Total 2016</i>	<u><u>20,596</u></u>	<u><u>-</u></u>	<u><u>20,596</u></u>	

5. INVESTMENT INCOME

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Bank Interest	115	-	115	652
	<u>115</u>	<u>-</u>	<u>115</u>	
<i>Total 2016</i>	<u><u>652</u></u>	<u><u>-</u></u>	<u><u>652</u></u>	

HEATHROW AVIATION ENGINEERING UTC

(A COMPANY LIMITED BY GUARANTEE)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

6. EXPENDITURE

	Staff costs 2017 £	Premises 2017 £	Other costs 2017 £	Total 2017 £	Total 2016 £
Provision of Education:					
Direct costs	1,246,348	-	237,449	1,483,797	1,516,870
Support costs	268,191	148,376	476,261	892,828	1,072,921
	<u>1,514,539</u>	<u>148,376</u>	<u>713,710</u>	<u>2,376,625</u>	<u>2,589,791</u>
<i>Total 2016</i>	<u>1,465,951</u>	<u>302,747</u>	<u>821,093</u>	<u>2,589,791</u>	

7. CHARITABLE ACTIVITIES

	2017 £	2016 £
Direct costs - educational operations	1,483,797	1,516,870
Support costs - educational operations	892,828	1,072,921
	<u>2,376,625</u>	<u>2,589,791</u>
Total	<u>2,376,625</u>	<u>2,589,791</u>

Analysis of support costs	2017 £	2016 £
Support staff costs	268,191	250,974
Depreciation	292,032	292,044
Governance costs	12,800	80,980
Technology costs	7,966	4,913
Premises costs	148,376	302,747
Other support costs	163,463	141,263
	<u>892,828</u>	<u>1,072,921</u>
Total	<u>892,828</u>	<u>1,072,921</u>

8. NET (RESOURCES EXPENDED)/INCOMING RESOURCES

This is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets:		
- owned or leased by the UTC	292,032	292,044
Auditors' remuneration - audit	4,700	4,700
Auditors' remuneration - non-audit	4,000	4,300
	<u>4,000</u>	<u>4,300</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

9. STAFF COSTS

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	1,036,611	954,205
Social security costs	104,291	49,133
Operating costs of defined benefit pension schemes	206,592	146,290
	<hr/>	<hr/>
	1,347,494	1,149,628
Supply teacher costs	141,045	312,323
Compensation payments	26,000	4,000
	<hr/>	<hr/>
	<u>1,514,539</u>	<u>1,465,951</u>

During the year ended 31 August 2017, the UTC was liable to make non-contractual severance payments totaling £26,000 (2016: £4,000) to one (2016: one) member of staff.

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

	2017 No.	2016 No.
Teaching	21	16
Administration & support	14	13
Management	1	1
	<hr/>	<hr/>
	36	30

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

	2017 No.	2016 No.
In the band £ 60,001 - £ 70,000	0	1
In the band £ 80,001 - £ 90,000	1	0

The key management personnel of the Academy Trust comprise the Governors and the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension contributions and national insurance) received by key management personnel for their services to the Academy Trust was £32,834 (2016: £107,859).

Included in the above are employer pension contributions of £533 (2016: £15,260) and employer national insurance contributions of £2,607 (2016: £3,288).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

10. GOVERNORS' REMUNERATION AND EXPENSES

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

	2017 £	2016 £
Mr B W Hersom (1 April to 21 July 2017) Remuneration	25,000-30,000	

During the year ended 31 August 2017, no Governors received any reimbursement of expenses (2016 - £NIL).

The UTC made payments under a contract for services covering the period from 1 September 2016 to 31 March 2017 of £58,500 (2016 - £66,150) to Mr B W Hersom in respect of his role as Principal of which £NIL (2016 - £34,020) was included within trade creditors at the year end. This self-employment arrangement has been agreed with the ESFA.

Other related party transactions involving the Governors are set out in note 21.

11. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect Governors and Officers from claims arising from negligent acts, errors or omissions occurring whilst on its business. The insurance provides cover up to £10,000,000 on any one claim and the cost for the year ended 31 August 2017 was included in the total insurance cost.

12. TANGIBLE FIXED ASSETS

	Long term leasehold property £	Long term leasehold land £	Plant and machinery £	Computer equipment £	Total £
Cost or valuation					
At 1 September 2016 and 31 August 2017	8,976,117	1,718,286	382,809	398,173	11,475,385
Depreciation					
At 1 September 2016	347,906	36,655	30,462	147,325	562,348
Charge for the year	179,514	13,746	19,140	79,632	292,032
At 31 August 2017	527,420	50,401	49,602	226,957	854,380
Net book value					
At 31 August 2017	8,448,697	1,667,885	333,207	171,216	10,621,005
At 31 August 2016	8,628,211	1,681,631	352,347	250,848	10,913,037

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13. DEBTORS

	2017 £	2016 £
VAT recoverable	33,625	17,190
Prepayments and accrued income	22,270	24,810
	55,895	42,000
	55,895	42,000

14. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	127,682	174,578
Other taxation and social security	27,804	2,489
Other creditors	21,079	-
ESFA pupil number clawback	741,610	246,891
ESFA advance funding repayable	275,000	78,000
UTC transitional funding offset	(200,000)	-
Accruals and deferred income	59,641	89,124
	1,052,816	591,082
	1,052,816	591,082

	2017 £	2016 £
Deferred income		
Deferred income at 1 September 2016	27,246	-
Resources deferred during the year	25,243	27,246
Amounts released from previous years	(27,246)	-
	25,243	27,246
	25,243	27,246

Deferred income relates to grants received for use in the following academic year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

15. STATEMENT OF FUNDS

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers and gains/ (losses) £	Balance at 31 August 2017 £
Unrestricted funds					
General Funds	-	23,318	(23,318)	-	-
Restricted funds					
	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers and gains/ (losses) £	Balance at 31 August 2017 £
General Annual Grant (GAG)	(462,106)	1,063,949	(1,572,794)	-	(970,951)
Other DfE/ ESFA grants	-	235,911	(235,911)	-	-
Trip income	-	12,025	(12,025)	-	-
Start Up Grant	-	129,945	(129,945)	-	-
Pupil premium	-	30,692	(30,692)	-	-
Restricted cadets	-	20,594	(20,594)	-	-
SEN	-	19,314	(19,314)	-	-
Pension reserve	(23,000)	-	(40,000)	(11,000)	(74,000)
	<u>(485,106)</u>	<u>1,512,430</u>	<u>(2,061,275)</u>	<u>(11,000)</u>	<u>(1,044,951)</u>
Restricted fixed asset funds					
Restricted Fixed Asset Funds - all funds	10,913,037	-	(292,032)	-	10,621,005
Devolved formula capital (DFC)	6,334	8,731	-	-	15,065
	<u>10,919,371</u>	<u>8,731</u>	<u>(292,032)</u>	<u>-</u>	<u>10,636,070</u>
Total restricted funds	<u>10,434,265</u>	<u>1,521,161</u>	<u>(2,353,307)</u>	<u>(11,000)</u>	<u>9,591,119</u>
Total of funds	<u><u>10,434,265</u></u>	<u><u>1,544,479</u></u>	<u><u>(2,376,625)</u></u>	<u><u>(11,000)</u></u>	<u><u>9,591,119</u></u>

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2015 £	Income £	Expenditure £	Transfers and gains/ (losses) £	Balance at 31 August 2016 £
Unrestricted funds					
General funds	-	40,824	(40,824)	-	-
	<u>-</u>	<u>40,824</u>	<u>(40,824)</u>	<u>-</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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15. STATEMENT OF FUNDS (continued)

