



KNIGHTS LOWE

Chartered Accountants • Business Advisers

Priory School

(A Company Limited by Guarantee)

Annual Report and Financial Statements

Period ended 31 August 2012

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Company Registration Number 7729941

Priory School 7729941

Contents	Page
Reference and Administrative Details	3
Governors' Report	4
Governance Statement	10
Statement on regularity, propriety and compliance	13
Statement of Governors' Responsibilities	14
Independent Auditor's Report	15
Independent Reporting Accountant's Assurance Report on Regularity to Priory School and the Education Funding Agency	17
Statement of Financial Activities incorporating Income & Expenditure Account	19
Balance Sheet	20
Cash Flow Statement	21
Notes to the Financial Statements, incorporating	
Statement of Accounting Policies	22
Other Notes to the Financial Statements	25

Prory School 7729941

Reference and Administrative Details of the Academy, its Governors and Advisors

Governors / Trustees'

* = members of the Finance and General Purpose Committee

Roger Mackenzie, Headteacher*
 Maureen Eade*
 Alfred Percival*
 Helen Rush
 Valerie Fletcher
 Rosemary Varley*
 Khin Win
 Michael Truman*
 Henry Ford*
 Brendan Routledge
 Sara McRae
 Amanda Byham

Secretary

Barbara Parker

Senior Managers

- Headteacher
- Deputy Headteacher
- School Business Manager
- Head of Care

Roger Mackenzie
 Sue Barlow
 Barbara Parker
 Georgina Lewis

Registered Office

Mount Road, Bury St Edmunds,
 Suffolk, IP32 7BH

Company Registration Number

7729941

Senior Statutory Auditor

Daniel Mead

Auditors

Knights Lowe Limited
 Chartered Accountants & Statutory
 Auditors
 Eldo House
 Kempson Way
 Suffolk Business Park
 Bury St Edmunds
 Suffolk, IP32 7AR

Bankers

Lloyds TSB plc
 Risbygate Branch
 PO Box 1000
 BX1 1LT

Solicitors

Stone King
 Wellington House
 East Road
 Cambridge
 CB1 1BH

Priory School 7729941

Governors' Report

The governors present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2012

The financial statements have been prepared in accordance with the accounting policies on pages 22 to 24 of the attached financial statements, and comply with the charitable company's memorandum and articles of association, the Companies Act 1985 and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" as issued in March 2005 (SORP 2005)

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The governors act as the trustees for the charitable activities of Priory School and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Priory School, Suffolk.

Details of the governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 3.

Members' Liability

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

Governors' Indemnities

There were no provisions required for third party indemnity.

Principal Activities

The Academy Trust's principal activities are as follows, and are set out in the Articles of Association and Funding Agreement:

- i) To manage the budget as allocated by the Education Funding Agency
- ii) To provide education to pupils in line with each one's Statement of Educational Need
- iii) To establish and maintain a broad and balanced curriculum
- iv) To promote for the benefit of the people of Bury St Edmunds and the surrounding area the provision of facilities for recreation and leisure time activities, with priority given for pupils with Special Educational Needs
- v) To establish, maintain, carry on, manage and develop the Academy at Mount Road, Bury St Edmunds, Suffolk, IP32 7BH

Method of Recruitment and Appointment or Election of Governors

The management of the company is the responsibility of the governors who are appointed under the terms of the Articles of Association.

Governors are subject to retirement after a term of 4 years. After the term they are eligible for re-election at the meeting at which they retire.

The recruitment of parent governors is carried out by nomination of parents and an election if more than one is nominated.

Staff governors are nominated and an election is held if more than one is nominated. Other governors are appointed with reference to their individual skill in order to maintain a governing body representing education, health, social services, business, finance and the law. A skills audit is used to identify any significant gaps. Associate governors can be appointed when individual skills are needed in any area.

All new Governors will be given a tour of the Academy if they have no previous knowledge of the Academy. Opportunities will be provided for meetings with staff and students. All governors are provided with copies of policies and procedures. They are given access to minutes, accounts, budgets, plans and other documents.

