

Registered number. 7899845

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

GOVERNORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

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HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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The following pages do not form part of the statutory financial statements

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

Governors

Mr J T N Clayton*, Chair
Mr D Tottingham*, Vice Chair
Ms J Rockall, Head Teacher
Mrs S Adams
Mr M Nelson*
Mrs W Barnett
Mr E John
Mr P Jacobs
Mr P Vance
Mr G Soldi
Mr F Gill
Mr A Sood*
Mr A Ali
Dr Z Ali
Mrs M Rogulska
Mr S A Ali

Company registered number

7899845

Registered office

Northampton Avenue, Slough, Berkshire, SL1 3BW

Principal operating office

Northampton Avenue, Slough, Berkshire, SL1 3BW

Company secretary

Mrs J Vucic

Chief executive officer

Ms J Rockall

Senior Management Team

Ms J Rockall, Head Teacher
Mrs J Vucic, Business Manager
Mr M Bourne, Assistant Headteacher
Mr M Rose, Assistant Headteacher
Mr S Devereux, Assistant Headteacher

Auditors

Landau Baker Limited, Mountcliff House, 154 Brent Street, London, NW4 2DR

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FOR THE PERIOD ENDED 31 AUGUST 2012

Advisers (continued)

Bankers

Lloyds TSB Bank plc, 123 High Street, Town Centre, Slough, SL1 1EH

Solicitors

Winckworth Sherwood, Minerva House, 5 Montagu Close, London, SE1 9BB

HERSCHEL GRAMMAR SCHOOL
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GOVERNORS' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2012

The Governors (some of whom are also directors of the charity for the purposes of the Companies Act, denoted by a * after their names in the list of governors on page 1) present their annual report together with the audited financial statements of Herschel Grammar School (the academy) for the period ended 31 August 2012. The Governors confirm that the Annual report and financial statements of the academy comply with the current statutory requirements, the requirements of the academy's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

Structure, governance and management

a CONSTITUTION

The academy is a charitable company limited by guarantee and was set up by a Memorandum of Association on 3 January 2012.

The academy is constituted under a Memorandum of Association dated 3 January 2012.

The principal object of the academy is to provide education to pupils in Slough and the surrounding area.

b METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF GOVERNORS

The management of the academy is the responsibility of the Governors who are elected and co-opted under the terms of the Articles of Association as follows:

- The Head Teacher
- Up to 5 but no fewer than 2 parent governors
- 2 staff governors
- Any governors appointed by the Secretary of State for Education
- Up to 3 co-opted governors

The term of office for any governor is 4 years. The Head Teacher's term of office runs parallel with her term of appointment. Subject to remaining eligible to be a particular type of governor, any governor may be reappointed or re-elected.

c POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF GOVERNORS

The training and induction provided for new governors will depend on their experience. Where necessary, an induction will provide training on charity and educational, legal and financial matters. All new governors are given a tour of the academy and the chance to meet with staff and students. All governors are provided with copies of policies, procedures, minutes, budgets, plans and other documents that they will need to understand their role as trustees and directors of the academy.

d ORGANISATIONAL STRUCTURE

The academy has established a management structure to enable its efficient running. The structure consists of two levels: the governors and the executive who are the senior leadership team.

The governing body has considered its role thoughtfully and decided that the role of the governors is to approve the strategic direction and objectives of the academy and monitor its progress towards these objectives.

The governing body has approved a scheme of delegation which sets out a statement on the system of internal control, responsibilities, standing orders, a scheme of delegation and terms of reference.

Governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the academy by use of budgets and making major decisions about the direction of the academy, including capital expenditure and senior staff appointments.

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

e. RISK MANAGEMENT

The governors have assessed the major risks to which the academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the academy, and its finances. The governors have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The academy has an effective system of internal financial controls and this is explained in more detail in the statement on internal control.

f. GOVERNORS' INDEMNITIES

Subject to the provisions of the Companies Act, every governor or other officer of the academy shall be indemnified out of the assets of the academy against any liability incurred by them in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the academy.

g. PRINCIPAL ACTIVITIES

The principal activity of the academy is to advance, for the public benefit, education in Slough, Berkshire and the surrounding area by maintaining and operating Herschel Grammar School in Slough.

