Registered number: 07552665

Dane Court Grammar and King Ethelbert School Trust

(A company limited by guarantee)

Trustees' report and financial statements

For the year ended 31 August 2013

Dane Court Grammar and King Ethelbert School Trust
(A company limited by guarantee)

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Dane Court Grammar and King Ethelbert School Trust
(A company limited by guarantee)

Reference and administrative details of the academy trust, its trustees and advisers
For the year ended 31 August 2013

Trustees	Dr. V. Austin, Chair of Trustees[1] Mr. P.J. Luxmoore, Executive Headteacher[1] Mr. A.M. Dewick, Chair of Finance until 10/02/13 (resigned at end of term of office)[1] Mr. N. R. Buchanan (resigned at end of term of office 10 February 2013)[1] Mr. D.R.J. Collis (resigned at end of term of office 10 February 2013) Mr. R.M. Copper Mrs. C. Dearden (resigned 7 May 2013) Mr. D.J. Ellis, member of Finance Committee since 01/05/2013[1] Mr. G. Felstead (resigned at end of term of office 10 February 2013) Mrs. P.A. Godden Mr. N.P. Gould Mr. N. Hudson, became Chair of Finance from 01/05/2013[1] Mr. J.M. Lycett[1] Mr. K.D. Oliver (resigned at end of term of office 10 February 2013)[1] Mr. P. Rodd Mrs. M. Somers (resigned 9 July 2013) Mrs. S.E. Wright Mrs. K. Brinkman (appointed 13 March 2013)[1] Mrs. K. Cowell (appointed 13 March 2013) Mrs. E. Taker (appointed 13 March 2013) Mrs. T. Wilson (appointed 13 March 2013) Mr. A. Wood (appointed 13 March 2013) Mr. P. Manning, Associate governor (appointed 13 March 2013) [1] Members of the Finance Committee
Company registered number	07552665
Principal and registered office	King Ethelbert School Canterbury Road Birchington Kent CT7 9BL
Company secretary	Mrs. S. Slade
Senior management team	Mr. P.J. Luxmoore, Executive Headteacher Ms. M. Wollohin, Headteacher - Dane Court Ms.K. Greig, Headteacher - King Ethelbert Ms. A. Hale, Assistant Headteacher - Dane Court Mrs. S. Stivarius, Assistant Headteacher - Dane Court Mrs. L. Felstead, Assistant Headteacher - Dane Court Mr. S. Sunderland, Assistant Headteacher - Dane Court Miss. V. Weatherhogg, Deputy Headteacher - King Ethelbert Ms. L. Pasola, Assistant Headteacher - King Ethelbert Mr. T. Sellen, Assistant Headteacher - King Ethelbert Ms. J. Simmons, Bursar - Dane Court Mr. R. Saffery, Business Manager - King Ethelbert
Independent auditors	UHY Kent LLP t/a UHY Hacker Young Chartered Accountants Registered Auditors Thames House Roman Square Sittingbourne Kent ME10 4BJ

Trustees' report
For the year ended 31 August 2013

The trustees present their annual report and auditors' report of the academy trust for the year ended 31 August 2013.

Structure, governance and management

Constitution
The academy trust was incorporated on 4th March 2011 as a company limited by guarantee and an exempt charity. The academy trust's memorandum and articles of association are the primary governing documents of the academy trust.

The trustees act as the trustees for the charitable activities of Dane Court Grammar and King Ethelbert School Trust and are also the directors of the academy trust for the purposes of company law.

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

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

Trustees' indemnities
The academy trust maintains trustees' and officers' liability insurance which gives appropriate cover for any legal action brought against its trustees. The academy trust has also granted indemnities to each of its trustees and other officers to the extent permitted by law. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year and remain in force, in relation to certain losses and liabilities which the trustees or other officers may incur to third parties in the course of acting as Trustees or officers of the academy trust.

Details of the insurance cover are provided in note 12 to the financial statements.

Principal activities
The academy trust is between two schools in Kent: Dane Court Grammar School and King Ethelbert School. The academy trust company took over the operation of the schools on 1st April 2011, the date of the schools' conversion to academy status. Since then the academy trust's principal object and activity has been to manage the two schools' provision of education to pupils between the ages of 11 and 19.

Method of recruitment and appointment or election of trustees
The academy trust has determined that there will be 17 trustees on the board in the following categories:

* Six community trustees appointed by members;

* Five staff trustees consisting of the Executive Headteacher, plus four staff trustees who are elected at both schools. Employees of the academy trust must not exceed one third of the total number of trustees; and

* 6 parent trustees who shall be elected by the parents/carers of registered pupils at the two schools. The elected parent trustee must be a parent/carer of a registered pupil at one of the two schools at the time when he or she is selected.

* A trustee's term of office is four years, save this does not apply to the Executive Head Teacher.

The trustees shall each school year, at their first meeting in that year, elect a chairman and a vice-chairman from among their number. A trustee who is employed by the academy trust shall not be eligible for election as chairman or vice-chairman.

The trustees who were in office at 31 August 2013 and served throughout the year, except where shown, are listed on page 1.

Policies and procedures adopted for the induction and training of trustees
The training and induction provided for new trustees will depend on their existing experience. Where necessary induction will provide training on charity and educational legal and financial matters. All new trustees will be given a tour of the academy trust and the chance to meet with staff and students. All trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. Only one new trustee has been appointed during this time. The induction, therefore, was tailored specifically to this individual.

Organisation structure
There is a Governing Body for the Trust and an Executive Headteacher for both schools.