Priory School 7729941

that they will need to undertake their role as governors. As there are only one or two new governors a year, induction will be undertaken by an experienced named governor and will be tailored specifically to the individual taking into account previous knowledge and experience.

Policies and Procedures Adopted for the Induction and Training of Governors

In the academic year 2011/2012 the governors held 6 Full Governing Body meetings, 2 Curriculum Committee meetings and 4 Finance and General Purpose Committee meetings. In addition, 3 meetings were held with the Chairman, Vice Chairman and Headteacher as the Steering Committee. Further training was made available from external sources.

The training and induction provided for new Governors will depend on their existing experience. Where necessary, induction will provide training on charity and educational legal and financial matters. In addition, a training event has been planned for the autumn term 2012, covering Governors' responsibilities and changes in the new Charities SORP.

Organisational Structure

The management structure consists of 12 governors, 3 Governing Body Committees and the Senior Management Team consisting of Headteacher, Deputy Headteacher, Business Manager and Head of Care. The Governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making major decisions about the direction of the Academy, capital expenditure and senior staff appointments. Committees of the Governing body have delegated responsibilities. The following committees have functioned during the 2011/2012 Academic Year: Steering Committee, Curriculum Committee, Finance and General Purposes Committee, Hearings Committee, Appeals Committee and Pupil Discipline Committee.

The Senior Management Team controls the Academy at an executive level implementing the policies laid down by the Governors and reporting back to them. The Headteacher is the Accounting Officer.

Risk Management

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

The Chair of Governors and the Headteacher have conducted an initial risk assessment and this is now with 3 governors with a range of expertise including finance, business and law. The major risks to which the Academy is exposed are identified as unexpected costs which affect the budget plans, e.g., major resource replacements for IT, government initiatives which could impact on the number of children who are referred to the school and Special Educational Needs tribunals which could inflate the school roll without the necessary financial adjustments for a significant period of time after pupil admission. There could also be the development of more Free Schools focussing on the group of pupils admitted to Priory School. A number of systems are in place to ensure that teaching and learning are safeguarded as a priority. The Health and Safety Committee has established review systems that identify any problems at an early stage thus preventing any escalation of difficulties. Policies are well established and understood by all adults thus ensuring that any bullying is dealt with promptly. School trips follow established safety procedures. Every attempt is made to minimise risk with continuous review of procedures.

Statement on the system of internal financial control

The governors have overall responsibility for ensuring that the Academy has an effective and appropriate system of control, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Academy and enable them to ensure the financial statements comply with the Companies Act. The governors also acknowledge responsibility for safeguarding the assets of the Academy and henceforth taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that

- The Academy is operating efficiently and effectively
- Its assets are safeguarded against unauthorised use or disposition
- The proper records are maintained and financial information used within the Academy or for publication is reliable
- The Academy complies with relevant laws and regulations

Priory School 7729941

The Governors accept that it is not possible to alleviate all element of risk and adequate insurance cover is in place. The Academy has an effective system of internal financial controls and this is explained in more detail in the Governance Statement (page 10)

Connected Organisations, including Related Party Relationships

The school is involved in a number of networks and provides multi-disciplinary teamwork as a key priority. At local level the school leads the SEN 14-19 West Suffolk Partnership and the West Suffolk Outreach Service. At a local and regional level the school is involved in moderation networks to ensure consistency of assessment. At national and regional level the school is involved in the development of special academies and the school is involved in exploring new funding systems for SEN. The outreach service promotes SEN support at local, regional and national levels via network systems.

The Education Management Team (EMT) is involved in network meetings with fellow professionals at local and regional level. The school is involved in community networks with the local cycling club (West Suffolk Wheelers), the Samaritans, The Green Light Trust and a range of community and business organisations.