Objectives and Activities

a. OBJECTS AND AIMS

The principal object and activity of the academy is the operation of Herschel Grammar School to provide a broad and balanced education for pupils of all abilities. The governors have referred to the guidance issued by the Charity Commission in respect of public benefit when reviewing the aims and objectives of the academy.

In accordance with the articles of association, the academy has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting pupils to the academy, the catchment area from which the pupils are drawn, and that the curriculum should comply with the substance of the national curriculum.

The main objectives of the academy during the period are summarised below:

- to establish, maintain, carry on, manage and develop the academy at Herschel Grammar School, Slough,
- to provide educational facilities, a high standard of teaching and learning and a diverse range of extracurricular opportunities,
- to provide a broad and balanced curriculum including English, mathematics, science, religious education and a daily act of collective worship,
- to maintain the outstanding level of educational achievement of all pupils,
- to provide value for money for the funds expended,
- to comply with all appropriate statutory requirements,
- to conduct the academy's business in accordance with the highest standards of integrity, probity and openness.

The principal long term objectives of the academy are laid out in the Funding Agreement in addition to the points

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

summarised above

b. OBJECTIVES, STRATEGIES AND ACTIVITIES

Herschel Grammar School has converted to academy on 1 February 2012 having been a Foundation School since 1 September 1999. As an academy Herschel Grammar School remains a selective school with 4 intakes for Year 7 each year totalling 120 pupils. We have one year group, current Year 11, which is a 5 form entry year. The total student number for the academic year which ended 31 August 2012 was 896 of which 276 were in the 6th Form and the academy has a full complement in all year groups.

2012 has been another successful year at Herschel Grammar. At GCSE level the percentage of pupils achieving 5 A*-C grades including English and Maths is 99.2% with only one pupil narrowly missing out. As a school we are delighted with our exceptionally high performance with 55% of pupils achieving an A* or A grade in all qualifications. Even more impressive is the number of pupils achieving 5 or more A*-A grades at 66%.

Last year our overall point score at GCSE was a record breaking QCA point score of 567, this year we were unable to match that but still had an impressive average QCA point score of 555.7. When looking at progress in English and Maths, Herschel is exceeding all national benchmarks and the progress our pupils continue to make is outstanding. Our value added in English continues to rise moving upwards from 1000.8 in 2011 to 1003.8 in 2012, which the government describes as significant progress (1000 is the national average).

At A Level we are delighted with another exceptionally high pass rate of 99.6%. Our average UCAS point score has risen again to 360 and our QCA point score has also increased to a record 866 QCA points. The percentage of A* to B grades at A level is 66% which represents an average increase of 12% over the last 5 years.

These results demonstrate a clear direction the school is moving in, and these results are a true reflection of the dedication of the entire staff and the valued contribution from parents, but most importantly it comes down to the hard work and effort of our pupils.

Our curriculum is broad and balanced and offers breadth & depth, through a range of courses offered to pupils across all key stages. At Key stage 3 pupils study 13 subjects across Maths, Science, English, Technology, Humanities, Arts and Languages. At Key stage 4 pupils study 11 GCSEs which includes a choice of three subjects, which build around pupil need. Some pupils will study higher level mathematics in Year 11. At Key stage 5 there are over 25 different A levels pupils can opt for. All pupils study a least 4 AS Levels and will go on to study at least 3 A levels. Our curriculum has been highly praised in our last two OFSTED inspection visits.

One week of experience is planned for all Year 11 pupils. This takes place during the week beginning 5 November. Placements are arranged by EBP, Slough, although some pupils do arrange their own. Herschel staff will visit or contact each student/workplace in order to ensure the placement is running smoothly.

We have just over 90% of pupils going on to pursue University education after completing their A levels here at Herschel, many of them going for medicine or dentistry. The 6th form pupils are also heavily involved in the community, including assisting with the work we do in conjunction with Haybrook College at the Rotunda, where we run the Herschel Pupil Training Centre (HPTC). Furthermore, our pupils are also involved working with local junior schools.

c. PUBLIC BENEFIT

In setting the objectives, the governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education.