A Headteacher/Head of School is responsible for day-to-day operations in each school together with a Senior Leadership Team in each school which varies in size. Each school has a Bursar/Business Manager responsible to the Executive Headteacher for the school's finances.

The trustees are responsible for deciding strategic direction, adopting an annual school improvement plan and budget and governing the school according to its terms of reference.

Risk management
The trustees have assessed the major risks to which the academy trust is exposed, in particular those relating to teaching, facilities and other operational areas of the academy trust, and its finances. Trustees 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 trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement within these financial statements.

Connected organisations, including related parties
The Dane Court voluntary fund, in existence to benefit the school and its' students, is under the control of the academy trust and so has been included within these financial statements.

There is also a Parent Teacher Association, Dane Court Grammar School Parents Association, charity registration no. 1023394.

Dane Court Grammar and King Ethelbert School Trust is a strategic member of The East Kent Learning Alliance ("EKLA"). EKLA is a company limited by guarantee, set up by a number of East Kent schools to develop a self-improving school system through working collaboratively to co-ordinate inter-school support and provide effective training and professional development opportunities for staff across East Kent. Dane Court Grammar School, as the designated Teaching School, technically supports the other schools in delivering improvements. The other schools involved in EKLA are currently Herne Bay High School, Joy Lane Primary School, Sandwich Technology School, Hartsdown Technology College and Canterbury High School.

Trust Objectives
The principle objective of the academy trust is the operation of Dane Court Grammar School and King Ethelbert School to provide an outstanding education for students between the ages of 11 and 19. A more detailed summary is provided in each school prospectus and on each school's website.

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

Public benefit
The academy trust is state funded and strives to promote and support the advancement of education within Thanet. Each school has its' own admissions criteria as set out in the Funding Agreement; Dane Court Grammar School selects students aged 11 to 19 who have passed the Kent Test; King Ethelbert School is a non-selective 11 to 16 school. For both schools the catchment area can vary but is determined by each school's admissions criteria. The trust plays an active part in the local community including sporting activities, fund-raising for charities and much more. The trust buildings and land are available for community use out of school hours.

Equal opportunities
The trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The academy trust aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

Disabled persons
The policy of the academy trust is to support recruitment and retention of students and employees with disabilities. The academy trust does this by making reasonable adjustment to the physical environment where possible, by making support resources available and through training and career development.

The academy trust makes reasonable adjustments to ensure they are able to admit pupils with varying levels of disabilities within the constraints of the buildings and other resources available to it.

Achievements and performance
Both schools are oversubscribed. Total students in the year ended 31st August 2013 numbered 1950.

In Dane Court Grammar School the pass rate of students gaining 5+ A* - C including Maths and English was 95%; at King Ethelbert School it was 54%. At A-level the overall pass rate at Dane Court was 98% and 100% of pupils achieved the IB diploma. 100% of students passed the IB Career-Related Certificate (IBCC) at King Ethelbert.

All students in Year 10 at King Ethelbert School participate in work experience.

Both schools offer the full national curriculum from Year 7 to Year 11. During the academic year 2012/13 students at Dane Court Grammar School studied A2, and IBDP and students at both schools studied the IBCC. .

Dane Court Grammar School is a National Support School and the Trust has been approved by the Department of Education as a sponsor Academy and is in the process of sponsoring Cliftonville Primary School and The Ellington and Hereson School.

In April 2013 Dane Court Grammar School was designated a Teaching School.

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

Key financial performance indicators
Both schools aim to continue to recruit and retain students at their full published admission numbers. The Academy trust was oversubscribed in 2012 and all available Grant funding from EFA generated by student numbers was used to ensure the performance of students & that the Trust continued to build on its success.

Staffing costs should be restricted to less than 85% of GAG income in any one year unless there are mitigating and reasonable circumstances for exceeding this limit. Examples of such circumstances could be an increasing roll where the funding for such students may be lagged or undertaking services in-house because of greater efficiency. The Academy trust's staffing costs have been kept within this restriction.

Financial review
Most of the Academy trust's recurrent income is obtained from the EFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2013 and the associated expenditure are shown as restricted funds in the statement of financial activities.

During the year ended 31 August 2013, total expenditure of £11,669,433 was more than total incoming resources of £11,377,968, leaving net expended resources of £291,465, before actuarial movements on defined benefit schemes. The actuarial loss on the Local Government Pension Scheme of £58,000, part of a total increase in the pension liability of £139,000, resulted in an overall net reduction in funds of £349,465.

It should be noted that this deficit arises after depreciation of £903,377, a non-cash movement on the restricted fixed asset fund to write down capital items, most of which comprises the depreciation on the school buildings inherited on conversion. A net surplus of £692,912 had been achieved before depreciation and pension liability movement.

At 31 August 2013, the net book value of fixed assets was £36,407,272 and movements in tangible fixed assets are shown in note 15 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy trust.

Financial and risk management objectives and policies
The academy trust uses various financial instruments including cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to maintain finance for the academy trust's operations.

The existence of these financial instruments exposes the academy trust to a number of financial risks which are described in more detail below. The main risks arising from the trust's financial instruments are liquidity risk and cash flow interest rate risk.

Liquidity risk - the Trust manages its cash resources, including sufficient working capital, so that its bank ledger balance is available to the finance team for monitoring at all times and is always taken into account when making payments.

Interest rate risk - The academy trust has used risk free managed investments to maximise interest on income whenever possible and shall continue to do so.

Principal risks and uncertainties
The academy trust monitors the principle risks and has drawn up a risk register which is regularly reviewed.

