

Registration number 06182612

David Ross Education Trust

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2013

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David Ross Education Trust

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David Ross Education Trust

Reference and Administrative Details

Trustees (Directors)	D Ross Right Reverend D Allister M Bolland, Member of finance committee S Deane Professor A Dixon (appointed 5 November 2012) A Foster (appointed 4 November 2013) N Gibb (appointed 18 March 2013) J Gordon A Hancock, Member of finance committee T Hastie-Smith, Member of audit committee (term ended 4 November 2013) M Hindmarch, Member of finance committee (appointed 12 December 2012) D Overton Professor K Reid (appointed 23 September 2013) B Stannard (appointed 23 September 2013) M Wilde, Member of audit committee (appointed 5 November 2012) D Wilson (resigned 1 October 2012) M Wilson
Company Secretary	SK Secretary Limited
Senior Management Team	Wendy Marshall, Chief Executive Mark Ibbertson, Finance Director
Principal and Registered Office	2 Hill Court Off Turnpike Close Grantham Lincolnshire NG31 7XY
Company Registration Number	06182612
Auditor	KPMG LLP Registered Auditor 1 The Embankment Neville Street Leeds West Yorkshire LS1 4DW

David Ross Education Trust

Reference and Administrative Details

Bankers	National Westminster Bank plc 66 Victoria Street Grimsby Lincolnshire DN31 1BP
	Lloyds TSB Bank plc Old Market Place Grimsby Branch PO Box 1000 BX1 1LT
Solicitors	Stone King Sewell LLP 13 Queen Square Bath Somerset BA1 2HJ

David Ross Education Trust

Trustees' Report for the Year Ended 31 August 2013

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

Structure, governance and management

Constitution

The trust is a company limited by guarantee with no share capital (registration no 6182612) and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Trust. These were updated during the year to reflect the expansion of the Trust. The trustees are also directors of the charitable company for the purposes of company law. The Trust has entered into funding agreements with the Department for Education which provide the framework within which the Trust must operate. The David Ross Education Trust Endowment Fund has been established in accordance with a deed of gift and declaration of trust, agreed between the Trust, the David Ross Foundation, and the Department for Education.

Details of the trustees who served throughout the year are included in the reference and administration information on Page 1.

Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before he/she ceases to be a member.

Trustees' indemnities

The Trust carries indemnity insurance for the trustees and the governors of its academies, and professional indemnity insurance for its staff.

Principal activities

The Trust is responsible for providing education to students aged 4 to 19 years across its fifteen academies, six secondaries (two of which are 11-16 and four 11 – 19), eight primaries and a special school. Provision includes direct delivery of curriculum based education to students in the academies, and an established and developing programme of extra and co-curricular activities. The Trust has a growing capacity to support improvement within its own resources. The Trust is expanding with additional academies due to join the Trust in 2013/2014.

David Ross Education Trust

Trustees' Report for the Year Ended 31 August 2013

Method of recruitment and appointment or election of Trustees

Members of the charitable company are nominated by the David Ross Foundation, the main sponsor of the Trust. The articles of association require the members of the charitable company to appoint at least three trustees to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Trust. The constitution of the trust board is up to seven sponsor trustees (appointed by the sponsor), up to six academy trustees (appointed by sponsor trustees), up to three co-opted trustees (appointed by sponsor and academy trustees). In accordance with the Articles of Association, trustees may be removed by the person or persons who appointed them.

As at 31 August 2013 there were seven sponsor trustees, four academy trustees and two co-opted trustees.

The Secretary of State for Education may appoint trustees in exceptional circumstances to some academies in line with the conditions of the Funding Agreement. As at 31 August 2013 no appointments have been made by the Secretary of State.

Each academy in the Trust has a separate local governing body. Local governing bodies typically include sponsor appointed governors, elected staff governors, elected parent governors and community representation.

The Trust Board delegate responsibilities to the local governing bodies in accordance with the Terms of Reference. Where an academy is underperforming, the trustees reserve the right to replace the local governing body with a local advisory board and to withhold delegations as appropriate.

Policies and procedures adopted for the induction and training of Trustees

All trustees and governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees and governors. Newly appointed trustees undertake an induction programme. This annual strategic planning day for trustees was held on 5 November 2012 to review and update the strategic plan including a review of risk, analysis of performance, review of the business context, succession planning and resource plans.

Newly appointed governors undertake a full induction training programme and all governors have access to a training programme throughout the year. The annual governor conference was held on 11 October 2012 during which governors received revisions of policies and procedures, reviewed performance across the Trust, discussed key priorities and planned for key areas of business at local governing body level.

In keeping with best practice, tools have also been developed in liaison with trustees, academy Chairs and Principals to support regular review of the effectiveness of local governing bodies and the appropriateness of the on-going skills set, as part of a newly devised Accountability Framework.

David Ross Education Trust

Trustees' Report for the Year Ended 31 August 2013

Organisational structure

The organisational structure of the Trust consists of three levels. The trustees, governors, and the leadership team. The aim of the organisational structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Trust is governed by the trustee board which delegates functions as appropriate to the Local Governing Body of each academy who are appointed by the trustees as a committee.

The trustees are responsible for all areas covered under the funding agreements and all areas of statutory responsibility appertaining to the Trust which include setting general policy, developing a three year strategic plan and adopting an annual plan, agreeing the Trust budget (including those amounts delegated to academies), budget monitoring, performance monitoring and senior staff appointments including appointment of all academy principals. Trustees also appoint all Chairs of Local Governing Bodies. During the period under review the trustees held five meetings. Additional meetings were held for the Executive Committee, the Finance Committee and the Audit Committee. All trustees are provided with copies of procedures, minutes, accounts, budgets, plans and other documents they need to undertake their role.

The Trust maintains a central office which includes at Executive level the Chief Executive Officer, the Director of Finance and Resources and the Development Director. Central services include, School Improvement, Human Resources, Finance, Information Technology and Management Information, Public Relations, Marketing and Communications and Governor Services. The Trust also appoints the Principal of each academy. The central office is in Grantham whilst maintaining close links to the David Ross Foundation offices in London to facilitate good communication with the sponsor.

The governors of each academy are responsible for monitoring the performance of their academy, focusing on academic standards and leadership. This includes regular scrutiny and challenge of the Principal and Senior Leadership Team. The Principal is the lead officer responsible for finance and reports to the local governing body on financial performance against delegated budget levels. Line management of the Principals is delegated to the Chief Executive Officer.

The Principal and Senior Leadership Team at each academy are responsible at an executive level for implementing the policies as agreed by the trustees and any local operating procedures as approved by the local governing bodies. As a group the Senior Managers are responsible for the authorisation of spending within agreed budgets and the appointment of staff.

Risk management

The trustees have assessed the major risks to which the Trust is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of each academy, and the finances of the Trust. The trustees have implemented a number of systems to assess risks that the Trust faces, especially in the operational areas (e.g. in relation to teaching, health and safety, safeguarding, 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 Trust has an effective system of internal financial controls.

David Ross Education Trust

Trustees' Report for the Year Ended 31 August 2013

Connected organisations, including related party relationships

The Trust maintains the David Ross Education Trust Endowment Fund. The Fund was created to hold the endowments to be paid by the Trust's sponsor, the David Ross Foundation, in respect of Havelock Academy and of Malcolm Arnold Academy. In 2012/2013 further donations from the Foundation of £0.6 million were received. The trustees are responsible for determining the specific uses of the Endowment Fund, which will be invested in enhancing the provision of education at the Trust's academies, for example in funding classroom extensions or refurbishing the boarding house at Skegness Grammar School. Academies that benefit from the fund will contribute to the replenishing of the fund from their annual budget shares.

The Trust is closely linked to the David Ross Foundation, which is the principal sponsor of the Trust. The Trust's benefits from the Foundation's many partners including (but not exclusively) Nottingham University, Uppingham School, Kalisher Trust and Cambridge University.

David Ross Education Trust

Trustees' Report for the Year Ended 31 August 2013

Objectives and activities

Objects and aims

The objects of the Trust are to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering broad curricula, including collaboration with other schools and the wider community to share expertise and resources. During 2012/2013 the principal activity of the charitable company was the operation of its fifteen academies in North East Lincolnshire, Lincolnshire and Northamptonshire. This also includes the operation of a boarding house as part of Skegness Grammar School.

In operation of these academies the charitable company has entered into a series of funding agreements with the Secretary of State for Education. The agreements specify, amongst other things, the basis for admitting students to the academies, the catchment areas from which the students are drawn, and that the curricula should develop the substance of the national curriculum.

Objectives, strategies and activities

The David Ross Education Trust was established in 2007 to enable the vision of the David Ross Foundation for broadening young people's horizons to be delivered through its academies.

The Foundation's vision is as follows:

"The primary focus of the Foundation's work is to give children in the communities in which we work better life chances through access to the best education and support that we can give them."

We believe passionately that every child can do something well and that by offering young people an outstanding range of educational opportunities and experiences, they will discover something they can excel at, which in turn raises their aspirations and enthusiasm to work hard and achieve their best."

The Trust's own objects as set out in its Articles of Association are primarily to manage and develop Academies, offering a broad curriculum which 'advance for the public benefit education in the UK'.

Our mission is to become the country's leading group of academies, committed to high quality academic education for all. This will be achieved by:

- Developing fully the talents and potential of each pupil,
- Providing an excellent academic education, supported by wide-ranging and exceptional sporting, cultural and artistic activities,
- Fostering scholarship, hard work and conscientious application,
- Enabling all pupils to become knowledgeable, confident, kind and courteous adults capable of playing a positive and active role in society.