Objectives and Activities

In line with the Academy's Statement of Intent Priory School promotes and seeks to achieve the following for every student:

- i) High quality education, achieved by giving paramount consideration to the needs of the students – social, emotional, educational and spiritual
- ii) Developing the school's capacity as an extended school, enhancing the range of experiences available to each student, offering them increasing opportunity for personal, social, intellectual, physical and spiritual development
- iii) Continue to work to ensure Priory School has a central place within the wider community
- iv) Disability equality

Objects and Aims – in line with Priory School's Development Plan

- 1) The school will continue to embed the teaching of literacy across all areas of the curriculum in order to improve the progress for all pupils in the acquisition of literacy skills
- 2) The school will extend the use of personalised learning, interventions and data analysis to ensure pupils make maximum progress against the stated targets
- 3) The successful bid for a Capital Build Grant will be used to improve the accommodation and resources in the light of the anticipated raising of the school leaving age, increasing roll and complexity of need, thus improving the quality of learning opportunities for an increasing number of pupils
- 4) The school will continue to improve communication with pupils, parents, staff, governors and the community through increased use of ICT systems, thus enabling everyone to be fully aware of what the school is trying to provide and achieve
- 5) There will be an extension to the outreach service and joint working with outside agencies, thus improving the effectiveness of the service which will enable the school to support colleagues both locally and through local, regional and national partnerships, also more efficient use of the resources and inter-agency cooperation will enable the school to support a greater number of pupils more effectively

Objectives, Strategies and Activities

The following is a brief summary of some of the main objectives of the school during the last year towards which it acted:

The school has supported charitable activities both locally and internationally. Charitable events are instigated through the school council and then promoted through charity activities including sponsored walks, cycle rides, discos and non-uniform days.

Charities supported this year:

Locally

- Help for Heroes
- British Heart Foundation
- St Nicholas Hospice
- Friends of Priory School
- Cancer Research

Priory School 7729941

Internationally

- Aid to Hospitals World Wide – Atitlan Hospital, Guatemala
- Support for a range of schools in Ghana via personal contacts

The main objectives of the Academy in its first year since becoming established in September 2011 include

- Establish financial control which would allow for continuous monitoring of expenditure thus ensuring adequate funds for planned changes
- Continue to work closely with the Local Authority, buying in packages of support as needed
- Increase staffing to support the pupils with complex needs
- Plan for the raising of the school leaving age, including making a bid for capital funding for additional classrooms
- Re-establish the support staff annual incremental increase, subject to performance management recommendations
- Extend the governing body to include associate governors as a result of the audit of governor skills and the identification of areas needing strengthening
- Develop a rigorous, on going school development plan

Public Benefit

The Academy Trust governors have complied with their duty to have due regard to the guidance on public benefits as published by the Charity Commission

The school provides the following public benefits

- Outreach services to other schools
- West Suffolk Wheelers cycle club – club house and access to school field
- Samantans use/access School Conference Room
- Fire & Rescue Service use/access School Conference Room facilities
- Skills Centre workshops/Food Technology Room available for local use
- School worked with Olympic Association to produce a mosaic for the town

Achievements and Performance

The Academy has successfully managed its first year in spite of a range of difficulties, including late details of allocation, late transfer of funds, an extended period challenging the LGPS repayment periods, with a successful outcome bring the academy repayments in line with LA schools and colleges, the budget has finally become clear and systems for recording are well established

A stable teaching staff has been strengthened through the recruitment of new teachers who have brought additional skills to the Academy

The audit of pupils needs was accurate and on application for additional pupil places has raised the total number of funded places to 120

External links with other special schools, the local colleges and other businesses has been strengthened

The achievements of the pupils have been a strong feature of the school, as has their attainment in external accredited examination and their progress against school-based targets

An analysis of pupil progress data for 2011/2012 shows that 99% of pupil progress was above the thresholds of expectation (CASPA) Pupil performance in public examinations at KS4 resulted in 103 Entry Level passes and 21 GCSE passes

Going Concern

After the monitoring of all budget statements and financial information, the Governing Body has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies

Prory School 7729941

Key Financial Performance Indicators

Prory School converted to Academy status in September 2011 a school rated "outstanding" by OFSTED in January 2010

The total number of students on role in the year ended 31 August 2012 numbered 121 From 1st September 2012 the Academy has a PAN (Pupil Admissions Number) each year of 120 (previously 110)