Reserves policy
The trustees review the reserve levels of the academy trust annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees have determined that the appropriate level of free cash should be equivalent to four weeks expenditure, approximately £400,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

Financial position
The academy trust held fund balances at 31 August 2013 of £35,961,610.

These funds comprised restricted fixed asset funds, other restricted funds and unrestricted funds, together with a pension fund reserve deficit of £2,070,000.

The pension fund reserve deficit does not mean that an immediate liability crystallises. The deficit results in a cash flow effect for the academy in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income.

Plans for future periods
The academy trust plans for the future in both the medium and long term. The short term key issues for both schools are outlined in the schools' annual improvement plans as shown below.

King Ethelbert School
School Improvement Plan / Ofsted Action Plan 2013-14

Major outcomes to be achieved over the lifetime of this plan:

- To continue to raise the achievements of all students;
- To improve the quality of teaching with 100% of all teaching good or better;
- To sharpen the monitoring of data on students progress for all subjects;
- To empower middle leaders to robustly challenge under performance;
- To continue to develop strategies for all students to improve basic skills, literacy and numeracy;
- To plan response to new GCSE examinations being introduced in 2015.

Dane Court Grammar School
School Improvement Plan 2013-2014

Major outcomes to be achieved over the lifetime of this plan:

* increase the size of our sixth form;
* maintain our positive ethos;
* improve our examination results at key stage 4;
* embed our learning and thinking, challenge and engagement approach;
* extend our position as a teaching school and a multi-academy trust;
* improve international mindedness across the school; and
* increase the amount and quality of collaborative cross-curricular work we do.

Disclosure of information to auditors
In so far as the trustees are aware:

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

Auditors
The auditors, UHY Hacker Young, have indicated their willingness to remain in office, and the audit process will be reviewed in detail and re-appointment of the auditors will be considered following the forthcoming Annual General Meeting.

Dr. V. Austin, Chair of Trustees

28 November 2013

Mr. P. Luxmoore, Accounting Officer

Governance Statement

Scope of Responsibility

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

The board of trustees has delegated the day-to-day responsibility to Paul Luxmoore, 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 Dane Court Grammar and King Ethelbert School Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Trustees' responsibilities statement. The board of trustees has formally met 7 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Dr. V. Austin, Chair of Trustees	6	7
Mr. P.J. Luxmoore, Executive Headteacher	7	7
Mr. A.M. Dewick, Chair of Finance until 10/02/13	3	3
Mr. N. R. Buchanan	2	3
Mr. D.R.J. Collis	2	3
Mr. R.M. Copper	6	7
Mrs. C. Dearden	3	4
Mr. D.J. Ellis	7	7
Mr. G. Felstead	3	3
Mrs. P.A. Godden	5	7
Mr. N.P. Gould	3	7
Mr. N. Hudson, became Chair of Finance from 01/05/2013	7	7
Mr. J.M. Lycett	6	7
Mr. K.D. Oliver	3	3
Mr. P. Rodd	4	7
Mrs. M. Somers	2	7
Mrs. S.E. Wright	6	7

The Finance Committee is a sub-committee of the main board of trustees. Its purpose is to assist the decision making of the trustees by enabling more detailed consideration to be given to the best means of fulfilling the trustee's responsibility to ensure sound financial management.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Dr. V. Austin, Chair	5	5
Mr. P.J. Luxmoore, Executive Headteacher	5	5
Mr. A.M. Dewick, Chair of Finance until 10/2/13	2	3
Mr. N. R. Buchanan	1	3
Mr. N. Hudson, Chair of Finance since 1/5/13	5	5
Mr. J.M. Lycett	5	5
Mr. K.D. Oliver	3	3
Mrs. K. Brinkman	2	2
Mr. D.J. Ellis	2	2
Mrs. S.E. Wright	1	2

Since the trust is a multi-academy trust, it was required to set up an audit committee during the year to comply with the Academies Financial Handbook. The trust has not operated an audit committee during the year due to forthcoming structural changes to the organisation of the trust, due to the expected expansion of the trust to include further academies. The trust is in the process of setting up an audit committee which will service as a sub-committee of the main board of trustees. Its purpose will be to assess the risks the academy trust faces and introduce necessary controls and procedures to ensure that these risks are adequately managed.

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 Dane Court Grammar and King Ethelbert School Trust for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks, that has been in place for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

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

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

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the trustees have appointed UHY Hacker Young, the external auditors, to perform additional checks.

The auditors' role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a quarterly basis, the auditors report to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

During the period ended 31st August 2013 the risks to internal control have been fully delivered in line with the requirements of the Education Funding Agency.

Review of Effectiveness

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

- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the board of trustees on 28 November 2013 and signed on their behalf, by:

.....
Mrs. V. Austin
Chair of the Governing Body

.....
Mr. P.J. Luxmoore
Accounting Officer

Dane Court Grammar and King Ethelbert School Trust
(A company limited by guarantee)

Statement on Regularity, Propriety and Compliance

As Accounting Officer of Dane Court Grammar and King Ethelbert School Trust I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2012).

I confirm that I and the academy trust board of trustees are able to identify any material, irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook (2012).

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. I would, however, draw your attention to the comments in the Governance Statement explaining why the trust has not established an Audit Committee during the year.

.....P.J. Luxmoore.....