To deliver this, the Trust makes a commitment to ensure that:

- Each academy is graded by Ofsted as 'outstanding' within five years of joining the Trust, maintains that status and is progressing towards being judged as 'world class' by the Trust,
- Each academy achieves the highest academic results within its locality,
- Each academy develops a strong reputation for the quality of its sporting and cultural activities and for its pastoral care,
- The Trust recruits and retains exceptional teachers and staff,
- Create within David Ross Education Trust academies an attractive and professional working environment that ensures the most effective and able staff are rewarded.

David Ross Education Trust

Trustees' Report for the Year Ended 31 August 2013

Public benefit

The Trustees have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the public benefit guidance provided by the Charity Commission

The Trust administers academies whose catchments include some of the most deprived areas of the country. Students are admitted in accordance with the admissions policies agreed with the Department for Education (DfE), which is based on each academy's catchment area and published on each academy's website. There are in the region of 7,000 pupils within the Trust's fifteen academies.

All academies offer a range of activities and experiences for their students some funded from donations and other non-restricted income, which help our students to broaden their horizons beyond their immediate area. Many of these activities now take place on a Trust-wide basis, with staff and students from each of the Trust's academies interacting with each other. The Trust has a developing sports enrichment programme identifying and nurturing sporting abilities across a range of sports and offering the opportunity for academies to compete across the network and also outside the network. 2012/13 saw our first Winter and Summer cups where 1,700 pupils competed for the trophies.

Alongside this the partnership enrichment programme offers a range of opportunities incorporating the arts, music and outdoor activities.

The Trust also administers a scholarship scheme aimed at supporting and nurturing talent. This is funded through a private donation to the Trust.

Achievements and performance

Academic performance across the group improved significantly in 2012/13. Within the secondary sector 5AC including English and maths 66%, which is an increase of 14% over 2 years. In the primary sector the proportion of pupils achieving combined levels 4s in reading, writing and maths stands at 68%. We have no academies below Government floor targets.

Humberston was judged to be outstanding in their Ofsted inspection in March. Malcolm Arnold and Hogsthorpe Primary were both judged good and Welton Primary was named the third best school of its type by The Times.

The new science block at Humberston was officially opened.

We have also had the pleasure of welcoming some prestigious visitors during the year including The Duchess of Cambridge who officially opened Havelock Academy, Lewis Hamilton who visited Lodge Park Academy for the official opening and Lord Coe who presented medals and trophies at the summer cup.

Going concern

After making appropriate enquiries, the Trustee Body has a reasonable expectation that the 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 (note 1).

Key financial performance indicators

	Unit	2013	2012
Income (excluding fixed assets and pension liabilities transferred on conversions)	£ 000	41,304	22,898
Expenditure	£ 000	41,010	21,760
Net income	£ 000	294	1,138

David Ross Education Trust

Trustees' Report for the Year Ended 31 August 2013

Key non-financial performance indicators

The key measures used to measure the Trust's performance will be KS2, GCSE and A level performance, quality of teaching and learning, Ofsted ratings and growth in pupil numbers

The Trust's aim is that every academy becomes outstanding within five years. Financially, the Trust intends to maintain each of its academies at least in a break-even position, and to develop a pool of financial resource that will be available to support enrichment and development activities, and to fund asset management priorities as they develop

Financial review

Most of the Trust's income is received 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 period ended 31 August 2013 and the associated expenditure are shown as restricted funds (non fixed assets) in the statement of financial activities

The Trust also receives grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and 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 assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned

During the period ended 31 August 2013, total expenditure of £41,010,000 was less than recurrent grant funding from the DfE together with other incoming resources. The excess of income over expenditure for the period (including the endowments received of £637,000) was £19,585,000. The greatest element of this surplus relates to the premises that were gifted to the Trust, totalling £23,084,000, offset by the pension deficit introduced on conversions of £3,793,000

At 31 August 2013 the net book value of fixed assets was £47,761,000, movements in tangible fixed assets are shown in the notes to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the academy

The Trust's non-teaching staff are entitled to membership of the Local Government Pension Scheme. The Trust's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the Trust balance sheet shows a net liability of £5,653,000, this includes a deficit of £3,793,000 inherited on new schools joining the Trust during the year

The Trust held fund balances at 31 August 2013 of £46,968,000, comprising £48,696,000 of restricted funds, a pension reserve deficit of £5,653,000, an endowment fund of £2,539,000 and £1,386,000 of unrestricted general funds

The David Ross Education Trust Endowment Fund received a donation in shares to the value of £537,000 during the year and a cash donation of £100,000. The endowment is to be used to fund major projects in the Trust's academies, and will be renewed over time from academy resources

Detail is still awaited on future funding for the Trust from September 2014 onwards. Pupil numbers are expected to continue to grow across the Trust, with some local variations, and whilst this will generate additional grant funding, the impact of national spending pressures and a possible national funding formula from 2015 will affect individual academy and overall Trust funding

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Trustees' Report for the Year Ended 31 August 2013

Principal risks and uncertainties

Each academy evaluates and monitors its own risks, and the Trust maintains its own risk register. The main risks facing the Trust are centered around meeting its vision of every academy becoming outstanding within 5 years. The Trust is addressing risks of standards not rising sufficiently, of capacity to support this improvement, and of recruiting sufficient high quality leaders. Financial risks include growth in pupil numbers, which is a key driver in funding from the government, and uncertainty over the distribution of funding to academies from 2013/2014 onwards.

Financial and risk management objectives and policies

The principal financial risks facing the Trust are the future levels of government grant funding. Funding is under review, with the possibility of a national funding formula and changes in distribution of grants from 2015/2016. Funding is primarily driven by student numbers in the Trust, and a rapid fall in student numbers will affect funding levels. At the end of 2012/2013 the Trust held balances that should help it to smooth the impacts of short term funding changes, and enable it to plan for longer term changes.

Reserves policy

The Trust's "free" reserves are its funds after excluding restricted funds and the permanent endowment fund. "Reserves" are therefore the resources the Academy has or can make available to spend for any or all of the Trust's purposes once it has met its commitments and covered its other planned expenditure. More specifically "free reserves" represent income to the Trust which is to be spent at the trustees' discretion in furtherance of any of the Trust's objects but which is not yet been spent, committed or designated.

The Trust is in a development phase – new academies are joining the Trust, student numbers are increasing in the Trust's existing academies, building refurbishments are taking place. Whilst demands on the Trust's reserves will therefore vary over the coming years, the Trust's long-term policy is that the appropriate level of reserves should be equivalent to one month's expenditure, currently estimated to be between £3,500,000 and £4,000,000. 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. The Trust's current level of reserves are £2,541,000 made up of free reserves of £1,386,000 (2012 £673,000) and restricted general funds of £1,155,000 (2012 £1,671,000). This falls short of the range stated above, therefore the Trust intends to continue building up reserves to the level required.

Investment policy

The trustees agree all investments made by the Trust. Investments are currently restricted to deposit accounts in UK banks, the Money Market, to a number of corporate bonds and to some equities. In 2012/2013 Trustees agreed that of non-cash investments held by the Trust, equities would account for no more than 20% of total investments. Investments are made with regard to Charity Commission guidance in relation to investments.

Employment of disabled persons

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the Academies. The policy of the Trust is to support recruitment and retention of students and employees with disabilities. The Trust does this by adapting the physical environment, by making resources available and through training and career development.

Description of employee consultation

Human Equalities Policy

The trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The 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.

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Trustees' Report for the Year Ended 31 August 2013

Plans for future periods

The Trust will continue to work to raise both the aspirations and outcomes of all its students at whatever age, closing gaps between the performance of different groups, where this is needed, and ensuring they are able to proceed successfully to the next stage of their education. This may be the transition from primary to secondary at age 11, or at the end of the secondary phase to high quality routes in further/ higher education or employment with training.

We intend to continue to consolidate and stretch improvements in existing academies whilst seeking approval for modest growth in order to

- 1 Acquire linked secondaries where we have primaries and acquire feeder primaries where we have secondaries to improve educational transition and progress
- 2 Build on existing regional hubs
- 3 Expand in priority areas where penetration is low

The next phase of the Trust's growth strategy sees consolidation across the existing network whilst growing capacity to ensure the continued success of our school-to-school improvement model. To support this, the Trust intends to focus on the following during the next 12-18 months

- Recruitment has commenced to appoint a Chief Operating Officer to develop and scale our business infrastructure to ensure we continue to meet the needs of our group of academies
- Additions to our primary education team of lead practitioners to steer best practice developments and to ensure improvement in primary is rapid yet sustainable
- Development of the DRET Teaching School Alliance to lead professional development and standards – application submitted
- Implementing our recently launched Challenge for Leadership programme – to develop our pipeline of future leaders, delivered by serving leaders including National Leaders of Education and Local Leaders of Education
- Ensuring all teaching staff have access to "Challenge for Good" and "Challenge for Outstanding" Programmes delivered by outstanding practitioners designed to take teaching to good and outstanding
- We are investing £3m in facilities including an expanded 6th form offer. We have aspirational targets for the proportion of students accessing Russell Group / Oxbridge supporting through a range of unique partnerships including Nottingham University, Clare and Peterhouse Colleges Cambridge and The Kalisher Trust
- Growing number of Teach First placements with the post programme deployment into lead positions

The Trust Board has recently established an Education Committee. The Committee is central to our approach and capacity as we move to the next stage. The core aim is to set education standards and expectations to enable the Trust to deliver its vision. Key areas of focus include

- Curriculum content at all key stages – with an emphasis on supporting key stage transition and the new primary and secondary requirements
- Quality of teaching and learning to meet aspirational Trust targets for the proportion of good and outstanding teaching
- Trust-wide approaches to delivering improvements in the standards of literacy
- How school organisation can support the drive in standards e.g. extension to the school day, after-school provision, extra-curricular opportunities

We operate a comply or explain approach built on a model of earned autonomy within a robust and exacting accountability framework.