The governors are aware of the increasing popularity of Prory School and the increasing propensity of parents to take the Tribunal route in order to secure a place at Prory School During the Academic Year 2012/13 the Headteacher and the LA Special Needs Officer have been mindful of the need to avoid Tribunals and have therefore offered places accordingly

Financial Review

Most of the Academy's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes These grants received from the Education Funding Agency (EFA) during the year ended 31 August 2012 and the associated expenditure are shown as restricted funds in the statement of financial activities

The Academy also has been in receipt of capital grants from the EFA through the bid process for Capital maintenance fund 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 asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned

During the year ended 31 August 2012, total expenditure of £2,010,340 was more than covered by recurrent grant funding from the EFA together with other incoming resources The excess of income over expenditure for the year (excluding restricted fixed asset funds) was £244,711

At 31 August 2012 the net book value of fixed assets was £5,329,325 and movements in tangible fixed assets are shown in the note 13 to the financial statements The assets were used exclusively for providing education and the associated support services to the pupils of the Academy

Upon Academy conversion, a number of assets have been recognised as gifted to the Academy These include fixed assets of £5,378,163 and unspent delegated budget upon closure of the Local Authority School of £162,819

In accordance with FRS17, the Academy received an actuarial assessment of the pension scheme deficit The deficit balance is included within the balance sheet as at 31 August 2012 and supporting notes to the accounts 27

Financial and Risk Management Objectives and Policies

The school identifies and manages the impact of cash flow by projecting cash flow based on cash 'in flows' and 'out flows' at the start of the year and regular monitoring of bank statements Future budgets are monitored in line with the School Development Plan and staffing levels/costs The school is repaying pension deficit as per the actuary advice for Suffolk Pension Fund over 20 years

Principal Risks and Uncertainties

As an Academy School, the level of financial risk mainly occurs around certainty of year on year funding, cash flow and actuarial assessed pension fund deficit

Reserves Policy

The Academy held fund balances at 31 August 2012 of £5,639,482 comprising of restricted funds, of which £5,394,771 relate to the restricted fixed asset fund £132,279 unrestricted funds and a pension reserve deficit of £654,000

Governors expect to maintain a positive balance of General Annual Grant and to use the grant in the period that is has been granted to ensure no claw back Prory School's long term policy is to maintain a cash balance in the bank account of £100,000 plus 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 Following a successful bid for Capital Funding the Academy has received the first instalment of the Academies Capital Maintenance Fund which will be spent on the Key Stage 4 Class Base building prior to the deadline of 31 March 2013

Priory School 7729941

Investment Policy

In the Academic Year 2011/2012 the school position financially has not allowed for the development of investments. In the year 2012/2013 advice will be sought from an independent financial advisor with reference to the balance held in the Academy bank account

Plans for Future Periods

Plans for the Academic Year 2012/2013 are directly linked to the School Development Plan

In line with the School Development Priorities 2012/2013 (Priority Number 3) the school will be focussing on the completion of a new capital build by Easter 2013. This will significantly enhance accommodation and increase options in the light of increase roll and the raising of school leaving age

Funds held as Custodian Trustee on behalf of others

No funds are held as Custodian Trustee on half of others

Auditor

In so far as the governors are aware

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

The auditors, Knights Lowe, are willing to continue in office and a resolution to reappointment them will be proposed at the annual general meeting

Approved by order of the members of the governing body on 14 December 2012 and signed on behalf by



Maureen Eade
Chair

Priory School 7729941

Governance Statement**Scope of Responsibility**

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

The governing body has delegated the day-to-day responsibility to the Headteacher, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Priory School and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weakness or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The governing body has formally met six times during the year. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings Attended	Out of a possible
M Eade (Chairman)	6	6
R Mackenzie (Headteacher & Accounting Officer)	6	6
A Percival (Vice Chair)	6	6
R Varley	4	6
H Ford	5	6
B Routledge	6	6
K Win	1	6
V Fletcher (Staff Governor)	6	6
M Truman (Staff Governor)	5	6
H Rush	1	6
S McRae	6	6
A Byham (Appointed 7 Mar 2012)	3	3

The Finance and General Purposes Committee is a sub-committee of the main governing body. Its purpose is to assist the decision making of the governing body, by enabling more detailed consideration to be given to the best means of fulfilling the governing body's responsibility to ensure sound management of the academy's finances and resources, including proper planning, monitoring and probity. A particular challenge dealt with this year was the successful change in the Academy's rate of contribution to the Local Government Pension Scheme.