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

Achievements and performance

a. GOING CONCERN

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

b. REVIEW OF ACTIVITIES

The academy was incorporated on 6 January 2012 and commenced operating as an academy school on 1 February 2012. No activities were carried on by the company from the date of incorporation until 1 February 2012 when the net assets of the predecessor school, Herschel Grammar School, were transferred to the academy.

Most of the academy's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the 7 month period ended 31 August 2012 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The academy also received grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, "Accounting for Reporting by Charities" (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Financial review

a. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

The Companies Act 2006 s417(3b) requires disclosure of the principal risks and uncertainties facing a company. The academy is exposed to a number of financial risks including credit, cash flow and liquidity risks. Given the academy's exposure to financial instruments being limited, the exposure principally relates to bank balances, cash and trade creditors, with limited trade (and other) debtors. The academy's system of internal controls ensures risk is minimal in these areas.

b. RESERVES POLICY

The level of reserves held takes into account the nature of income and expenditure streams, the need to match them with commitments, including future capital projects, and the nature of reserves. The governors will keep this level of reserves under review.

Plans for the future

a. FUTURE DEVELOPMENTS

Herschel Grammar School continues to be committed to being a caring, inclusive and disciplined environment in which all individuals make a contribution and are valued and rewarded, being a centre of excellence where learners achieve their full potential in academic, personal, social, physical and moral development, being a working partnership of learners, parents, staff, governors and the community and preparing learners for the

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

demands and opportunities in a rapidly changing world

The schools aim is for learners to leave Herschel as self-confident, tolerant and successful individuals, equipped to make a valuable contribution to the diverse communities in which they live

The school has identified a number of areas it wishes to focus its resources and attention to, the majority of which are on the academic level. The first one is working on reducing the in school variation between subjects, particularly English which will include the necessity to bring in external consultants and support for English and involve dedicating more leadership time to that subject area

Another focus will be on moving good teachers to outstanding and satisfactory teachers to good which will require implementing new teaching standards and revise the PM Policy. The school will also implement a more rigorous lesson observation cycle and introduce a more formal structure of evaluating and developing effective classroom practice

The next focus is on bespoke leadership and management support for identified middle leaders/ departments or faculties which will be attained by robust paired lesson observations training, coaching and mentoring

To minimise post 16 group sizes is another focus which will require exploring budgets for additional groups and think creatively about how to accommodate this in our very tight space

Ensure the school structure is fit for purpose is another focus for this year and this will require reviewing the leadership structure at senior, faculty and departmental levels as well as consult on the revised TLR structure which might have to be implemented as a result of the review

Another priority for this year is to raise standards at GCSE and A Level particularly focusing on top grades. This will be done by setting specific A* and A targets at GCSE and A level in all subjects as well as monitoring levels of progress targets in English and Maths

The Academy has also engaged a firm of architects to look at the future development of the site as the current facilities are not big enough to accommodate our pupil numbers and the curriculum we offer at Herschel. The Academy is working with the Architects and the Planning officer at Slough Borough Council to work towards a full planning application for the proposed developments which would greatly help in improving the facilities and give us the space to accommodate smaller classes

MEMBERS' LIABILITY

The Members of the academy guarantee to contribute an amount not exceeding £10 to the assets of the charity in the event of winding up

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

PROVISION OF INFORMATION TO AUDITORS

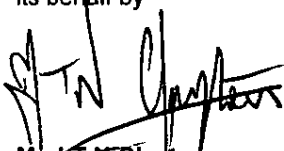
Each of the persons who are Governors at the time when this Governors' report is approved has confirmed that

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

AUDITORS

The auditors, Landau Baker Limited, have indicated their willingness to continue in office. The Designated Governors will propose a motion re-appointing the auditors at a meeting of the Governors.