Restricted funds

	Balance at 1 September 2015 £	Income £	Expenditure £	Transfers and gains/ (losses) £	Balance at 31 August 2016 £
General Annual Grant (GAG)	(135,241)	1,632,441	(1,852,555)	(106,751)	(462,106)
Other DfE/ ESFA grants	-	99,956	(99,956)	-	-
Trip income	-	2,337	(2,337)	-	-
Start Up Grant	-	228,725	(228,725)	-	-
Pupil premium	-	33,262	(33,262)	-	-
Restricted cadets	-	8,837	(8,837)	-	-
SEN	-	26,251	(26,251)	-	-
Pension reserve	(3,000)	-	(5,000)	(15,000)	(23,000)
	<u>(138,241)</u>	<u>2,031,809</u>	<u>(2,256,923)</u>	<u>(121,751)</u>	<u>(485,106)</u>
Restricted fixed asset funds					
Restricted Fixed Asset Funds - all funds	11,091,322	-	(292,044)	113,759	10,913,037
DfE/ESFA Capital Grants	-	24,034	-	(24,034)	-
Devolved formula capital (DFC)	-	6,334	-	-	6,334
	<u>11,091,322</u>	<u>30,368</u>	<u>(292,044)</u>	<u>89,725</u>	<u>10,919,371</u>
Total restricted funds	<u>10,953,081</u>	<u>2,062,177</u>	<u>(2,548,967)</u>	<u>(32,026)</u>	<u>10,434,265</u>
Total of funds	<u>10,953,081</u>	<u>2,103,001</u>	<u>(2,589,791)</u>	<u>(32,026)</u>	<u>10,434,265</u>

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

General Funds

This fund represents grants received for the Academy Trust's operational activities and development.

General Annual Grant (GAG)

This represents funding from the ESFA to be used for the normal running costs of the Academy Trust, including education and support costs.

Other DfE/ESFA grants

This represents funding for rates relief payments and other income received for specific projects of the Academy Trust.

Trip income

This represents income derived from parents' donations towards student trips.

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NOTES TO THE FINANCIAL STATEMENTS
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15. STATEMENT OF FUNDS (continued)

Start Up Grant

This fund is specifically to assist with the costs of establishment of the UTC.

Pupil premium

This represents funding to help raise achievement and improve outcomes for pupils from low income families who are eligible for free school meals.

Restricted cadets

This represents grant income received for the cadets.

SEN funding

This represents funding from the Local Authority and it is used towards the education of pupils with special educational needs and disabilities.

Restricted other

This represents donations received in the year for equipment, books and other educational resources.

Restricted Fixed Asset Funds

Restricted fixed asset fund represents the value of fixed assets held in line with the charitable objectives of the UTC. The transfer in the prior year between funds represents a revision of a grant receivable that had been carried forward on restricted general funds in 2015.

DfE/ESFA capital grant

This represents funding from the ESFA specifically for the maintenance and improvement of the UTC's buildings and facilities.

Devolved formula capital (DFC)

The UTC is to use the DFC allocation to maintain and improve its buildings and facilities.

Under the funding agreement with the Secretary of State, the UTC was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2017.

The UTC is carrying a net deficit of £(970,951) on restricted general funds (excluding pension reserve) plus unrestricted funds for the reason that it failed to meet projected pupil numbers.

The UTC is taking the following action to return these funds to surplus:

- The UTC is liable for ESFA pupil number clawback and ESFA advance funding repayable which has been represented in creditors at the year end.
- The UTC has submitted a finance recovery plan to agree additional funding (UTC Transition Funding) and a repayment plan to the ESFA over an agreed period of time.

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16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	10,621,005	10,621,005
Current assets	-	81,865	15,065	96,930
Creditors due within one year	-	(1,052,816)	-	(1,052,816)
Provisions for liabilities and charges	-	(74,000)	-	(74,000)
	<u>-</u>	<u>(1,044,951)</u>	<u>10,636,070</u>	<u>9,591,119</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £
Tangible fixed assets	-	-	10,913,037	10,913,037
Current assets	-	135,310	-	135,310
Creditors due within one year	-	(597,416)	6,334	(591,082)
Provisions for liabilities and charges	-	(23,000)	-	(23,000)
	<u>-</u>	<u>(485,106)</u>	<u>10,919,371</u>	<u>10,434,265</u>