Governor	Meetings Attended	Out of a possible
M Eade (Chairman)	4	4
R Mackenzie (Headteacher & Accounting Officer)	4	4
A Percival (Vice Chair)	2	4
R Varley	3	4
H Ford	4	4
M Truman (Staff Governor)	0	0

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Priory School for the year ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Priory School 7729941

Capacity to Handle Risk

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

The Risk and Control Framework

The academy 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 governing body,
- Regular reviews by the Finance and General Purposes Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes,
- Setting targets to measure financial and other performance,
- Clearly defined purchasing (asset purchase or capital investment) guidelines,
- Delegation of authority and segregation of duties,
- Identification and management of risks

The governors have considered the need for a specific internal audit function and have decided not to appoint an internal auditor. However, the governors have appointed Mrs Helen Rush, a governor, as Responsible Officer (RO). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. To assist with this role governors have procured the Responsible Officer Support Service from CSD. On a quarterly basis CSD undertake an independent review of the financial systems and provide a written report providing feedback on how the Academies Financial affairs are being discharged. The appointed RO governor then presents this report back to all governors. The report includes action points identifying any areas for improvement.

This provides the Governing body with assurance that -

- the financial responsibilities of the governing body are being properly discharged,
- resources are being managed in an efficient, economical and effective manner,
- sound systems of internal financial control are being maintained, and
- financial considerations are fully taken into account in reaching decisions

The Governors are aware that the arrangements can provide only reasonable and not absolute assurance that assets are safe guarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. The involvement of external monitors with access to financial statements and all paperwork related to the Academy budget provides an additional level of scrutiny.

Review of Effectiveness

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

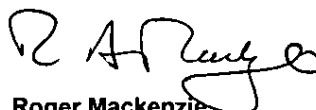
Priory School 7729941

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

Approved by order of the members of the governing body on 14 December 2014 and signed on its behalf by



Maureen Eade
Chair



Roger Mackenzie
Accounting Officer

Priory School 7729941

Statement on regularity, propriety and compliance

As accounting officer of Priory School, I have considered my responsibility to notify the academy trust governing body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the academy trust governing body are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy 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.



Roger Mackenzie
Accounting Officer

Priory School 7729941

Statement of Governors' Responsibilities

The governors (who act as trustees for charitable activities of Priory School and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the governors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations

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

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

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

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

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

Approved by the order of the members of the governing body on 14 December 2012 and signed on its behalf by



Maureen Eade
Chair

Independent Auditor's Report

We have audited the financial statements of Priory School for the year ended 31 August 2012 which comprise the Statement of Financial Activities incorporating Income & Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

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

Respective responsibilities of governors and auditor

As explained more fully in the Statement of Governors' Responsibilities (set out on page 14), the governors (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Priory School 7729941

- the governors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report



D Mead (Senior Statutory Auditor)
For and on behalf of Knights Lowe Limited
Chartered Accountants
And Statutory Auditors
Eldo House, Kempson Way
Suffolk Business Park
Bury St Edmunds
Suffolk
IP32 7AR

Date 20.12.12

Priory School 7729941

Independent Reporting Accountant's Assurance Report on Regularity to Priory School and the Education Funding Agency

In accordance with the terms of our engagement letter dated 22 October 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Priory School during the period ended 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

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

Respective responsibilities of Priory School's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Priory School's funding agreement with the Secretary of State for Education and the Academies Financial Handbook as published by DfES in 2006, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period ended 31 August 2012 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them

Approach

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

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

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

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

We have considered the general control environment of Priory School and carried out sample testing of income and expenditure considering whether the activity is within the framework of authorities, the funding agreement or third party approval obtained. We have also performed analytical reviews to highlight potential issues and determine levels of risk, having regard to materiality