This report was approved by order of the members of the Governing Body on 23 October 2012 and signed on its behalf by



Mr J F N Clayton
Chair

HERSCHEL GRAMMAR SCHOOL
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As governors, we acknowledge we have overall responsibility for ensuring that Herschel Grammar School has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The governing body has delegated the day-to-day responsibility to the Head Teacher, 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 Herschel Grammar School and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Governors' report and in the Governors' responsibilities statement. The governing body has formally met 3 times during the year. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings attended	Out of a possible
Mr J T N Clayton, Chair	3	3
Mr D Tottingham, Vice Chair	3	3
Ms J Rockall, Head Teacher	3	3
Mrs S Adams	3	3
Mr M Nelson	3	3
Mrs W Barnett	3	3
Mr E John	3	3
Mr P Jacobs	2	3
Mr P Vance	3	3
Mr G Soldi	3	3
Mr F Gill	1	3
Mr A Sood	2	3
Mr A Ali	2	3
Dr Z Ali	1	3
Mrs M Rogulska	3	3
Mr S A Ali	2	3

There were no changes to the governing body between the inception of the academy and the period end date.

The **Finance and Staffing Committee** is a sub-committee of the main governing body. Its purpose is to manage the finances of the academy and ensure that resources are applied for the purposes of the academy.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Mr J T N Clayton	1	3
Mr D Tottingham	2	3
Mr E John	3	3
Mr M Nelson	2	3
Ms J Rockall	3	3
Mr A Sood	3	3
Dr Z Ali	1	3
Mr S A Ali	2	3

HERSCHEL GRAMMAR SCHOOL
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GOVERNANCE STATEMENT (continued)

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy 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 Herschel Grammar School for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

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

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the governing body,
- regular reviews by the Finance and Staffing 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 (as set purchase or capital investment) guidelines
- delegation of authority and segregation of duties,
- identification and management of risks

The governing body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Mr A Sood, a Governor, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On a semi-annual basis, the RO reports to the governing body on the operation of the systems of control and on the discharge of the governing body's financial responsibilities.

REVIEW OF EFFECTIVENESS

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

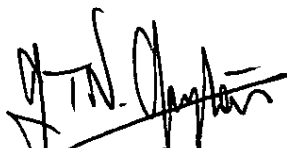
- the work of the Responsible Officer,
- the work of the external auditor,
- the financial management and governance self-assessment process,
- the work of the executive managers within the academy who have responsibility for the development and maintenance of the internal control framework

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

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GOVERNANCE STATEMENT (continued)

Approved by order of the members of the governing body on 23 October 2012 and signed on their behalf, by



Mr J T N Clayton
Chair



Ms J Rockall
Head Teacher

HERSCHEL GRAMMAR SCHOOL
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Herschel Grammar School I have considered my responsibility to notify the academy governing body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy 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 governing body are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy'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.



Ms J Rockall
Accounting officer

HERSCHEL GRAMMAR SCHOOL
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GOVERNORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012

The Governors (who act as trustees for charitable activities of Herschel Grammar School and some of whom are also 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 Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations

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

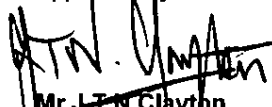
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles of the Charities SORP,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material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

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

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

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

Approved by order of the members of the Governing Body on 23 October 2012 and signed on its behalf by


Mr J-T-N Clayton
Chair

HERSCHEL GRAMMAR SCHOOL
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERSCHEL GRAMMAR SCHOOL

We have audited the financial statements of Herschel Grammar School for the period ended 31 August 2012 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

HERSCHEL GRAMMAR SCHOOL
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERSCHEL GRAMMAR SCHOOL

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

M B DURST (Senior statutory auditor)

for and on behalf of

Landau Baker Limited

Chartered Accountants
Statutory Auditors

Mountcliff House
154 Brent Street
London
NW4 2DR
23 October 2012

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

**INDEPENDENT AUDITORS' ASSURANCE REPORT ON REGULARITY TO HERSCHEL GRAMMAR
SCHOOL AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 6 January 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Herschel Grammar School during the period 1 February 2012 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to Herschel Grammar School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Herschel Grammar School and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Herschel Grammar School and the EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF HERSCHEL GRAMMAR SCHOOL'S ACCOUNTING OFFICER AND
THE AUDITORS**

The Accounting officer is responsible, under the requirements of Herschel Grammar School's funding agreement with the Secretary of State for Education dated 1 February 2012, and the Academies Financial Handbook as published by DfE in 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 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 February 2012 to 31 August 2012 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2011/12 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