Auditor

In so far as the Trustees are aware

- there is no relevant audit information of which the charitable company's auditor is unaware, and

David Ross Education Trust

Trustees' Report for the Year Ended 31 August 2013

- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting

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



M Wilde
Trustee

David Ross Education Trust

Governance Statement

Scope of responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that David Ross Education 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 Trustees have delegated the day-to-day responsibility to the Chief Executive Officer, 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 agreements between the David Ross Education Trust and the Secretary of State for Education. They are also responsible for reporting to the Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Trustees have formally met 5 times during the year. Attendance during the year at meetings of the Trustees was as follows:

Trustee	Meetings attended	Out of a possible
D Ross	5	5
Right Reverend D Allister	2	5
M Bolland	4	5
S Deane	4	5
Professor A Dixon	3	3
N Gibb	2	2
J Gordon	4	5
A Hancock	5	5
T Hastie-Smith	2	5
M Hindmarch	3	3
D Overton	5	5
M Wilde	3	3
D Wilson	1	1
M Wilson	5	5

In the year the Trust board established separate Audit and Finance Committees. The role of the Audit Committee is to review the risks to internal financial control at the Trust and to agree a programme of work that will address these risks, inform the governance statement and, so far as is possible, provide assurance to the external auditor. The Finance Committee's role is to ensure sound management of the Trust's finances and resources, including proper planning and application of resources, monitoring and probity.

The Finance Committee is a sub-committee of the main Trustees. Its purpose is detailed above. Attendance at meetings during the year was as follows:

David Ross Education Trust

Governance Statement

Trustee	Meetings attended	Out of a possible
M Bolland	0	2
A Hancock	2	2
M Hindmarch	2	2

The Audit Committee is a sub-committee of the main Trustees. Its purpose is detailed above. Attendance at meetings during the year was as follows:

Members of the committee	Meetings attended	Out of a possible
T Hastie-Smith	1	3
M Wilde	3	3
B Wood	3	3

Mr B Wood is an independent chair of the audit committee. Mr Hastie-Smith and Mr Wilde are trustees.

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 the Trust's 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 David Ross Education Trust for the year ended 31 August 2013 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

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

The risk and control framework

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

David Ross Education Trust

Governance Statement

The Trustees have considered the need for a specific internal audit function and have appointed Duncan & Topliss, Chartered Accountants, to provide an internal audit service to the Trust. The internal audit service carries out regular audits of the Trust's academies, giving advice on financial matters and performing a range of checks on the Trust's financial systems. Internal audit reports are discussed at the Audit Committee and shared with the Finance Committee and the Trust Board, and disseminated to individual academies.

There were no material control or other issues reported by the internal auditor during the year.

Review of effectiveness

As Accounting Officer, the Chief Executive Officer 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 internal auditor,
- the work of the external auditor,
- the work of the Trust's Audit Committee and the Finance Committee,
- the work of the executive managers within the 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 board of Trustees and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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



M Wilde
Trustee



W Marshall
Accounting officer

David Ross Education Trust

Statement on Regularity, Propriety and Compliance

As accounting officer of David Ross Education Trust I have considered my responsibility to notify the 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 Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the Trustees are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook.

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



W Marshall
Accounting officer

18 December 2013

Date

David Ross Education Trust

Statement of Trustees' Responsibilities

The Trustees (who are the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Academies 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 charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to

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

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

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

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

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



M Wilde
Trustee

Independent auditor's report to the members of David Ross Education Trust

We have audited the financial statements of David Ross Education Trust for the year ended 31 August 2013 set out on pages 21 to 70. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2013 and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2013 issued by the Education Funding Agency ('EFA') on terms that have been agreed. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and, in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2013 issued by the EFA, those matters that we have agreed to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 17, the trustees (who act as directors of the charitable company for the purposes of company law) are responsible for the preparation of financial statements which 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 auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs 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 UK Generally Accepted Accounting Practice,
- have been prepared in accordance with the Companies Act 2006,
- have been prepared in accordance with the Academies Accounts Direction 2013 issued by the EFA.

Opinion on other matters prescribed by the Companies Act 2006

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

Independent auditor's report to the members of David Ross Education Trust (continued)

Matters on which we are required to report by exception

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

- the charitable company has not kept adequate accounting records 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,
- certain disclosures of trustees' remuneration specified by law are not made,
- we have not received all the information and explanations we require for our audit

Malcolm C Harding

Malcolm Harding (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

1 The Embankment

Neville Street

Leeds

LS1 4DW

19 December 2013

**Independent Reporting Accountant's Assurance Report on Regularity to David Ross Education Trust
and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 29 November 2013 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 David Ross Education Trust during the period 1 September 2012 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to David Ross Education Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the David Ross Education 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 the David Ross Education Trust and the EFA, for our work, for this report, or for the conclusion we have formed

Respective responsibilities of David Ross Education Trust's accounting officer and the reporting accountant

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

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

Approach

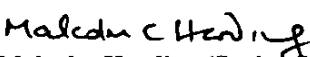
We conducted our engagement in accordance with the Academies Accounts Direction 2013 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion

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

Conclusion

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


Malcolm Harding (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
1 The Embankment
Neville Street
Leeds
LS1 4DW
18 December 2013

David Ross Education Trust

Statement of Financial Activities for the Year Ended 31 August 2013

	Note	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	Endowment Fund £ 000	Total 2013 £ 000	Total 2012 £ 000
Incoming resources							
<i>Incoming resources from generated funds</i>							
Voluntary income							
Transfer on conversion	3	744	(3,637)	23,084	-	20,191	(144)
Other voluntary income	3	104	521	50	637	1,312	462
Activities for generating funds	4	967	556	-	-	1,523	785
Investment income	5	140	-	-	-	140	81
<i>Incoming resources from charitable activities</i>							
Funding for the Academy's educational operations	6	16	36,181	826	-	37,023	21,515
Provision of boarding activities	33	-	406	-	-	406	-
Total incoming resources		1,971	34,027	23,960	637	60,595	22,699
Resources expended							
<i>Cost of generating funds</i>							
Cost of generating funds		5	-	-	-	5	-
<i>Charitable activities</i>							
Academy's educational operations		1,265	36,363	2,361	-	39,989	21,327
Provision of boarding activities	33	-	513	22	-	535	-
Governance costs	9	-	481	-	-	481	433
Total resources expended	7	1,270	37,357	2,383	-	41,010	21,760

David Ross Education Trust

Statement of Financial Activities for the Year Ended 31 August 2013

	Note	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	Endowment Fund £ 000	Total 2013 £ 000	Total 2012 £ 000
Net incoming/(outgoing) resources before transfers		701	(3,330)	21,577	637	19,585	939
Gross transfers between funds	20	12	(1,259)	1,443	(196)	-	-
Net income/(expenditure) for the year		713	(4,589)	23,020	441	19,585	939
Other recognised gains and losses							
Gains/losses on investment assets		-	-	-	33	33	39
Actuarial gains on defined benefit pension schemes	30	-	39	-	-	39	(508)
Net movement in funds/(deficit)		713	(4,550)	23,020	474	19,657	470
Reconciliation of funds							
Funds brought forward at 1 September 2012		673	52	24,521	2,065	27,311	26,841
Funds/(deficit) carried forward at 31 August 2013		1,386	(4,498)	47,541	2,539	46,968	27,311

Restricted general funds are made up as follows

Restricted general fund	1,155
Restricted pension fund	(5,653)
Total	(4,498)

An analysis between continuing operations and acquired operations is shown in the notes to the accounts

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities

The notes on pages 26 to 70 form part of these financial statements

David Ross Education Trust
(Registration number: 06182612)
Balance Sheet as at 31 August 2013

	Note	2013 £ 000	2012 £ 000
Fixed assets			
Tangible assets	14	46,312	23,958
Investments	15	<u>1,449</u>	<u>917</u>
		<u>47,761</u>	<u>24,875</u>
Current assets			
Stocks	16	3	-
Debtors	17	2,540	1,174
Cash at bank and in hand		<u>6,940</u>	<u>5,024</u>
		9,483	6,198
Creditors Amounts falling due within one year	18	<u>(4,498)</u>	<u>(2,129)</u>
Net current assets		<u>4,985</u>	<u>4,069</u>
Total assets less current liabilities		52,746	28,944
Creditors Amounts falling due after more than one year	19	<u>(125)</u>	<u>(14)</u>
Net assets excluding pension liability		52,621	28,930
Pension scheme liability	30	<u>(5,653)</u>	<u>(1,619)</u>
Net assets including pension liability		<u>46,968</u>	<u>27,311</u>
Funds of the Academy:			
Restricted funds			
Restricted general fund		1,155	1,671
Restricted fixed asset fund		47,541	24,521
Restricted pension fund		(5,653)	(1,619)
Endowment fund		<u>2,539</u>	<u>2,065</u>
		45,582	26,638
Unrestricted funds			
Unrestricted general fund		<u>1,386</u>	<u>673</u>
Total funds	20	<u>46,968</u>	<u>27,311</u>

The financial statements on pages 21 to 70 were approved by the Trustees, and authorised for issue on 18 December 2013 and signed on their behalf by