(continued)

Conclusion

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



D Mead (Senior Statutory Auditor)
For and on behalf of Knights Lowe Limited
Chartered Accountants
And Statutory Auditors
Eldo House, Kempson Way
Suffolk Business Park
Bury St Edmunds
Suffolk
IP32 7AR

Date 20.12.12

Statement of Financial Activities for the period ended 31 August 2012
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Notes	Unrestricted Funds £	Restricted General Funds £	Restricted Pension Fund £	Restricted Fixed Asset Funds £	Total 2012 £
Incoming resources						
Incoming resources from generated funds						
- Voluntary Income	3	16,479				16,479
- Voluntary Income – Transfer from local authority	3	128,616	21,025	(531,000)	5,378,163	4,996,804
- Activities for generating funds	4	57,562	8,887	-	-	66,449
Investment Income	5	678	-	-	-	678
Incoming resources from charitable activities						
- Funding for the Academy's educational operations	6	820	2,036,721	-	56,269	2,093,810
- Other Income	4	34,536	-	-	-	34,536
Total incoming resources		238,692	2,066,633	(531,000)	5,434,432	7,208,757
Resources expended						
Cost of generating funds						
- Costs of generating voluntary income	7	-	-	-	-	-
Costs of activities for generating funds	7	3,008	-	-	-	3,008
Investment management costs	7	-	-	-	-	-
Charitable activities						
-Academy's educational operations	8	75,892	1,752,311	137,000	89,934	2,055,136
Governance costs	9	-	48,130	-	-	48,130
Total resources expended	7	78,900	1,800,440	137,000	89,934	2,106,274
Net incoming/(outgoing) resources before transfers		159,792	266,193	(668,000)	5,344,498	5,102,483
Gross transfers between funds	17	27,513	153,760	(131,000)	(50,273)	-
Net income/(expenditure) for the year		132,279	112,432	(537,000)	5,394,771	5,102,483
Other recognised gains and losses						
Actuarial gains (losses) on defined benefit pension schemes	17, 27	-	-	(117,000)	-	(117,000)
Net movement in funds		132,279	112,432	(654,000)	5,394,771	4,985,483
Reconciliation of funds						
Total funds brought forward 1 September 2011	17	-	-	-	-	-
Funds carried forward at 31 August 2012		132,279	112,432	(654,000)	5,394,771	4,985,483

All of the Academy's activities derive from acquisitions in the current financial period. A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

Balance Sheet as at 31 August 2012

	Notes	2012 £
Fixed Assets		
Tangible assets	13	<u>5,329,325</u>
		<u>5,329,325</u>
Current assets		
Stock	14	266
Debtors	15	28,371
Cash at bank and in hand		<u>367,376</u>
		396,013
Current Liabilities		
Creditors' Amounts falling due within one year	16	<u>(85,855)</u>
Net current assets (liabilities)		<u>310,158</u>
Total assets less current liabilities		<u>5,639,483</u>
Creditors' amounts falling due after more than one year		
Long Term Liabilities	16	-
Net assets excluding pension liability		<u>5,639,483</u>
Pension scheme liability	27	<u>(654,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITY		<u>4,985,483</u>
Funds of the Academy		
Restricted funds		
- Fixed asset fund	17	5,394,771
- General funds	17	112,432
- Pension reserve	17	<u>(654,000)</u>
Total restricted funds		<u>4,853,204</u>
Unrestricted funds		
- General fund	17	132,279
Total unrestricted funds		<u>132,279</u>
TOTAL FUNDS		<u>4,985,483</u>

The financial statements on pages x to x were approved by the Governors, and authorised for issue on 14 December 2012 and are signed on their behalf by

Signed



Chair of Governors

CASH FLOW STATEMENT

	Notes	2012 £
Cash Transferred on Conversion to academy	21	162,819
Net cash inflow from operating activities	21	188,705
Returns on investments and servicing of finance	22	678
Capital expenditure	23	15,174
(Decrease)/Increase in cash in the period	24	<u>367,376</u>
Reconciliation of net cash flow to movement in net funds		
Net funds at 1 September 2011		-
Net funds at 31 August 2012		<u>367,376</u>

All of the cash flows are derived from acquisitions in the current financial period

1 Statement of Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention 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.