**INDEPENDENT AUDITORS' ASSURANCE REPORT ON REGULARITY TO HERSCHEL GRAMMAR
SCHOOL AND THE EDUCATION FUNDING AGENCY (continued)**

CONCLUSION

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

Landau Baker Limited

Chartered Accountants
Statutory Auditors

Mountcliff House
154 Brent Street
London
NW4 2DR

23 October 2012

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(incorporating income and expenditure account)
FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	Unrestricted funds 2012 £	Restricted funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	3	152,883	(159,914)	29,008,488	29,001,457
Investment income	4	683	-	-	683
Incoming resources from charitable activities		34,492	2,989,907	34,331	3,058,730
Other incoming resources	6	-	77,067	-	77,067
TOTAL INCOMING RESOURCES		188,058	2,907,060	29,042,819	32,137,937
RESOURCES EXPENDED					
Costs of generating funds					
Costs of generating voluntary income	7	62,820	-	-	62,820
Charitable activities	12	66,369	2,855,507	128,105	3,049,981
Governance costs	8	-	45,711	-	45,711
TOTAL RESOURCES EXPENDED	11	129,189	2,901,218	128,105	3,158,512
NET INCOMING RESOURCES BEFORE TRANSFERS		58,869	5,842	28,914,714	28,979,425
Transfers between Funds	22	-	(77,034)	77,034	-
NET INCOME FOR THE YEAR		58,869	(71,192)	28,991,748	28,979,425
Actuarial gains and losses on defined benefit pension schemes		-	(67,000)	-	(67,000)
NET MOVEMENT IN FUNDS FOR THE YEAR		58,869	(138,192)	28,991,748	28,912,425
<i>Total funds at 1 February 2012</i>		-	-	-	-
TOTAL FUNDS AT 31 AUGUST 2012		58,869	(138,192)	28,991,748	28,912,425

All activities relate to continuing operations

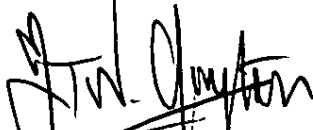
The notes on pages 20 to 36 form part of these financial statements

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)
REGISTERED NUMBER 7899845

BALANCE SHEET
AS AT 31 AUGUST 2012

	Note	£	2012 £
FIXED ASSETS			
Tangible assets	18		28,991,748
CURRENT ASSETS			
Stocks	19	1,346	
Debtors	20	156,797	
Cash at bank and in hand		717,812	
		<u>875,955</u>	
CREDITORS: amounts falling due within one year	21	(300,278)	
		<u>875,955</u>	
NET CURRENT ASSETS			575,677
TOTAL ASSETS LESS CURRENT LIABILITIES			29,567,425
Defined benefit pension scheme liability	25		(655,000)
			<u>(655,000)</u>
NET ASSETS INCLUDING PENSION SCHEME ASSETS/(LIABILITIES)			28,912,425
CHARITY FUNDS			
Restricted funds			
Restricted funds	22	516,808	
Restricted fixed asset funds	22	28,991,748	
		<u>29,508,556</u>	
Restricted funds excluding pension liability			29,508,556
Pension reserve		(655,000)	
		<u>(655,000)</u>	
Total restricted funds			28,853,556
Unrestricted funds	22		58,869
			<u>58,869</u>
			<u>28,912,425</u>

The financial statements were approved by the Governors on 23 October 2012 and signed on their behalf, by


Mr J T N Clayton


Ms J Rockall

The notes on pages 20 to 36 form part of these financial statements

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012**

	Note	2012 £
Net cash flow from operating activities	24	829,177
Capital expenditure and financial investment		(111,365)
INCREASE IN CASH IN THE PERIOD		<u><u>717,812</u></u>

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

	2012 £
Increase in cash in the period	<u>717,812</u>
MOVEMENT IN NET DEBT IN THE PERIOD	<u>717,812</u>
NET FUNDS AT 31 AUGUST 2012	<u><u>717,812</u></u>

The notes on pages 20 to 36 form part of these financial statements

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, the Academies Accounts Direction issued by the EFA, applicable accounting standards and the Companies Act 2006.