M Wilde
Trustee

David Ross Education Trust

Income and Expenditure account for the Year Ended 31 August 2013

	2013 £ 000	2012 £ 000
Income		
General Annual Grant	31,470	16,231
Start up grants	766	1,144
Capital Grants	826	2,080
Other DfE Grants	2,693	1,308
Other Government Grants	1,252	752
Private sponsorship and donations	1,764	462
Transfer on conversion	20,191	(144)
Other income	1,087	785
Investment income	140	81
Provision for boarding	406	-
Total income	60,595	22,699
Expenditure		
General Annual Grant expenditure	31,106	15,243
Other DfE grant expenditure	3,489	2,626
Other grant expenditure	1,185	687
Depreciation	2,333	1,854
Other expenditure	2,384	1,350
Provision for boarding expenditure	513	-
Total expenditure	41,010	21,760
Excess of income over expenditure	19,585	939

The income and expenditure account is derived from the Statement of Financial Activities which, together with the notes to the financial statements, provides full information on the movement during the year on all funds of the Trust

David Ross Education Trust

Cash Flow Statement for the Year Ended 31 August 2013

	Note	2013 £ 000	2012 £ 000
Net cash inflow from operating activities	24	1,398	299
Cash transferred on conversion to an academy trust		967	131
Returns on investments and servicing of finance	25	140	81
Capital expenditure and financial investment	26	<u>(589)</u>	<u>(780)</u>
Increase/(decrease) in cash in the year	27	<u><u>1,916</u></u>	<u><u>(269)</u></u>

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year	1,916	(269)
Net funds at 1 September 2012	<u>5,024</u>	<u>5,293</u>
Net funds at 31 August 2013	<u><u>6,940</u></u>	<u><u>5,024</u></u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

1 Accounting policies

Basis of preparation

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

Conversions to the Trust

The conversions from state maintained schools to the Trust involved the transfer of identifiable assets and liabilities and the operation of the schools and have been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion to the Trust have been valued at their fair value being a reasonable estimate of the current market value that the trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the David Ross Education Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income/net expenditure in the Statement of Financial Activities and analysed under the appropriate funds. Further details of the transactions are set out in the notes to the accounts.

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 company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of approval of the financial statements.

Incoming resources

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

Grants receivable

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

Sponsorship income

Sponsorship income provided to the Trust 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 and the amount can be reliably measured.

Donations

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

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

1 Accounting policies (continued)

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods or services have been provided

Interest receivable is accrued on a daily basis

Donated services and gifts in kind

The value of donated services and gifts in kind provided to the Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Trust 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 Trust's policies. Buildings are brought onto the balance sheet on the basis of their depreciated replacement cost at the time when the risks and rewards of ownership pass to the Trust, be it in the form of freehold or long leasehold property.

The Trust holds a number of land and buildings on short term leases where rent is charged at below market rent. The financial statements show a notional rental for the buildings based on building valuations compiled by the Valuation Office Agency. In the case of Havelock Academy construction of a new building took place in 2010/2011, and on completion of snagging in 2013/2014 the Trust will enter into a 125 year lease for the entire site. At this point all of the premises will be valued and entered into the balance sheet and depreciated over their estimated useful life. In the case of Malcolm Arnold Academy the Trustees consider that whilst the long term lease has not been formally signed by the 31 August 2013 the risks and rewards of ownership fell to the Trust and therefore the property is included within tangible fixed assets. The long lease is expected to be signed in December 2013.

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.

Cost of generating funds

These relate to the costs of managing the investment portfolio.

Charitable activities

These are costs incurred on the Trust's educational operations. In light of the Academies Accounts Direction issued by the Education Funding Agency during the year the Trustees have considered the allocation of the Trust's educational operations costs between direct costs and allocated support costs. As a result the comparative figures have been adjusted to reflect the nature of the costs incurred. There has been no effect on the Statement of Financial Activities.

Governance costs

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

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

1 Accounting policies (continued)

Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset over its expected useful life, per the table below.

Freehold and long leasehold land and buildings are valued on entering the Trust at their depreciated replacement cost and depreciated over their remaining lifespan for a maximum of 50 years or the remaining life of the lease if shorter.

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

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

Asset class	Depreciation method and rate
Fixtures, fittings and equipment	3 - 10 years straight line
ICT equipment	3 years straight line
Motor vehicles	3 years straight line
Artwork	Nil

Investments

Investments are included at market value.

- Listed investments are stated at the bid price,
- Fixed interest securities are stated at their deal prices,
- Pooled investment vehicles are stated at bid price or single price as appropriate and as provided by the investment manager.

Leased assets

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

Stock

Stock is included on a first in first out basis and is valued at the lower of cost and net realisable value.

Taxation

The 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 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.

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

1 Accounting policies (continued)

Pension benefits

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). The LGPS is administered through various pension funds. 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 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 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 the notes to the accounts, the TPS is a multi-employer scheme and the 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 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 settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Fund accounting

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

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

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

Endowment funds represent the David Ross Education Trust Endowment Fund and relate to donations received from the David Ross Foundation. During the year the trustees of the fund passed a resolution allowing for the principal amount of the investment to be used by the Trust for capital projects. The fund has therefore been reclassified from a permanent endowment fund to an expendable endowment fund.

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

2 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State those academies that joined the Trust before 1 May 2013 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. For those academies that joined the Trust after 30 April 2013 there are no restrictions on the amount of GAG which can be carried forward.

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

3 Voluntary income

	Unrestricted funds £ 000	Restricted funds £ 000	Restricted fixed asset funds £ 000	Endowment £ 000	Total 2013 £ 000
Transfer on conversion	744	(3,637)	23,084	-	20,191
Other voluntary income					
Donations - capital	-	-	50	-	50
Other donations	104	521	-	637	1,262
	<u>104</u>	<u>521</u>	<u>50</u>	<u>637</u>	<u>1,312</u>
Total voluntary income	<u>848</u>	<u>(3,116)</u>	<u>23,134</u>	<u>637</u>	<u>21,503</u>
					Total 2012 £ 000
Transfer on conversion					(144)
Donations - capital					-
Other donations					<u>462</u>
					<u>462</u>
Total voluntary income					<u>318</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

4 Activities for generating funds

	Unrestricted funds £ 000	Restricted funds £ 000	Total 2013 £ 000	Total 2012 £ 000
Hire of facilities	152	-	152	113
Catering income	395	-	395	80
Sundry income	420	-	420	166
Gift in kind - rent receivable	-	556	556	426
	<u>967</u>	<u>556</u>	<u>1,523</u>	<u>785</u>

5 Investment income

	Unrestricted funds £ 000	Total 2013 £ 000	Total 2012 £ 000
Bank interest	92	92	58
Dividends	48	48	23
	<u>140</u>	<u>140</u>	<u>81</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

6 Funding for Academy's educational operations

	Unrestricted funds £ 000	Restricted funds £ 000	Restricted fixed asset funds £ 000	Total 2013 £ 000	Total 2012 £ 000
DfE/EFA capital grants					
ICT grant	-	-	6	6	1,953
Capital grants	-	-	705	705	127
	-	-	711	711	2,080
DfE/EFA revenue grants					
General Annual Grant	-	31,470	-	31,470	16,231
Start up grants	-	766	-	766	1,144
Standards Funds	-	-	-	-	11
Pupil Premium	-	1,480	-	1,480	297
Other DfE / EFA grants	-	1,134	-	1,134	1,000
	-	34,850	-	34,850	18,683
Other government grants					
Funding via local authority	-	1,252	115	1,367	651
Others	16	79	-	95	101
	16	1,331	115	1,462	752
Total grants	16	36,181	826	37,023	21,515

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

7 Resources expended

	Staff costs £ 000	Premises £ 000	Other costs £ 000	Total 2013 £ 000	Total 2012 £ 000 As restated
Costs of activities for generating funds	-	-	5	5	-
Academy's educational operations					
Direct costs	22,884	-	6,148	29,032	15,662
Allocated support costs	<u>5,196</u>	<u>3,781</u>	<u>2,515</u>	<u>11,492</u>	<u>5,665</u>
	28,080	3,781	8,663	40,524	21,327
Governance costs including allocated support costs	<u>-</u>	<u>-</u>	<u>481</u>	<u>481</u>	<u>433</u>
	<u>28,080</u>	<u>3,781</u>	<u>9,149</u>	<u>41,010</u>	<u>21,760</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

7 Resources expended (continued)

Net incoming/outgoing resources for the year include:

	2013 £ 000	2012 £ 000
Operating leases	538	64
Fees payable to auditor - audit	81	30
- other audit services	-	2
(Profit)/loss on disposal of tangible fixed assets	-	30

8 Charitable activities - Academy's educational operations

	Unrestricted funds £ 000	Restricted funds £ 000	Restricted fixed asset funds £ 000	Total 2013 £ 000	Total 2012 £ 000 As restated
Direct costs					
Teaching and educational support staff costs	378	22,506	-	22,884	11,612
Educational supplies	207	1,503	-	1,710	1,060
Examination fees	6	549	-	555	351
Staff development	25	211	-	236	98
Technology costs	9	330	-	339	51
Educational consultancy	30	972	-	1,002	981
Other direct costs	11	674	-	685	118
Provision of boarding activities	-	79	-	79	-
Depreciation	-	-	1,542	1,542	1,391
	<u>666</u>	<u>26,824</u>	<u>1,542</u>	<u>29,032</u>	<u>15,662</u>
Allocated support costs					
Support staff costs	188	3,535	-	3,723	1,661
FRS 17 service cost adjustment	-	1,119	-	1,119	426
Depreciation	-	-	769	769	463
Maintenance of premises and equipment	38	621	50	709	520
PFI charges	-	261	-	261	36
Technology costs	1	413	-	414	323
Cleaning	1	300	-	301	206
Rent, rates and utilities	49	1,333	-	1,382	825
Insurance	-	359	-	359	263