Mr. P.J. Luxmoore
Accounting Officer and Executive Headteacher

28 November 2013

Trustees' responsibilities statement
For the year ended 31 August 2013

The trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles 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 academy trust will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the academy trust's transactions and disclose with reasonable accuracy at any time the financial position of the academy trust 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 academy trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by order of the members of the board of trustees on 28 November 2013 and signed on its behalf by:

.....
Dr. V. Austin
Chair of Trustees

Independent auditors' report to the members of Dane Court Grammar and King Ethelbert School Trust

We have audited the financial statements of Dane Court Grammar and King Ethelbert School Trust for the year ended 31 August 2013 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

This report is made solely to the academy trust'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 trust'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 trust and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' responsibilities statement, the trustees (who are also the directors of the academy trust 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 trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2013 and of its incoming resources and application of resources, including its income and expenditure, for the 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 and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Dane Court Grammar and King Ethelbert School Trust

Matters on which we are required to report by exception

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

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

UHY Kent LLP

Allan Hickie BSc FCA (Senior statutory auditor)
for and on behalf of
UHY Kent LLP
Chartered Accountants
Registered Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ
Date: 9 December 2013

Independent reporting accountants' assurance report on regularity to Dane Court Grammar and King Ethelbert School Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 21 August 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Dane Court Grammar and King Ethelbert School Trust during the year 1 September 2012 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Dane Court Grammar and King Ethelbert School Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Dane Court Grammar and King Ethelbert School Trust's funding agreement with the Secretary of State for Education dated 23 March 2011, and the Academies Financial Handbook extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

We conducted our work in accordance with Technical Release TECH 08/12 AAF issued by the Institute of Chartered Accountants In England and Wales. In accordance with that Technical Release we have carried out the procedures we consider necessary to be able to report on whether anything has come to our attention which suggests that in all material respects expenditure disbursed and income received have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them. Other than those procedures undertaken for the purposes of our audit of the financial statements of the Dane Court Grammar and King Ethelbert School Trust for the year ended 31 August 2013 which provide evidence on regularity, our work was limited to only those additional procedures necessary to provide limited assurance.

Independent reporting accountants' assurance report on regularity to Dane Court Grammar and King Ethelbert School Trust and the Education Funding Agency (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

UHY Kent LLP

UHY Kent LLP
Chartered Accountants
Registered Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 9 December 2013

Statement of financial activities
(incorporating income and expenditure account and statement of recognised gains and losses)
For the year ended 31 August 2013

	Note	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	*Total funds 17m period ended 31 August 2012 £*
Incoming resources						
Incoming resources from generated funds:						
Funds inherited on conversion	3	-	-	-	-	*37,669,301*
Voluntary income	3	58,508	-	56,849	115,357	*80,964*
Activities for generating funds	4	404,664	349,743	-	754,407	*581,982*
Investment income	5	36,461	-	-	36,461	*5,957*
Incoming resources from educational activities	6	-	10,455,541	16,202	10,471,743	*14,578,105*
Total incoming resources		499,633	10,805,284	73,051	11,377,968	*52,916,309*
Resources expended						
Costs of activities for generating funds	7	196,436	360,626	-	557,062	*622,674*
Academy trust's educational activities	8	56,809	9,912,096	903,377	10,872,282	*15,274,297*
Governance costs	9	-	240,089	-	240,089	*229,263*
Total resources expended	7	253,245	10,512,811	903,377	11,669,433	*16,126,234*
Net incoming resources / (resources expended) before transfers		246,388	292,473	(830,326)	(291,465)	*36,790,075*
Transfers between Funds	20	(73,351)	-	73,351	-	-
Net income / (expenditure) for the year		173,037	292,473	(756,975)	(291,465)	*36,790,075*
Actuarial loss on defined benefit pension schemes	25	-	(58,000)	-	(58,000)	*(479,000)*
Net movement in funds for the year		173,037	234,473	(756,975)	(349,465)	*36,311,075*
Total funds at 1 September 2012		*768,396*	*(1,621,568)*	*37,164,247*	*36,311,075*	-
Total funds at 31 August 2013		941,433	(1,387,095)	36,407,272	35,961,610	*36,311,075*

All activities relate to continuing operations.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 18 to 36 form part of these financial statements.

Dane Court Grammar and King Ethelbert School Trust

(A company limited by guarantee)
Registered number: 07552665

Balance sheet
As at 31 August 2013

	Note	£	2013 £	£	*2012 £*
Fixed assets					
Tangible assets	15		36,407,272		*37,164,247*
Current assets					
Stocks	16	13,750		*13,458*	
Debtors	17	262,813		*255,834*	
Cash at bank and in hand		2,198,070		*1,656,335*	
		2,474,633		*1,925,627*	
Creditors: amounts falling due within one year	18	(849,445)		*(814,616)*	
Net current assets			1,625,188		*1,111,011*
Total assets less current liabilities			38,032,460		*38,275,258*
Creditors: amounts falling due after more than one year	19		(850)		*(33,183)*
Net assets excluding pension scheme liabilities			38,031,610		*38,242,075*
Pension scheme liabilities	25		(2,070,000)		*(1,931,000)*
Net assets including pension scheme liabilities			35,961,610		*36,311,075*
Funds of the academy					
Restricted funds :					
Restricted funds	20	682,905		*309,432*	
Restricted fixed asset funds	20	36,407,272		*37,164,247*	
Restricted funds excluding pension liability		37,090,177		*37,473,679*	
Pension reserve		(2,070,000)		*(1,931,000)*	
Total restricted funds			35,020,177		*35,542,679*
Unrestricted funds	20		941,433		*768,396*
Total funds			35,961,610		*36,311,075*

The financial statements were approved by the trustees, and authorised for issue, on 28 November 2013 and are signed on their behalf, by:

.....

Dr. V. Austin
Chair of Trustees

The notes on pages 18 to 36 form part of these financial statements.