1.2 Company status

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

1.3 Fund accounting

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

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

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

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

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.4 Incoming resources

All incoming resources are included in the Statement of financial activities when the academy is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the academy being notified of an impending distribution or the legacy being received.

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.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of financial activities in the period in which it is receivable, where there is certainty of receipt.

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

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

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

1.5 Resources expended

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

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

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

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

All resources expended are inclusive of irrecoverable VAT.

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.6 Going concern

The governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The governors make this assessment in respect of the period from 3 January 2012 to 23 October 2012, the date of approval of the financial statements.

1.7 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised.

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

The policy with respect to impairment reviews of fixed assets is to carry out a review of a fixed asset if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	125 years
Plant and machinery	-	5 years
Motor vehicles	-	5 years
Fixtures and fittings	-	5 years

1.8 Stocks

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

1.9 Taxation

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

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

1 ACCOUNTING POLICIES (continued)

1.10 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 25, the TPS is a multi-employer scheme and the academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

2. GENERAL ANNUAL GRANT (GAG)

	2012 £
Result and Carry Forward for the Year	
GAG Allocation for current year	2,662,195
Total GAG Available to spend	2,662,195
Recurrent expenditure from GAG	(2,550,830)
Fixed assets purchased from GAG	(111,365)
GAG Carried forward to next year	-
Maximum permitted GAG carried forward at end of current year (12% allocation for current year)	(319,463)
GAG to surrender to DfE	(319,463)
(12% rule breached if result is positive)	No breach

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

3. VOLUNTARY INCOME

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Parental contributions	84,975	-	84,975
Assets gifted by predecessor school	67,908	28,848,574	28,916,482
	152,883	28,848,574	29,001,457
	152,883	28,848,574	29,001,457

4. INVESTMENT INCOME

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Investment income	683	-	683
	683	-	683
	683	-	683

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
DfE/EFA revenue grants	-	2,905,010	2,905,010
Other income from educational operations	34,492	119,228	153,720
	34,492	3,024,238	3,058,730
	34,492	3,024,238	3,058,730

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
DfE/EFA revenue grant			
General Annual Grant	-	2,662,195	2,662,195
Start up grants	-	25,000	25,000
Other DfE/EFA grants	-	191,035	191,035
Local authority grants	-	26,780	26,780
	-	2,905,010	2,905,010
	-	2,905,010	2,905,010

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

6. OTHER INCOMING RESOURCES

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
General income	-	77,067	77,067

7. COSTS OF GENERATING VOLUNTARY INCOME

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Trips and activity costs	62,820	-	62,820

8. GOVERNANCE COSTS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Governance Auditors' remuneration	-	4,000	4,000
Legal services	-	3,007	3,007
Payroll services	-	3,270	3,270
Personnel services	-	12,212	12,212
Academy conversion costs	-	18,630	18,630
Other governance costs	-	4,592	4,592
	-	45,711	45,711

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

9. DIRECT COSTS

	Educational operatio £	Total 2012 £
Educational supplies	129,903	129,903
Examination fees	85,593	85,593
Staff development	6,814	6,814
Other direct costs	19,316	19,316
Recruitment and support	9,025	9,025
Maintenance of equipment	73,356	73,356
Wages and salaries	1,523,645	1,523,645
National insurance	124,553	124,553
Pension cost	194,012	194,012
	<u>2,166,217</u>	<u>2,166,217</u>

10. SUPPORT COSTS

	Educational operatio £	Total 2012 £
Staff development	1,111	1,111
Maintenance of premises	204,053	204,053
Maintenance of equipment	10,895	10,895
Cleaning	20,752	20,752
Rent and rates	21,839	21,839
Insurance	23,943	23,943
Security and transport	44,580	44,580
Catering	57,013	57,013
Other support costs	64,320	64,320
Wages and salaries	258,255	258,255
National insurance	14,277	14,277
Pension cost	34,622	34,622
Depreciation	128,105	128,105
Subtotal	<u>883,765</u>	<u>883,765</u>
Other support costs	(1)	(1)
	<u>883,764</u>	<u>883,764</u>