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

8 Charitable activities (continued)

	Unrestricted funds £ 000	Restricted funds £ 000	Restricted fixed asset funds £ 000	Total 2013 £ 000	Total 2012 £ 000 As restated
Recruitment and support	-	168	-	168	105
Security and transport	26	309	-	335	78
Catering	286	554	-	840	347
Bank interest and charges	2	11	-	13	2
Expected return on pension scheme assets	-	(279)	-	(279)	(191)
Interest on defined benefit pension scheme	-	419	-	419	217
Professional fees	-	93	-	93	58
Other support costs	8	402	-	410	326
Provision of boarding activities	-	434	22	456	-
	<u>599</u>	<u>10,052</u>	<u>841</u>	<u>11,492</u>	<u>5,665</u>
	<u>1,265</u>	<u>36,876</u>	<u>2,383</u>	<u>40,524</u>	<u>21,327</u>

Educational consultancy costs include the support to the Trust's existing academies to aid their school improvement programmes, and the cost of interim principals. Resources were also provided for new and prospective academies to aid them in developing their curriculum models in line with the vision of the Trust. These costs also include the project management costs of bringing new academies into the Trust, this work was fully funded by government grants.

9 Governance costs

	Restricted funds £ 000	Total 2013 £ 000	Total 2012 £ 000
Legal and professional fees	373	373	401
Audit of financial statements	81	81	30
Internal audit fees	23	23	-
Trustees' reimbursed expenses	<u>4</u>	<u>4</u>	<u>2</u>
	<u>481</u>	<u>481</u>	<u>433</u>

The legal and professional fees reflect the work required in advance of admitting academies to the Trust.

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

10 Staff costs

	2013 £ 000	2012 £ 000
Staff costs during the year were:		
Wages and salaries	21,889	10,879
Social security costs	1,650	847
Pension costs	3,192	1,373
Supply teacher costs	917	491
Compensation payments	432	109
	<u>28,080</u>	<u>13,699</u>

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

	2013 No	2012 No
Charitable Activities		
Teachers and educational support	772	304
Administration and support	187	59
Management	10	6
	<u>969</u>	<u>369</u>

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

	2013 No	2012 No
£60,001 - £70,000	8	6
£80,001 - £90,000	2	-
£90,001 - £100,000	1	2
£110,001 - £120,000	2	-
£130,001 - £140,000	1	1
£140,001 - £150,000	-	1
£170,001 - £180,000	1	-

11 (2012 - 8) of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2013, pension contributions for these staff amounted to £159,684 (2012 - £95,868). 4 (2012 - 2) of the above employees participated in the Local Government Pension Scheme, pension contributions amounted to £92,072 (2012 - £39,557).

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

11 Central services

The Trust has provided the following central services to its academies during the year

School improvement
Educational support services
Office of the Chief Executive
Financial services
Human resources
Legal services
Internal and external audit
Enrichment, including sports enrichment
Public relations
Marketing and communications
Governor services, including training
Information technology and management information
Others as arising

The Trust charges for these services on the following basis

A flat percentage based on income received from the Education Funding Agency. This percentage, which is between 2.3% and 5%, is dependent on the specific circumstances of each academy (such as secondary, primary or special school)

The actual amounts charged during the year were as follows

	2013 £ 000
Briar Hill Primary School	51
Cedar Road Primary School	72
Eastfield Academy	38
Edward Heneage Primary Academy	57
Eresby Special School	5
Havelock Academy	185
Hogthorpe Primary Academy	13
Humberston Academy	65
Lodge Park Academy	162
Malcolm Arnold Academy	156
Rockingham Primary School	4
Skegness Grammar School	109
The Arbours Primary Academy	43
Welton CE Primary Academy	23
	<hr/>
	983

12 Trustees' remuneration and expenses

Trustees did not receive any payments, other than expenses, from the Trust in respect of their role as trustees

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

12 Trustees' remuneration and expenses (continued)

During the year ended 31 August 2013, travel and expenses totalling £4,333 (2012 - £2,123) were reimbursed to 5 trustees (2012 - 4)

Related party transactions involving the trustees are set out in note 31

13 Trustees' and officers' insurance

In accordance with normal commercial practice the Trust has purchased insurance to protect trustees, governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2013 was included in the total insurance premia which was reimbursed by the Education Funding Agency

14 Tangible fixed assets

	Freehold land and buildings £ 000	Leasehold land and buildings £ 000	Furniture and equipment £ 000	Motor vehicles £ 000	Computer equipment £ 000	Total £ 000
Cost						
At 1 September 2012	2,642	19,882	479	-	3,932	26,935
Additions	<u>15,788</u>	<u>7,335</u>	<u>1,012</u>	<u>61</u>	<u>491</u>	<u>24,687</u>
At 31 August 2013	<u>18,430</u>	<u>27,217</u>	<u>1,491</u>	<u>61</u>	<u>4,423</u>	<u>51,622</u>
Depreciation						
At 1 September 2012	56	809	353	-	1,759	2,977
Charge for the year	<u>266</u>	<u>516</u>	<u>225</u>	<u>15</u>	<u>1,311</u>	<u>2,333</u>
At 31 August 2013	<u>322</u>	<u>1,325</u>	<u>578</u>	<u>15</u>	<u>3,070</u>	<u>5,310</u>
Net book value						
At 31 August 2013	<u>18,108</u>	<u>25,892</u>	<u>913</u>	<u>46</u>	<u>1,353</u>	<u>46,312</u>
At 31 August 2012	<u>2,586</u>	<u>19,073</u>	<u>126</u>	<u>-</u>	<u>2,173</u>	<u>23,958</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

15 Investments

	Investments £ 000
Cost	
At 1 September 2012	917
Revaluation	26
Additions	587
Disposals	(81)
At 31 August 2013	1,449
Provision	
At 31 August 2013	-
Net book value	
At 31 August 2013	1,449
At 31 August 2012	917

Investments are analysed as follows for all fund holdings in excess of 5%

Fixed interest bonds

	2013	2012
Tesco 5 0% 21/11/2020	4%	6%
National Grid Gas plc 6% 13/05/2038	4%	7%
Phoenix Life 7 25% Perp	6%	7%
Lloyds TSB Bank plc 6 9625% 29/5/2020	4%	5%

Equity and unit trusts

UK investment and unit trusts - fixed income

ishares IBOXX GBP Corporate Bond Fund	6%	9%
ishares IBOXX USD Corporate Bond Fund	6%	10%
Cazenove Investment Strategic Bond	4%	6%

Cash funds

M&G Global Convertibles	6%	9%
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International investments and unit trusts

M&G Global Convertibles STG	6%	8%
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David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

15 Investments (continued)

UK high income

Schroders Unit Trusts Income Maximiser Account	7%	17%
AXA Fund Manager STG	5%	7%
FIF Moneybuilder Income Account	6%	9%
Carphone Warehouse Group plc ord 0 001	13%	-
Talk Talk Telecom Group plc ord 0 001	22%	-

16 Stock

	2013 £ 000	2012 £ 000
Sundry stock	3	-

17 Debtors

	2013 £ 000	2012 £ 000
Trade debtors	89	425
Prepayments	743	153
VAT recoverable	420	258
Other debtors	1,288	338
	<u>2,540</u>	<u>1,174</u>

18 Creditors: amounts falling due within one year

	2013 £ 000	2012 £ 000
Trade creditors	1,687	978
Other taxation and social security	545	274
Other creditors	771	195
Pension scheme creditor	270	109
Accruals	1,118	474
EFA creditor abatement of GAG	107	99
	<u>4,498</u>	<u>2,129</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

19 Creditors amounts falling due after one year

	2013	2012
	£ 000	£ 000
Other creditors	<u>125</u>	<u>14</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

20 Funds

	Balance at 1 September 2012 £ 000	Incoming resources £ 000	Resources expended £ 000	Gains, losses and transfers £ 000	Balance at 31 August 2013 £ 000
Restricted general funds					
General Annual Grant	635	31,470	(31,106)	(778)	221
Start up grants	729	766	(1,150)	(21)	324
Pupil Premium	5	1,480	(1,403)	(19)	63
Special grants	5	1,213	(886)	(63)	269
Local Authority funding	-	1,252	(1,185)	-	67
Donations in lieu of rent	-	556	(556)	-	-
Voluntary income	231	521	(278)	(312)	162
Investment income	66	-	-	(66)	-
Provision of boarding facilities	-	562	(513)	-	49
	<u>1,671</u>	<u>37,820</u>	<u>(37,077)</u>	<u>(1,259)</u>	<u>1,155</u>
Restricted fixed asset funds					
DfE capital grants	2,479	711	(820)	-	2,370
Capital expenditure from grant income	259	115	(545)	1,247	1,076
Private sector capital donations	8	50	(4)	196	250
Donation of transferred assets from local authority	<u>21,775</u>	<u>23,084</u>	<u>(1,014)</u>	<u>-</u>	<u>43,845</u>
	<u>24,521</u>	<u>23,960</u>	<u>(2,383)</u>	<u>1,443</u>	<u>47,541</u>
Restricted pension funds					
Pension reserve	(1,619)	(3,793)	(280)	39	(5,653)
Other restricted funds					
Endowment fund	<u>2,065</u>	<u>637</u>	<u>-</u>	<u>(163)</u>	<u>2,539</u>
Total restricted funds	26,638	58,624	(39,740)	60	45,582
Unrestricted funds					
Unrestricted general funds	<u>673</u>	<u>1,971</u>	<u>(1,270)</u>	<u>12</u>	<u>1,386</u>
Total funds	<u>27,311</u>	<u>60,595</u>	<u>(41,010)</u>	<u>72</u>	<u>46,968</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

20 Funds (continued)

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

(i) General Annual Grant must be used for the normal running costs of the academies. For those academies that joined the Trust before 1 May 2013, each academy is allowed to carry forward up to 12% of the current GAG. Of the carried forward amount, up to 2% of GAG can be used for general purposes at the discretion of the Trust, but any balance over 2% must be used for capital purposes. For those academies that joined the Trust after 30 April 2013 there are no restrictions on the amount of GAG which can be carried forward.