Cash flow statement
For the year ended 31 August 2013

	Note	31 August 2013 £	*17m period ended 31 August 2012 £*
Net cash flow from operating activities	22	578,625	*802,618*
Returns on investments and servicing of finance	23	36,461	*5,957*
Capital expenditure and financial investment	23	(73,351)	*(51,387)*
Cash transferred on conversion to an academy trust	22	-	*899,147*
Increase in cash in the year		541,735	*1,656,335*

Reconciliation of net cash flow to movement in net funds
For the year ended 31 August 2013

		31 August 2013 £	*17m period ended 31 August 2012 £*
Increase in cash in the year		541,735	*1,656,335*
Movement in net funds in the year	24	541,735	*1,656,335*
Net funds at 1 September 2012		1,656,335	-
Net funds at 31 August 2013		2,198,070	*1,656,335*

The notes on pages 18 to 36 form part of these financial statements.

Notes to the financial statements
For the year ended 31 August 2013

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 2013 issued by the EFA, applicable accounting standards and the Companies Act 2006.

1.2 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by Education Funding Agency 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 Education Funding Agency.

1.3 Incoming resources

All incoming resources are included in the Statement of financial activities when the academy trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

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.

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

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

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.

1.4 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 trust's educational operations.

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

All resources expended are inclusive of irrecoverable VAT.

1. **Accounting policies (continued)**

1.5 Going concern

The trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy trust to continue as a going concern. The trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

1.6 Tangible fixed assets and depreciation

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. 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 trust's depreciation policy.

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.

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 land and buildings	-	2%
Fixtures, fittings and equipment	-	25%
Computer equipment and software	-	33.33%

1.7 Operating leases

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

1.8 Stocks and work in progress

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

1. **Accounting policies (continued)**

1.10 Pensions

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

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

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. 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)**

Under the funding agreement with the Secretary of State both academies within the academy trust were subject to limits at 31 August 2013 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2 % could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

No academies within the trust exceeded the limits during the year ended 31 August 2013.

3. **Voluntary income**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	*Total funds 17m period ended 31 August 2012* £
Net donation inherited on conversion	-	-	-	*(545,333)*
Fixed assets inherited on conversion	-	-	-	*38,214,634*
	-	-	-	*37,669,301*
Other donations	58,508	56,849	115,357	*80,964*
	58,508	56,849	115,357	*37,750,265*

4. Activities for generating funds

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	*Total funds 17m period ended 31 August 2012 £*
Income from facilities and services	9,661	-	9,661	*14,997*
School trips income	-	349,743	349,743	*301,013*
School uniform sales	20,925	-	20,925	*52,501*
Catering income	126,848	-	126,848	*123,891*
Other income	247,230	-	247,230	*89,580*
	404,664	349,743	754,407	*581,982*

5. Investment income

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	*Total funds 17m period ended 31 August 2012 £*
Short term deposits	36,461	-	36,461	*5,957*

6. Funding for Academy's educational operations

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	*Total funds 17m period ended 31 August 2012 £*
DfE/EFA grants				
General Annual Grant (GAG) - King Ethelbert	-	4,135,522	4,135,522	*5,633,720*
General Annual Grant (GAG) - Dane Court	-	5,745,870	5,745,870	*8,139,733*
Other DfE/EFA grants	-	458,917	458,917	*449,873*
	-	10,340,309	10,340,309	*14,223,326*
Other government grants				
Other Government grants - King Ethelbert	-	58,335	58,335	*151,838*
Other Government grants - Dane Court	-	56,897	56,897	*131,927*
	-	115,232	115,232	*283,765*
DfE/EFA capital grants				
Devolved formula capital - King Ethelbert	-	16,202	16,202	*22,935*
Devolved formula capital - Dane Court	-	-	-	*48,079*
	-	16,202	16,202	*71,014*
	-	10,471,743	10,471,743	*14,578,105*

7. **Analysis of resources expended by expenditure type**

	Staff costs 2013 £	Premises 2013 £	Other costs 2013 £	Total 2013 £	*Total 17m period ended 31 August 2012 £*
Costs of activities for generating funds	99,442	5,613	452,007	557,062	*622,674*
Academy's educational operations:					
Direct costs	7,311,017	704,171	868,259	8,883,447	*12,276,919*
Allocated support costs	722,610	629,961	636,264	1,988,835	*2,905,378*
	8,033,627	1,334,132	1,504,523	10,872,282	*15,182,297*
Governance	57,519	28,066	154,504	240,089	*229,263*
	8,190,588	1,367,811	2,111,034	11,669,433	*16,034,234*

8. Charitable Activities - Academy's Educational Operations

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	*Total funds 17m period ended 31 August 2012 £*
Direct costs				
Wages and salaries	-	6,037,327	6,037,327	*8,437,230*
National insurance	-	455,046	455,046	*676,057*
Pension cost	-	818,644	818,644	*1,023,474*
Depreciation	-	858,208	858,208	*1,114,149*
Books, apparatus and stationery	8,525	248,141	256,666	*339,640*
Examination fees	-	177,886	177,886	*310,135*
Staff development	-	53,003	53,003	*59,639*
Educational consultancy	-	226,667	226,667	*316,595*
	8,525	8,874,922	8,883,447	*12,276,919*
Support costs				
Wages and salaries	28,759	522,870	551,629	*696,723*
National insurance	-	42,249	42,249	*50,000*
Pension cost	-	128,732	128,732	*160,000*
Depreciation	-	45,169	45,169	*58,639*
Definded benefit pension scheme finance cost	-	57,000	57,000	*92,000*
Maintenance of premises and equipment	-	166,267	166,267	*233,360*
Cleaning	-	103,328	103,328	*139,858*
Rent and rates	-	105,444	105,444	*142,616*
Heat and light	-	187,229	187,229	*269,466*
Insurance	-	67,692	67,692	*103,052*
Security	-	7,748	7,748	*15,115*
Transport	-	20,197	20,197	*24,544*
Catering	-	33,374	33,374	*65,953*
Uniforms	16,190	-	16,190	*19,438*
Technology costs including managed IT services	-	163,181	163,181	*606,831*
Bank interest and charges	-	2,713	2,713	*3,024*
Other support costs	3,335	214,104	217,439	*239,135*
Recruitment and support	-	68,383	68,383	*72,268*
Travel and subsistence	-	4,871	4,871	*5,356*
	48,284	1,940,551	1,988,835	*2,997,378*
	56,809	10,815,473	10,872,282	*15,274,297*