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

11. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff costs 2012 £	Depreciation 2012 £	Other costs 2012 £	Total 2012 £
Costs of generating voluntary income	-	-	62,820	62,820
Costs of generating funds	-	-	62,820	62,820
Educational operations	2,149,364	128,105	772,513	3,049,982
Governance	-	-	45,711	45,711
	<u>2,149,364</u>	<u>128,105</u>	<u>881,044</u>	<u>3,158,513</u>

12. ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2012 £	Support costs 2012 £	Total 2012 £
Educational operations	2,166,217	883,764	3,049,981

13. NET INCOMING RESOURCES

This is stated after charging

	2012 £
Depreciation of tangible fixed assets - owned by the charity	<u>128,105</u>

14. AUDITORS' REMUNERATION

	2012 £
Fees payable to the academy's auditor and its associates for the audit of the academy's annual accounts	<u>4,000</u>

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

15 STAFF COSTS

Staff costs were as follows

	2012 £
Wages and salaries	1,781,900
Social security costs	138,830
Other pension costs (Note 25)	228,634
	<u>2,149,364</u>

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

	2012 No.
Teachers	59
Administration and support	54
Management	5
	<u>118</u>

No employee received remuneration amounting to more than £60,000 in either year

16. GOVERNORS' REMUNERATION

	2012 £
Emoluments	<u>99,698</u>

During the period retirement benefits were accruing to 3 Governors in respect of defined benefit pension schemes

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

	2012 £
Ms J Rockall (Head Teacher)	56,265
Mr G Soldi	23,652
Mr P Vance	19,781

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

17. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the period ended 31 August 2012 was £1,120.

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

18. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £
Cost				
At 1 February 2012	-	-	-	-
Additions	29,069,376	32,502	5,756	12,219
At 31 August 2012	29,069,376	32,502	5,756	12,219
Depreciation				
At 1 February 2012	-	-	-	-
Charge for the period	115,943	5,954	3,764	2,444
At 31 August 2012	115,943	5,954	3,764	2,444
Net book value				
At 31 August 2012	28,953,433	26,548	1,992	9,775
				Total
				£
Cost				
At 1 February 2012				-
Additions				29,119,853
At 31 August 2012				29,119,853
Depreciation				
At 1 February 2012				-
Charge for the period				128,105
At 31 August 2012				128,105
Net book value				
At 31 August 2012				28,991,748

Included in land and buildings is freehold land at valuation of £5,000,000 which is not depreciated.

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

19. STOCKS

	2012 £
Raw materials	1,346

20 DEBTORS

	2012 £
Trade debtors	45,120
Other debtors	66,074
Prepayments and accrued income	45,603
	156,797

21. CREDITORS:
Amounts falling due within one year

	2012 £
Trade creditors	141,084
Other creditors	86,194
Accruals and deferred income	73,000
	300,278

22. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
Designated Funds - all funds	-	153,566	(129,189)	-	-	24,377
General funds						
General Funds - all funds	-	34,492	-	-	-	34,492
Total Unrestricted funds	-	188,058	(129,189)	-	-	58,869

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

22. STATEMENT OF FUNDS (continued)

Restricted funds

Restricted Funds - all funds	-	3,495,060	(2,901,218)	(77,034)	-	516,808
Pension reserve	-	(588,000)	-	-	(67,000)	(655,000)
	-	<u>2,907,060</u>	<u>(2,901,218)</u>	<u>(77,034)</u>	<u>(67,000)</u>	<u>(138,192)</u>

Restricted fixed asset funds

Restricted Fixed Asset Funds - all funds	-	34,331	(128,105)	77,034	-	(16,740)
Gifted assets	-	29,008,488	-	-	-	29,008,488
	-	<u>29,042,819</u>	<u>(128,105)</u>	<u>77,034</u>	<u>-</u>	<u>28,991,748</u>
Total restricted funds	-	<u>31,949,879</u>	<u>(3,029,323)</u>	<u>-</u>	<u>(67,000)</u>	<u>28,853,556</u>
Total of funds	-	<u>32,137,937</u>	<u>(3,158,512)</u>	<u>-</u>	<u>(67,000)</u>	<u>28,912,425</u>