(ii) Pupil Premium is allocated to academies on the basis of deprivation and is intended to support education for children from disadvantaged backgrounds.

(iii) Special grants are awarded by the DfE to boost performance within specific academies. During the year the Trust received grants to support individual schools, including those due to join the Trust in future financial years. In line with other academy trusts David Ross Education Trust received a grant for each school that formally expressed an interest in joining the Trust during the year. The Trust also received a capital maintenance grant which should be used to maintain or improve the academy buildings.

(iv) LA funding relates to funding supplied for pupils with statements of special educational needs and pupils in nurseries around the Trust.

(v) Restricted fixed assets were funded by grants or private sector funding.

(vi) Voluntary income is deemed to be restricted where the funder places conditions on how the income can be spent. During the year the Trust received donations from the David Ross Foundation to fund enhanced support and development in the academies and towards the Trust's enrichment programme.

(vii) The restricted endowment fund is the David Ross Education Trust Endowment Fund. During the year the trustees of the fund passed a resolution allowing for the principal amount of the investment to be used by the Trust for capital projects. The fund has therefore been reclassified from a permanent endowment fund to an expendable endowment fund. The transfer to capital relates to a project commenced during the year. The interest on the endowment is used to counter the educational impact of disadvantage and deprivation, and for educational work within the local communities. This income should not be used to meet the normal running costs of the academies.

(viii) The costs and income associated with the defined benefit pension scheme have been recorded in the restricted non-fixed asset fund. Staff costs are paid from this fund and the pension liability has therefore been aligned with these costs.

(ix) Transfers from restricted funds to restricted fixed asset funds relate to capital expenditure from revenue income, as allowed by the conditions of the grants.

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

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

20 Funds (continued)

	Total £ 000
Briar Hill Primary School	19
Cedar Road Primary School	171
Eastfield Academy	49
Edward Heneage Primary Academy	305
Eresby Special School	154
Havelock Academy	524
Humberston Academy	360
Hogthorpe Primary Academy	83
Lodge Park Academy	178
Malcolm Arnold Academy	701
Skegness Grammar School	(598)
The Arbours Primary Academy	227
Welton CE Primary Academy	135
Rockingham Primary School	30
Endowment	2,539
Central services	203
Total before fixed assets and pension reserve	5,080
Restricted fixed asset fund	47,541
Pension reserve	(5,653)
Total	<u>46,968</u>

Skegness Grammar School is carrying a net deficit of £598,000 on these funds because

Prior to joining the Trust the school employed staff in excess of the requirements of the school, given the number of pupils. A staff restructuring took place during the year, which resulted in some redundancies and some natural attrition. The costs of these redundancies are included within the deficit of £598,000. The Academy considers they are now in a position where staffing numbers correlate with the number of pupils at the school. The Trustees are confident that the academy will continue to provide a full and high quality curriculum. This is evidenced by the substantial improvement in GCSE results for 2012/13 over those of the previous year.

Analysis of academies by cost

Expenditure incurred by each academy during the year was as follows

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

20 Funds (continued)

	Teaching and Educational Support Staff Costs £ 000	Other Support Staff Costs £ 000	Educational Supplies £ 000	Other Costs (excluding Depreciation) £ 000	Total £ 000
Briar Hill Primary School	778	45	82	174	1,079
Cedar Road Primary School	995	43	80	240	1,358
Eastfield Academy	600	29	60	143	832
Edward Heneage Primary Academy	796	107	52	163	1,118
Eresby Special School	229	29	9	15	282
Havelock Academy	4,244	563	625	1,224	6,656
Hogsthorpe Primary Academy	193	25	11	54	283
Humberston Academy	2,608	459	237	502	3,806
King Edward VI Academy	1,791	273	353	388	2,805
Lodge Park Academy	2,450	475	310	402	3,637
Malcolm Arnold Academy	4,419	640	648	1,267	6,974
Rockingham Primary School	75	12	-	-	87
Skegness Grammar School	3,396	735	170	741	5,042
The Arbours Primary Academy	599	52	40	130	821
Welton CE Primary Academy	337	52	13	44	446
Central services	125	764	996	1,171	3,056
Trust	<u>23,635</u>	<u>4,303</u>	<u>3,686</u>	<u>6,658</u>	<u>38,282</u>

The above represents the expenditure incurred before the adjustments required under Financial Reporting Standard 17 (FRS17) Retirements Benefits in respect of the local government pension scheme

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

21 Analysis of net assets between funds

	Unrestricted funds £ 000	Restricted general funds £ 000	Restricted fixed asset funds £ 000	Endowment fund £ 000	Total funds £ 000
Tangible fixed assets	-	-	46,312	-	46,312
Investments	-	-	-	1,449	1,449
Current assets	1,386	5,778	1,229	1,090	9,483
Current liabilities	-	(4,498)	-	-	(4,498)
Creditors over 1 year	-	(125)	-	-	(125)
Pension scheme liability	-	(5,653)	-	-	(5,653)
Total net assets	<u>1,386</u>	<u>(4,498)</u>	<u>47,541</u>	<u>2,539</u>	<u>46,968</u>

22 Capital commitments

	2013 £ 000	2012 £ 000
Contracted for, but not provided in the financial statements	<u>3,433</u>	<u>-</u>

23 Financial commitments

Operating leases

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

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

23 Financial commitments (continued)

Operating leases which expire.

	2013 £ 000	2012 £ 000
Land and buildings		
Within one year	6	-
Over five years	331	106
	<u>337</u>	<u>106</u>
Other		
Within one year	53	5
Within two to five years	136	32
Over five years	5	-
	<u>194</u>	<u>37</u>

24 Reconciliation of net income to net cash inflow/(outflow) from operating activities

	2013 £ 000	2012 £ 000
Net income	19,585	939
Depreciation	2,333	1,822
Loss on disposal of fixed asset	-	30
Donations in kind on academy conversion	(23,084)	-
Donated capital and capital grants	(876)	(2,080)
Endowment fund receipts	(637)	-
Interest receivable	(140)	(81)
FRS 17 expected return on scheme assets	(279)	(191)
FRS 17 interest on defined benefit pension scheme	419	217
FRS17 service cost adjustment net of contributions payable	140	(21)
Increase in stocks	(3)	-
Increase in debtors	(1,336)	(573)
Increase in creditors	2,480	38
FRS17 pension liability transferred on conversion	3,793	199
Cash transferred on conversion to an academy trust	(997)	-
Net cash inflow from operating activities	<u>1,398</u>	<u>299</u>

25 Returns on investments and servicing of finance

	2013 £ 000	2012 £ 000
Interest received	140	81
Net cash inflow from returns on investments and servicing of finance	<u>140</u>	<u>81</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

26 Capital expenditure and financial investment

	2013 £ 000	2012 £ 000
Purchase of tangible fixed assets	(1,553)	(2,565)
Purchase of investments	(50)	(438)
Sale of investments	88	143
Capital grants from DfE	711	2,080
Capital grants from others	115	-
Endowment fund income	100	-
Net cash outflow from capital expenditure and financial investment	<u>(589)</u>	<u>(780)</u>

27 Analysis of changes in net funds

	At 1 September 2012 £ 000	Cash flows £ 000	At 31 August 2013 £ 000
Cash at bank and in hand	<u>5,024</u>	<u>1,916</u>	<u>6,940</u>

28 Contingent liabilities

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Trust is required either to re-invest the proceeds or to repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Trust serving notice, the Trust shall repay to the Secretary of State sums determined by reference to

- (a) the value at that time of the Trust's site and premises and other assets held for the purpose of the Trust and
- (b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement

Upon termination of the Funding Agreement the Trust's pension liability is expected to transfer to any successor organisation

29 Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before he/she ceases to be a member

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations

The Academy's employees belong to two principal pension schemes the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff 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 August 2010

Contributions amounting to £270,212 (2012 - £109,000) were payable to the schemes at 31 August 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 produce that real rate of return

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

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.

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £1,276,000 (2012 - £587,000), of which employer's contributions totalled £979,000 (2012 - £447,000) and employees' contributions totalled £297,000 (2012 - £140,000). The agreed contribution rates for future years are between 19.4% and 27.2% per cent for employers (rates vary across academies) and vary according to salary for employees.

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

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

Trust employees are members of one of three schemes: those at academies within North East Lincolnshire are members of the East Riding Pension Fund, those in Northamptonshire are members of the Northamptonshire Pension Fund and those in Lincolnshire are members of the Lincolnshire Pension Fund. Each scheme is reported on separately below.