9. Governance costs

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	*Total funds 17m period ended 31 August 2012 £*
Auditors' remuneration	-	8,700	8,700	*8,450*
Auditors' non audit costs	-	6,066	6,066	*6,706*
Charges for other bought in professional services	-	139,738	139,738	*96,588*
Allocated occupancy costs	-	28,066	28,066	*39,882*
Allocated clerical staff costs	-	57,519	57,519	*77,637*
	-	240,089	240,089	*229,263*

10. Net incoming resources / (resources expended)

This is stated after charging:

	31 August 2013 £	*17m period ended 31 August 2012 £*
Depreciation of tangible fixed assets:		
- owned by the academy trust	903,377	*1,172,788*
Auditors' remuneration	8,700	*8,450*
Auditors' remuneration - non-audit	6,066	*6,706*
Operating leases	37,594	*31,300*

11. Other finance income

	31 August 2013 £	*17m period ended 31 August 2012 £*
Expected return on pension scheme assets	73,000	*90,000*
Interest on pension scheme liabilities	(130,000)	*(182,000)*
	(57,000)	*(92,000)*

12. Staff costs

Staff costs were as follows:

	31 August 2013 £	*17m period ended 31 August 2012 £*
Wages and salaries	6,561,694	*9,166,797*
Social security costs	498,877	*729,050*
Pension costs	956,281	*1,201,529*
	8,016,852	*11,097,376*
Supply teacher costs	125,386	*178,324*
Compensation payments	48,350	-
	8,190,588	*11,275,700*

Compensation payments of £48,350 include individual payments of £20,000, £14,350 and £14,000.

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

	31 August 2013 No.	*31 August 2012 No.*
Teachers	118	*122*
Administration and support	65	*60*
Management	12	*10*
	195	*192*

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

	31 August 2013 No.	*31 August 2012 No.*
In the band £ 60,001 - £ 70,000	3	*2*
In the band £ 70,001 - £ 80,000	0	*3*
In the band £ 80,001 - £ 90,000	2	*1*
In the band £ 120,001 - £ 130,000	1	*0*
In the band £ 130,001 - £ 140,000	0	*1*
	6	*7*

Five of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2013, pension contributions for these staff amounted to £58,546 *(2012 - £93,151)*. One other employee participated in the Local Government Pension Scheme. Pension contributions amounted to £14,621 *(2012 - £20,569)*.

13. Trustees' remuneration and expenses

The Principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as trustees. Other trustees did not receive any payments from the academy trust in respect of their role as trustees. The value of trustees' remuneration fell within the following bands:

	Year ended 31 August 2013 £	*Period ended 31 August 2012 £*
Mr. P.J. Luxmoore, Executive Headteacher	125,000-130,000	*135,000-140,000*
Mrs. P.A. Godden	15,000-20,000	*20,000-25,000*
Mrs. S.E. Wright	45,000-50,000	*40,000-45,000*
Mr. G. Felstead	35,000-40,000	*35,000-40,000*
Mr. J.M. Lycett	30,000-35,000	*30,000-35,000*
Miss. C. Wyten	-	*15,000-20,000*

During the year, no trustees received any reimbursement of expenses (2012 - £NIL).

14. Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2013 was £1,620 *(2012 - £2,131).*

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

15. Tangible fixed assets

	Freehold land and buildings £	Fixtures, fittings and equipment £	Computer equipment and software £	Total £
Cost				
At 1 September 2012	37,810,407	488,081	38,547	38,337,035
Additions	-	13,523	132,879	146,402
At 31 August 2013	37,810,407	501,604	171,426	38,483,437
Depreciation				
At 1 September 2012	996,881	169,978	5,929	1,172,788
Charge for the year	704,169	122,308	76,900	903,377
At 31 August 2013	1,701,050	292,286	82,829	2,076,165
Net book value				
At 31 August 2013	36,109,357	209,318	88,597	36,407,272
At 31 August 2012	*36,813,526*	*318,103*	*32,618*	*37,164,247*

Included in land and buildings is freehold land at valuation of £2,601,843 *(2012 - £2,601,843)* which is not depreciated.