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

	2017 £	2016 £
Net expenditure for the year (as per Statement of Financial Activities)	(832,146)	(486,790)
Adjustment for:		
Depreciation charges	292,032	292,044
(Increase)/decrease in debtors	(13,895)	163,517
Increase in creditors	461,734	181,005
Capital grants from DfE and other capital income	(8,730)	(30,368)
Defined benefit pension scheme adjustment	40,000	5,000
Interest received	(115)	(652)
Net cash (used in)/provided by operating activities	<u>(61,120)</u>	<u>123,756</u>

18. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	41,035	93,310
Total	<u>41,035</u>	<u>93,310</u>

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19. 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 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.

20. PENSION COMMITMENTS

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £21,079 were payable to the schemes at 31 August 2017 (2016 - £2,858) and are included within creditors.

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

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; and
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

The employer's pension costs paid to TPS in the period amounted to £117,173 (2016 - £105,927).

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

20. PENSION COMMITMENTS (continued)

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £66,000 (2016 - £40,000), of which employer's contributions totalled £52,000 (2016 - £32,000) and employees' contributions totalled £14,000 (2016 - £8,000). The agreed contribution rates for future years are 13% for employers and 5.5 - 12.5% for employees.

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

Principal actuarial assumptions:

	2017	2016
Discount rate for scheme liabilities	2.50 %	2.10 %
Rate of increase in salaries	2.80 %	3.10 %
Rate of increase for pensions in payment / inflation	2.40 %	2.10 %

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

	2017	2016
Retiring today		
Males	22.6	22.7
Females	24.6	24.7
Retiring in 20 years		
Males	24.0	24.3
Females	26.5	26.9

	At 31 August 2017	At 31 August 2016
	£	£
Sensitivity analysis		
Discount rate +0.1%	229,000	66,000
Discount rate -0.1%	245,000	70,000
Mortality assumption - 1 year increase	235,000	68,000
Mortality assumption - 1 year decrease	239,000	68,000
CPI rate +0.1%	245,000	70,000
CPI rate -0.1%	229,000	66,000

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20. PENSION COMMITMENTS (continued)

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

	Fair value at 31 August 2017 £	Fair value at 31 August 2016 £
Equities	101,060	26,100
Gilts	39,120	11,250
Property	19,560	5,400
Cash and other liquid assets	3,260	2,250
	<u>163,000</u>	<u>45,000</u>
Total market value of assets	<u>163,000</u>	<u>45,000</u>

The actual return on scheme assets was £56,000 (2016 - £4,000).

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2017 £	2016 £
Current service cost	(92,000)	(37,000)
Interest income	2,000	1,000
Interest cost	(2,000)	(1,000)
	<u>(92,000)</u>	<u>(37,000)</u>
Total	<u>(92,000)</u>	<u>(37,000)</u>

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

	2017 £	2016 £
Opening defined benefit obligation	68,000	4,000
Current service cost	92,000	37,000
Interest cost	2,000	1,000
Employee contributions	14,000	8,000
Actuarial losses	65,000	18,000
Benefits paid	(4,000)	-
	<u>237,000</u>	<u>68,000</u>
Closing defined benefit obligation	<u>237,000</u>	<u>68,000</u>

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

	2017 £	2016 £
Opening fair value of scheme assets	45,000	1,000
Interest income	2,000	1,000
Actuarial losses	54,000	3,000
Employer contributions	52,000	32,000
Employee contributions	14,000	8,000
Benefits paid	(4,000)	-
	<u>163,000</u>	<u>45,000</u>
Closing fair value of scheme assets	<u>163,000</u>	<u>45,000</u>

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21. RELATED PARTY TRANSACTIONS

Owing to the nature of the UTC's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, transactions may take place with organisations in which a Governor has an interest. All transactions involving such organisations are conducted and are in accordance with the UTC's financial regulations and normal procurement procedures.

No related party transactions took place during the year.