As detailed in the notes below, all three schemes were in deficit at the end of the financial period. In order to repay this deficit all employer contribution rates incorporate additional contributions in respect of a past service adjustment. This rate varies per academy, the repayment period varies per scheme, falling between 10 and 20 years.

East Riding Pension Fund

[Edward Heneage Primary Academy, Havelock Academy and Humberston Academy]

Principal actuarial assumptions

	At 31 August 2013 %	At 31 August 2012 %
Rate of increase in salaries	5.10	4.50
Rate of increase for pensions in payment/inflation	2.80	2.20
Discount rate for scheme liabilities	4.60	4.10
Inflation assumptions (CPI)	2.90	2.10
RPI increases	3.70	2.90
Commutation of pensions to lump sums	<u>65.00</u>	<u>65.00</u>

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

	At 31 August 2013	At 31 August 2012
Retiring today		
Males retiring today	22.90	22.90
Females retiring today	25.70	25.70
Retiring in 20 years		
Males retiring in 20 years	24.90	24.90
Females retiring in 20 years	<u>27.70</u>	<u>27.70</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

The Trust's share of the assets and liabilities in the scheme were

	At 31 August 2013 £ 000	At 31 August 2012 £ 000
Equities	2,474	1,678
Bonds	321	276
Property	193	184
Cash	224	161
Total market value of assets	3,212	2,299
Present value of scheme liabilities - funded	(4,627)	(3,453)
Deficit in the scheme	(1,415)	(1,154)

The expected rates of return were

	At 31 August 2013 %	At 31 August 2012 %
Equities	6.70	5.50
Bonds	3.80	3.40
Property	4.70	3.70
Cash	3.60	2.80

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on scheme assets was £373,000

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

Amounts recognised in the statement of financial activities

	2013 £ 000	2012 £ 000
Current service cost	443	299
Inherited on conversion	269	-
Total operating charge	<u>712</u>	<u>299</u>

Analysis of pension finance income/(costs)

	2013 £ 000	2012 £ 000
Expected return on pension scheme assets	(127)	(121)
Interest on pension liabilities	165	146
Pension finance costs	<u>38</u>	<u>25</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £228,000 loss (2012 - £ 318,000 loss)

Movements in the present value of defined benefit obligation

	2013 £ 000	2012 £ 000
At 1 September	3,453	2,516
Inherited on conversion	333	-
Current service cost	443	299
Interest cost	165	146
Employee contributions	120	96
Actuarial losses	155	417
Benefits paid	<u>(42)</u>	<u>(21)</u>
At 31 August	<u>4,627</u>	<u>3,453</u>

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

	2013 £ 000	2012 £ 000
At 1 September	2,299	1,745
Inherited on conversion	64	-
Expected return on assets	127	121
Actuarial gains	245	37
Employer contributions	399	321
Employee contributions	120	96
Benefits paid	<u>(42)</u>	<u>(21)</u>
At 31 August	<u>3,212</u>	<u>2,299</u>

The estimated value of employer contributions for next period is £484,000

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

History of experience adjustments

Amounts for the current and previous 4 periods are as follows

	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000	2009 £ 000
Present value of scheme liabilities	(4,627)	(3,453)	(2,516)	(1,574)	(1,273)
Fair value of scheme assets	3,212	2,299	1,745	1,093	801
Deficit in the scheme	(1,415)	(1,154)	(771)	(481)	(472)
	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000	2009 £ 000
Experience adjustments arising on scheme assets	243	37	170	78	106
Experience adjustments arising on scheme liabilities	-	-	-	1	108

Northamptonshire Pension Fund

[Briar Hill Primary School, Cedar Road Primary School, Eastfield Academy, Lodge Park Academy, Malcolm Arnold Academy, Rockingham Primary School, The Arbours Primary Academy, Welton CE Primary Academy]

Principal actuarial assumptions

	At 31 August 2013 %	At 31 August 2012 %
Rate of increase in salaries	5.1	4.5
Rate of increase for pensions in payment/inflation	2.8	2.2
Discount rate for scheme liabilities	4.6	4.1
Inflation assumptions (CPI)	2.9	2.9
RPI increases	3.7	2.1
Commutation of pensions to lump sums	75.0	75.0

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

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

	At 31 August 2013	At 31 August 2012
Retiring today		
Males retiring today	21 40	21 40
Females retiring today	23 30	23 30
Retiring in 20 years		
Males retiring in 20 years	23 40	23 40
Females retiring in 20 years	25 50	25 50

The Trust's share of the assets and liabilities in the scheme were

	At 31 August 2013	At 31 August 2012
	£000	£000
Equities	2,150	947
Bonds	530	315
Property	147	82
Cash	118	27
Total market value of assets	2,945	1,371
Present value of scheme liabilities - funded	(5,367)	(1,836)
Deficit in the scheme	(2,422)	(465)

The expected rates of return were

	At 31 August 2013	At 31 August 2012
	%	%
Equities	6 70	5 50
Bonds	3 50	3 00
Property	4 70	3 70
Cash	3 60	2 80

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on the scheme assets was £267,000

Amounts recognised in the statement of financial activities

	At 31 August 2013 £ 000	At 31 August 2012 £ 000
Current service cost	399	127
Inherited on conversion	1,811	199
Total operating charge	<u>2,210</u>	<u>326</u>

Analysis of pension finance income/(costs)

	At 31 August 2013 £ 000	At 31 August 2012 £ 000
Expected return on pension scheme assets	(99)	(70)
Interest on pension liabilities	150	71
Pension finance costs	<u>51</u>	<u>1</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £116,000 loss (2012 - £58,000 loss).

Movements in the present value of defined benefit obligation

	At 31 August 2013 £ 000	At 31 August 2012 £ 000
At 1 September	1,836	1,175
Inherited on conversion	2,650	256
Current service cost	399	127
Interest cost	150	71
Employee contributions	107	44
Actuarial losses	225	163
At 31 August	<u>5,367</u>	<u>1,836</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

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

	At 31 August 2013 £ 000	At 31 August 2012 £ 000
At 1 September	1,371	1,039
Inherited on conversion	839	57
Expected return on assets	99	70
Actuarial gains	167	35
Employer contributions	362	126
Employee contributions	107	44
At 31 August	<u>2,945</u>	<u>1,371</u>

The estimated value of employer contributions for next period is £529,000

History of experience adjustments

Amounts for the current and previous 3 periods are as follows,

	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000
Present value of scheme liabilities	(5,367)	(1,836)	(1,175)	-
Fair value of scheme assets	2,945	1,371	1,039	-
	<u>(2,422)</u>	<u>(465)</u>	<u>(136)</u>	<u>-</u>
Experience adjustments arising on scheme assets	167	35	(38)	-
Experience adjustments arising on scheme liabilities	148	-	-	-

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

Lincolnshire Pension Fund

[Eresby Special School, Hogsthorpe Primary Academy, King Edward VI Academy, Skegness Grammar School]

Principal actuarial assumptions

	At 31 August 2013	At 31 August 2012
	%	%
Rate of increase in salaries	5.10	-
Rate of increase for pensions in payment/inflation	2.80	-
Discount rate for scheme liabilities	4.60	-
Inflation assumptions (CPI)	2.90	-
RPI increases	3.70	-
Commutation of pensions to lump sums	63.00	-

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

	At 31 August 2013	At 31 August 2012
Retiring today		
Males retiring today	21.20	-
Females retiring today	23.40	-
Retiring in 20 years		
Males retiring in 20 years	23.70	-
Females retiring in 20 years	25.70	-

The Trust's share of the assets and liabilities in the scheme were

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
Equities	1,157	-
Bonds	180	-
Property	165	-
Cash	-	-
Total market value of assets	1,502	-
Present value of scheme liabilities - funded	(3,318)	-
Deficit in the scheme	(1,816)	-

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

The expected rates of return were

	At 31 August 2013	At 31 August 2012
	%	%
Equities	6.60	-
Bonds	4.30	-
Property	4.70	-
Cash	3.60	-

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on the scheme assets was £139,000

Amounts recognised in the statement of financial activities

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
Current service cost	277	-
Inherited on conversion	1,713	-
Total operating charge	1,990	-

Analysis of pension finance income/(costs)

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
Expected return on pension scheme assets	(53)	-
Interest on pension liabilities	104	-
Pension finance costs	51	-

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a gain of £7,000.

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

Movements in the present value of defined benefit obligation

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
At 1 September	-	-
Inherited on conversion	2,788	-
Current service cost	277	-
Interest cost	104	-
Employee contributions	70	-
Actuarial losses	79	-
At 31 August	3,318	-

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

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
At 1 September	-	-
Inherited on conversion	1,075	-
Expected return on assets	53	-
Actuarial gains	86	-
Employer contributions	218	-
Employee contributions	70	-
At 31 August	1,502	-

The estimated value of employer contributions for next period is £236,000

History of experience adjustments

Amounts for the current and previous period are as follows,

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
Present value of scheme liabilities	(3,318)	-
Fair value of scheme assets	1,502	-
Deficit in the scheme	(1,816)	-

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
Experience adjustments arising on scheme assets	86	-
Experience adjustments arising on scheme liabilities	-	-

Total of all schemes

The Trust's share of the assets and liabilities in the scheme were

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
Equities	5,781	2,625
Bonds	1,031	591
Property	505	266
Cash	342	188
Total market value of assets	7,659	3,670
Present value of schemes' liabilities - funded	(13,312)	(5,285)
Deficit in the schemes	(5,653)	(1,619)

Amounts recognised in the statement of financial activities

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
Current service cost	1,119	426
Inherited on conversion	3,793	199
Total operating charge	4,912	625

Analysis of pension finance income/(costs)

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
Expected return on pension scheme assets	(279)	(191)
Interest on pension liabilities	419	217
Pension finance costs	140	26

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a deficit of £337,000.