16. Stocks

	2013	2012
	£	£
Clothing	12,000	12,000
Catering	1,750	1,458
	13,750	13,458

17. Debtors

	2013	2012
	£	£
Trade debtors	24,435	4,497
Other debtors	35,950	36,924
Prepayments and accrued income	202,428	214,413
	262,813	255,834

18. Creditors:
Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	72,723	25,895
Other taxation and social security	153,797	157,048
Other creditors	195,192	54,201
Accruals and deferred income	427,733	577,472
	849,445	814,616

	£
Deferred income	
Deferred income at 1 September 2012	278,574
Resources deferred during the year	251,430
Amounts released from previous years	(244,562)
Deferred income at 31 August 2013	285,442

Deferred income comprises the following received in advance for the 2013/14 academic year:

	2013	*2012*
	£	*£*
Contributions towards trips	85,380	*105,206*
EFA devolved formula capital	34,137	*9,381*
EFA insurance grant	45,014	*53,515*
EFA rates grant	40,762	-
DfE fast track grant	40,000	-
16-18 bursary fund	-	*22,703*
KCC funding	-	*32,340*
Other	40,149	*55,429*
Total	285,442	*278,574*

19. Creditors:
Amounts falling due after more than one year

	2013	*2012*
	£	*£*
Accruals and deferred income	850	*33,183*

Notes to the financial statements
For the year ended 31 August 2013

20. Statement of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
Unrestricted funds	768,396	499,633	(253,245)	(73,351)	-	941,433
Restricted funds						
General Annual Grant (GAG) - KES	64,771	4,135,522	(3,997,643)	-	-	202,650
General Annual Grant (GAG) - DC	244,661	5,745,870	(5,558,931)	-	-	431,600
Other DfE/EFA grants (note(ii))	-	458,917	(432,557)	-	-	26,360
Other government grants (note(iii))	-	115,232	(92,937)	-	-	22,295
School trips (note(v))	-	349,743	(349,743)	-	-	-
Pension reserve (note(iv))	(1,931,000)	-	(81,000)	-	(58,000)	(2,070,000)
	(1,621,568)	10,805,284	(10,512,811)	-	(58,000)	(1,387,095)
Restricted fixed asset funds (note(vi))						
DfE/EFA capital grants - KES	17,633	16,202	(8,653)	-	-	25,182
DfE/EFA capital grants - DC	47,099	-	(980)	-	-	46,119
Donated asset fund	37,050,106	56,849	(868,597)	-	-	36,238,358
Capital expenditure from unrestricted fund	49,409	-	(25,147)	73,351	-	97,613
	37,164,247	73,051	(903,377)	73,351	-	36,407,272
Total restricted funds	35,542,679	10,878,335	(11,416,188)	73,351	(58,000)	35,020,177
Total of funds	36,311,075	11,377,968	(11,669,433)	-	(58,000)	35,961,610

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

Notes

(i) General Annual Grants must be used for the normal running costs of each individual Academy, and hence are shown as two separate restricted funds.

(ii) The Other DfE/EFA grant fund relates to income received from the DfE, YPLA and EFA, and included Pupil Premium.

(iii) The Other Government grant fund relates to restricted income received from other government bodies and includes money received from Kent County Council.

(iv) The pension reserves relates to the Academy Trust's share of the deficit of the Local Government Pension Schemes overseen by its Local Authority.

20. Statement of funds (continued)

(v) The School Trips funds accounts for money received from parents and pupils specifically for educational trips and visits, which is treated as a restricted fund because it was given for a specific purpose.

(vi) The restricted fixed asset funds are carried forward to meet the specific costs of fixed asset projects and to cover the depreciation charges that will be required on these projects going forward and the current fixed assets held. The gross transfer from the unrestricted general fund to the restricted fixed asset fund of £73,351 represents the total capital expenditure incurred out of unrestricted funds during the period.

Under the funding agreement with the Secretary of State, the academy trust was subject to a limit on the amount of GAG that it could carry forward at 31 August 2013. Note 2 discloses whether the limit was exceeded.

Analysis of academies by fund balance

Fund balances at 31 August 2013 were allocated as follows:

	Total £
Dane Court Grammar School	1,064,632
King Ethelbert School	559,706
Total before fixed asset fund and pension reserve	1,624,338
Restricted fixed asset fund	36,407,272
Pension reserve	(2,070,000)
Total	35,961,610

Analysis of academies by cost

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total £
Dane Court Grammar School	4,448,700	368,221	684,427	684,812	6,186,160
King Ethelbert School	2,842,679	506,988	640,704	589,525	4,579,896
	7,291,379	875,209	1,325,131	1,274,337	10,766,056

21. Analysis of net assets between funds

	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	*Total funds 17m period ended 31 August 2012 £*
Tangible fixed assets	-	-	36,407,272	36,407,272	*37,164,247*
Current assets	941,433	1,533,200	-	2,474,633	*1,925,627*
Creditors due within one year	-	(849,445)	-	(849,445)	*(814,616)*
Creditors due in more than one year	-	(850)	-	(850)	*(33,183)*
Pension scheme liability	-	(2,070,000)	-	(2,070,000)	*(1,931,000)*
	941,433	(1,387,095)	36,407,272	35,961,610	*36,311,075*

22. Net cash flow from operations

	31 August 2013 £	*17m period ended 31 August 2012 £*
Net incoming resources before revaluations	(291,465)	*36,790,075*
Returns on investments and servicing of finance	(36,461)	*(5,957)*
Cash impact of transfer on conversion	-	*(899,147)*
Capital grants and other capital income	(73,051)	*(38,285,648)*
Depreciation of tangible fixed assets	903,377	*1,172,788*
Increase in stocks	(292)	*(13,458)*
Increase in debtors	(6,979)	*(255,834)*
Increase in creditors	2,496	*847,799*
Inherited pension scheme deficit	-	*1,400,000*
FRS 17 pension cost less contributions payable	24,000	*(40,000)*
FRS 17 pension finance cost	57,000	*92,000*
Net cash inflow from operations	578,625	*802,618*

23. Analysis of cash flows for headings netted in cash flow statement

	31 August 2013 £	*17m period ended 31 August 2012 £*
Returns on investments and servicing of finance		
Interest received	36,461	*5,957*

23. **Analysis of cash flows for headings netted in cash flow statement (continued)**

	31 August 2013 £	*17m period ended 31 August 2012 £*
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(89,553)	*(122,401)*
Capital grants from DfE	16,202	*71,014*
Net cash outflow capital expenditure	(73,351)	*(51,387)*

24. **Analysis of changes in net funds**

	1 September 2012 £	Cash flow £	Other non-cash changes £	31 August 2013 £
Cash at bank and in hand:	1,656,335	541,735	-	2,198,070
Net funds	1,656,335	541,735	-	2,198,070

25. **Pension commitments**

The academy trust'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 Kent County Council. Both are defined benefit schemes.