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds	-	153,566	(129,189)	-	-	24,377
General funds	-	34,492	-	-	-	34,492
Unrestricted funds	-	188,058	(129,189)	-	-	58,869
Restricted funds	-	2,907,060	(2,901,218)	(77,034)	(67,000)	(138,192)
Restricted fixed asset funds	-	29,042,819	(128,105)	77,034	-	28,991,748
	-	<u>32,137,937</u>	<u>(3,158,512)</u>	<u>-</u>	<u>(67,000)</u>	<u>28,912,425</u>

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

23. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricte d funds 2012 £	Restricted funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
Tangible fixed assets	-	-	28,991,748	28,991,748
Current assets	58,869	817,085	-	875,954
Creditors due within one year	-	(300,277)	-	(300,277)
Provisions for liabilities and charges	-	(655,000)	-	(655,000)
	<u>58,869</u>	<u>(138,192)</u>	<u>28,991,748</u>	<u>28,912,425</u>

24 NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £
Net incoming resources before revaluations	28,979,425
Assets gifted from the predecessor school	(28,916,482)
Bank balances, debtors and creditors transferred from predecessor school	495,994
Depreciation of tangible fixed assets	128,105
Increase in stocks	(1,346)
Increase in debtors	(156,797)
Increase in creditors	300,278
Net cash inflow from operations	<u>829,177</u>
	2012 £
Capital expenditure and financial investment	
Purchase of tangible fixed assets	<u>(111,365)</u>

25. PENSION COMMITMENTS

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

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

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

Teachers' Pension Scheme

HERSCHEL GRAMMAR SCHOOL
(A company limited by guarantee)

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

25. PENSION COMMITMENTS (continued)

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

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

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

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

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

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

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

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

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

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25 PENSION COMMITMENTS (continued)

this process will involve a full actuarial valuation

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £70,000, of which employer's contributions totalled £52,000. The agreed contribution rate for future years are 18.5% for employers and 8.3% for employees.

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

The amounts recognised in the Balance sheet are as follows

	2012 £
Present value of funded obligations	(962,000)
Fair value of scheme assets	307,000
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Net liability	(655,000)
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The amounts recognised in the Statement of financial activities are as follows

	2012 £
Current service cost	68,000
Interest on obligation	22,000
Expected return on scheme assets	(7,000)
	<hr/>
Total	83,000
	<hr/> <hr/>
Actual return on scheme assets	6,000
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**NOTES TO THE FINANCIAL STATEMENTS
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25. PENSION COMMITMENTS (continued)

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

	2012 £
Opening defined benefit obligation	821,000
Current service cost	68,000
Interest cost	22,000
Contributions by scheme participants	18,000
Actuarial Losses	33,000
	962,000
Closing defined benefit obligation	962,000

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

	2012 £
Opening fair value of scheme assets	232,000
Expected return on assets	7,000
Actuarial gains and (losses)	(2,000)
Contributions by employer	52,000
Contributions by employees	18,000
	307,000
	307,000

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £67,000

The academy expects to contribute £91,000 to its Defined benefit pension scheme in 2013

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

	2012
Equities	40.00 %
Other bonds	18.00 %
Property	10.00 %
Cash	5.00 %
Alternative assets	27.00 %

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

	2012
Discount rate for scheme liabilities	3.90 %
Expected return on scheme assets at 31 August	4.50 %
Rate of increase in salaries	3.85 %
Rate of increase for pensions in payment / inflation	1.90 %
Inflation assumption (CPI)	1.90 %
Commutation of pensions to lump sums	50.00 %

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NOTES TO THE FINANCIAL STATEMENTS
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25. PENSION COMMITMENTS (continued)

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

	2012
Retiring today	
Males	23.0
Females	25.6
Retiring in 20 years	
Males	25.0
Females	27.6

Amounts for the current period are as follows

Defined benefit pension schemes

	2012
	£
Defined benefit obligation	(962,000)
Scheme assets	307,000
Deficit	(655,000)
Experience adjustments on scheme liabilities	(33,000)
Experience adjustments on scheme assets	(34,000)