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

Movements in the present value of defined benefit obligation

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
At 1 September	5,289	3,691
Inherited on conversion	5,771	256
Current service cost	1,119	426
Interest cost	419	217
Employee contributions	297	140
Actuarial losses	459	580
Benefits paid	(42)	-
At 31 August	<u>13,312</u>	<u>5,289</u>

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

	At 31 August 2013	At 31 August 2012
	£ 000	£ 000
At 1 September	3,670	2,784
Inherited on conversion	1,978	57
Expected return on assets	279	191
Actuarial gains	498	72
Employer contributions	979	447
Employee contributions	297	140
Benefits paid	(42)	(21)
At 31 August	<u>7,659</u>	<u>3,670</u>

The estimated value of employer contributions for next period is £1,249,000

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

30 Pension and similar obligations (continued)

History of experience adjustments

Amounts for the current and previous four periods are as follows

	2013	2012	2011	2010	2009
	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of scheme liabilities	(13,312)	(5,289)	(3,691)	(1,574)	(1,273)
Fair value of scheme assets	7,659	3,670	2,784	1,093	801
Deficit in the scheme	<u>(5,653)</u>	<u>(1,619)</u>	<u>(907)</u>	<u>(481)</u>	<u>(472)</u>
	2013	2012	2011	2010	2009
	£ 000	£ 000	£ 000	£ 000	£ 000
Experience adjustments arising on scheme assets	496	72	132	78	106
Experience adjustments arising on scheme liabilities	148	-	-	1	108

31 Related party transactions

During the year the Trust contracted the services of educational consultants, CYPF Development Services Limited, a company which employs a number of specialists in education. Mrs H Stevenson, a member of the Trust's senior leadership team, is a shareholder and director in the consultancy business. The total cost of the services during the period amounted to £616,270 (2012 £696,100). At the year end amounts outstanding totalled £119,183 (2012 £247,563). As a large majority of these costs are funded by Government grants the Trustees sought and received assurances from the DfE that, so long as the Trust's rigorous procurement procedures were applied, the Trust would be permitted to employ external educational specialists. All transactions were in accordance with the academy's financial regulations and normal procurement procedures. The Trustees consider this was an arm's length transaction at normal commercial rates.

During the year the Trust purchased goods and services from businesses connected to trustees: British Olympic Association - £32,937, mainly for sporting equipment; Duncan & Toplis - £26,250 for internal audit services and, Grantham Investments Limited - £5,071 for the letting of office premises. These were purchased at arm's length in accordance with the Trust's financial regulations and normal procurement procedures. Mr D Ross and Mr M Bolland are trustees of the David Ross Foundation, which, during the year ended 31 August 2013, allowed the Trust use of its office space without charge. This has been valued at £65,000. The Foundation also made specific donations of £500,000 and input a further £100,000 into the endowment fund. The monies donated include £50,000 which was given for the specific purpose of establishing a model farm on farmland within the estate of Nevill Holt (the Leicestershire home of David Ross) for use by the academies and other schools in the local area. The Foundation also gifted shares to the Trust valued at £536,695 and donated artwork valued at £50,000.

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

32 Post balance sheet events

From 1 September 2013 the Trust has admitted further academies as follows

1 September 2013

- i) Charles Read Academy, a secondary school in Grantham,
- ii) Newnham Primary School, a primary school located near to Daventry

1 October 2013

- i) Wold Academy, a primary school in Hull

1 November 2013

- i) Endike Academy, a primary school in Hull,
- ii) Greenfields Primary School, a primary school in Kettering,
- iii) Thomas Hinderwell Primary Academy, a primary school in Scarborough

1 December 2013

- i) Abbey Church of England Academy, a primary school in Daventry
- ii) Anthonpe Primary School, a primary school in Hull

Further schools are expected to join the Trust in the coming year

In addition, the Trust has been given approval to establish two free schools the Malcolm Arnold Preparatory School, in Northampton, is anticipated to open 1 September 2014 and the Legatum Free School, based on the Olympic Park in London, which is planned to open 1 September 2015

During October 2013 the David Ross Foundation gifted shares to the Trust. At the date these shares were gifted they were valued at £1,021,000

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

33 Academy boarding trading account for the year ended 31 August 2013

	£ 000
Income	
Fee income	405
Other income	1
Transferred in on conversion	156
	<u>562</u>
Expenditure - Direct costs	
Other direct costs	79
Expenditure - Indirect costs	
Staff costs	354
Utilities	33
Rent and rates	2
Security	2
Buildings maintenance	23
Depreciation	22
Other indirect costs	20
Total indirect costs	<u>456</u>
Total operating costs	<u>535</u>
Surplus carried forward at 31 August 2013	<u>27</u>

34 Conversion to an academy trust

During the year eleven schools joined the Trust, all the operations assets and liabilities were transferred to David Ross Education Trust from the appropriate local authority for £Nil consideration in all cases

The transfers have been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Financial Activities as voluntary income.

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

The following tables set out the fair values of the identifiable assets and liabilities and an analysis of their recognition in the SOFA. These figures exclude the deficits introduced in respect of the local government pension schemes, details of which are included in the note headed "Pensions and similar obligations"

Hogsthorpe Primary Academy

[conversion date 1 September 2012 - Lincolnshire County Council]

	Unrestricted fund £ 000	Restricted general fund £ 000	Restricted fixed asset fund £ 000	Total £ 000
Tangible fixed assets				
Other tangible fixed assets	-	-	15	15
Budget surplus on LA funds	68	-	-	68
Net assets	<u>68</u>	<u>-</u>	<u>15</u>	<u>83</u>

The above net assets include £68,000 that were transferred as cash

King Edward VI Academy

[conversion date 1 September 2012 - Lincolnshire County Council]

	Unrestricted fund £ 000	Restricted general fund £ 000	Restricted fixed asset fund £ 000	Total £ 000
Tangible fixed assets				
Freehold land and buildings	-	-	2,800	2,800
Other tangible fixed assets	-	-	148	148
Net assets	<u>-</u>	<u>-</u>	<u>2,948</u>	<u>2,948</u>

The above net assets include £nil that were transferred as cash

Skegness Grammar School

[conversion date 1 September 2012 - Lincolnshire County Council]

	Unrestricted fund £ 000	Restricted general fund £ 000	Restricted fixed asset fund £ 000	Total £ 000
Tangible fixed assets				
Freehold land and buildings	-	-	5,530	5,530
Other tangible fixed assets	-	-	285	285
Budget surplus on LA funds	322	-	-	322
Other identified assets and liabilities	-	(97)	-	(97)
Net assets	<u>322</u>	<u>(97)</u>	<u>5,815</u>	<u>6,040</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

The above net assets include £322,000 that were transferred as cash

Edward Heneage Primary Academy

[conversion date 1 October 2012 - North East Lincolnshire Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	5,355	5,355
Other tangible fixed assets	-	-	65	65
Budget surplus on other school funds	158	-	-	158
Net assets	<u>158</u>	<u>-</u>	<u>5,420</u>	<u>5,578</u>

The above net assets include £158,000 that were transferred as cash

Welton CE Primary Academy

[conversion date 1 October 2012 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Other tangible fixed assets	-	-	27	27
Budget surplus on LA funds	108	-	-	108
Net assets	<u>108</u>	<u>-</u>	<u>27</u>	<u>135</u>

The above net assets include £108,000 that were transferred as cash

Briar Hill Primary School

[conversion date 1 November 2012 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Other tangible fixed assets	-	-	42	42
Budget surplus on LA funds	15	-	-	15
Net assets	<u>15</u>	<u>-</u>	<u>42</u>	<u>57</u>

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

The above net assets include £15,000 that were transferred as cash

Eastfield Primary Academy

[conversion date 1 November 2012 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Other tangible fixed assets	-	-	30	30
Budget surplus on LA funds	47	-	-	47
Net assets	47	-	30	77

The above net assets include £47,000 that were transferred as cash

The Arbours Primary Academy

[conversion date 1 January 2013 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Other tangible fixed assets	-	-	40	40
Budget surplus on LA funds	158	-	-	158
Net assets	158	-	40	198

The above net assets include £158,000 that were transferred as cash

Lodge Park Academy

[conversion date 1 January 2013 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Freehold land and buildings	-	-	6,695	6,695
Other tangible fixed assets	-	-	183	183
Net assets	-	-	6,878	6,878

The above net assets include £nil that were transferred as cash

David Ross Education Trust

Notes to the Financial Statements for the Year Ended 31 August 2013

Eresby Special School

[conversion date 1 May 2013 - Lincolnshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	645	645
Other tangible fixed assets	-	-	38	38
Budget surplus on LA funds	92	-	-	92
Net assets	92	-	683	775

The above net assets include £92,000 that were transferred as cash

Rockingham Primary School

[conversion date 1 August 2013 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	1,130	1,130
Other tangible fixed assets	-	-	56	56
Budget surplus on LA funds	30	-	-	30
Net assets	30	-	1,186	1,216

The above net assets include £30,000 that will be transferred as cash. This amount is included in debtors

TOTAL

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Freehold and leasehold land and buildings	-	-	22,155	22,155
Other tangible fixed assets	-	-	929	929
Budget surplus on LA funds	997	-	-	997
Other identified assets and liabilities	-	(97)	-	(97)
Net assets	997	(97)	23,084	23,984

The above net assets include £997,000 that were transferred as cash, of which £30,000 is included in debtors