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

Contributions amounting to £24,183 were payable to the scheme at 31 August 2013 (2012 - £23,003) 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). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

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

25. Pension commitments (continued)

produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

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

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

Teachers' Pension Scheme Changes

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

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

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

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

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

25. **Pension commitments (continued)**

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 2013 was £286,000, of which employer's contributions totalled £226,000 and employees' contributions totalled £60,000. The agreed contribution rates for future years are 24% for employers and 8% 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.

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

	Expected return at 31 August 2013 %	**Fair value at 31 August 2013 £**	*Expected return at 31 August 2012 %*	*Fair value at 31 August 2012 £*
Equities	6.60	1,258,000	*5.90*	*885,000*
Bonds	4.40	209,000	*3.90*	*164,000*
Property	4.60	140,000	*3.90*	*126,000*
Gilts	3.50	-	*2.80*	*13,000*
Cash	0.50	70,000	*0.50*	*38,000*
Target return portfolio	5.00	70,000	*4.40*	*38,000*
Total market value of assets		1,747,000		*1,264,000*
Present value of scheme liabilities		(3,817,000)		*(3,195,000)*
Deficit in the scheme		(2,070,000)		*(1,931,000)*

The amounts recognised in the Balance sheet are as follows:

	31 August 2013 £	*17m period ended 31 August 2012 £*
Present value of funded obligations	(3,817,000)	*(3,195,000)*
Fair value of scheme assets	1,747,000	*1,264,000*
Net liability	(2,070,000)	*(1,931,000)*

The amounts recognised in the Statement of financial activities are as follows:

	31 August 2013 £	*17m period ended 31 August 2012 £*
Current service cost	(250,000)	*(264,000)*
Interest on obligation	(130,000)	*(182,000)*
Expected return on scheme assets	73,000	*90,000*
Total	(307,000)	*(356,000)*
Actual return on scheme assets	212,000	*151,000*

25. **Pension commitments (continued)**

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

	31 August 2013 £	*17m period ended 31 August 2012 £*
Opening defined benefit obligation	3,195,000	*2,125,000*
Current service cost	250,000	*264,000*
Interest cost	130,000	*182,000*
Contributions by scheme participants	60,000	*81,000*
Actuarial loss	197,000	*537,000*
Benefits paid	(15,000)	*6,000*
Closing defined benefit obligation	3,817,000	*3,195,000*

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

	31 August 2013 £	*17m period ended 31 August 2012 £*
Opening fair value of scheme assets	1,264,000	*725,000*
Expected return on assets	73,000	*90,000*
Actuarial gain	139,000	*58,000*
Contributions by employer	226,000	*304,000*
Contributions by employees	60,000	*81,000*
Benefits paid	(15,000)	*6,000*
	1,747,000	*1,264,000*

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

	2013	*2012*
Discount rate for scheme liabilities	4.70 %	*3.90 %*
Rate of increase in salaries	5.10 %	*4.10 %*
Rate of increase for pensions in payment / inflation	2.90 %	*1.90 %*
Inflation assumption (CPI)	2.90 %	*1.90 %*

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

	2013	*2012*
Retiring today		
Males	20.1	*20.0*
Females	24.1	*24.0*
Retiring in 20 years		
Males	22.1	*22.0*
Females	26.0	*25.9*

25. Pension commitments (continued)

Both the discount rate applied on the defined benefit obligation and the mortality assumption are subject to a degree of subjectivity, and the following sensitivity analysis (shown on a combined basis to include both schools) indicates the impact of a small change in either the discount rate of mortality assumptions:

	£	£	£
Adjustment to discount rate:	+0.1%	0.0%	-0.1%
- Present value of total obligation	3,721,000	3,817,000	3,916,000
- Projected service cost	259,000	267,000	276,000
Adjustment to mortality age rating assumption:	+1 Year	None	-1 Year
- Present value of total obligation	3,676,000	3,817,000	3,960,000
- Projected service cost	255,000	267,000	279,000

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	2013 £	*2012 £*
Defined benefit obligation	(3,817,000)	*(3,195,000)*
Scheme assets	1,747,000	*1,264,000*
Deficit	(2,070,000)	*(1,931,000)*
Experience adjustments on scheme assets	139,000	*58,000*

26. Operating lease commitments

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

	2013 £	*2012 £*
Expiry date:		
Within 1 year	4,276	*4,077*
Between 2 and 5 years	16,235	*26,057*

27. Related party transactions

Donations of £6,227 *(2012 - £3,610)* were received from the Dane Court Grammar School Parents Association, a separately registered charity, during the year.

Income of £188,000 was received and expenditure of £35,060 was incurred in respect of the East Kent Learning Alliance Limited (EKLA), a teaching school alliance of East Kent schools including the Academy. At 31 August 2013, £171,359 was owed to EKLA *(2012 - £30,928)*.

28. Ultimate controlling party

The academy trust is run by the management team on a day to day basis. Strategic decisions are made by the trustees. There is no ultimate controlling party.