Going Concern

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

Incoming Resources

All incoming resources are recognised when the Academy 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 Academy which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt.

- **Donations**

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

- **Other income**

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

- **Donated Services and gifts in kind**

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

1 Statement of Accounting Policies (continued)**Resources Expended**

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

- **Costs of generating funds**

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

- **Charitable activities**

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

- **Governance Costs**

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

All resources expended are inclusive of irrecoverable VAT.

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 Academy'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 on a straight-line basis over its expected useful lives, as follows:

Leasehold land and building	2%
Furniture and equipment	20%
Computer equipment and software	33%
Motor vehicles	20%

No depreciation is charged on assets that are not brought into use by the balance sheet date.

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.

Stock

Unsold uniforms are valued at the lower of cost or net realisable value.

1 Statement of Accounting Policies (continued)

Taxation

The Academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes

Accordingly, the Academy 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

Pensions Benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 28, the TPS is a multi employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Fund Accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the grantor 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 Young People's Learning Agency and Department for Education.

Conversion to an Academy

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion to an academy have been valued at their fair value being a reasonable estimate of the current market value that the governors 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 Priory School. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in the notes to the financial statements.

Priory School 7729941

Note 2**General Annual Grant**

	2012 £
GAG brought forward from previous year	-
GAG allocation for current year	1,994,525
Total GAG available to spend	1,994,525
Recurrent expenditure from GAG	1,745,833
Fixed assets purchased from GAG	17,269
Total GAG expenditure	1,763,102
Transfer of pension contributions to Pension Reserve	-
Transfer of unrestricted funds	-
GAG carried forward to next year	231,423
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	239,343
GAG to surrender to DfE (12% rule breached if result is positive)	(7,920)
	No Breach
Use of GAG brought forward from previous year for recurrent purposes	
Recurrent expenditure from GAG in current year	1,745,833
GAG allocation for current year	(1,994,525)
GAG allocation for previous year x 2%	-
GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year (2% rule breached if positive)	(248,693)
	No Breach

Note 3**Voluntary Income**

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
<u>Voluntary Income</u>			
Donations - Revenue	16,479	-	16,479
<u>Voluntary Income – transfer from local authority</u>			
Donations - Capital	-	(10,000)	(10,000)
Gifted Assets	-	5,374,985	5,374,985
Pension Scheme Liability	-	(531,000)	(531,000)
Gifted Cash Revenue opening balance	128,616	21,025	149,641
Gifted Cash Capital opening balance	-	13,178	13,178
	128,616	4,868,188	4,996,806
	145,095	4,868,188	5,013,283

Priory School 7729941

Note 4**Activities for Generating Funds**

	Unrestricted Funds	Restricted Funds	Total 2012
	£	£	£
Hire of facilities	10,937	-	10,937
Items sold	3,871	556	4,427
Sale of fixed assets	-	-	-
Income from services provided	-	-	-
Income from services provided 1	-	8,331	8,331
Income from Services provided 3	11,504	-	11,504
Outreach Service	31,250	-	31,250
	<u>57,562</u>	<u>8,887</u>	<u>66,449</u>

Other Incoming Resources

Insurance Claims	9,383	-	9,383
Academy Trips	13,694	-	13,694
Catering Income	11,460	-	11,460
	<u>34,536</u>	<u>-</u>	<u>34,536</u>
	<u>92,098</u>	<u>8,887</u>	<u>100,985</u>

Note 5**Investment Income**

	Unrestricted Funds	Restricted Funds	Total 2012
	£	£	£
Bank Interest	678	-	678
Pension Income	-	-	-
	<u>678</u>	<u>-</u>	<u>678</u>

Priory School 7729941

Note 6**Funding for Academy's Educational Operations**

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
DfE/YPLA Capital Grants			
Capital Maintenance Fund	-	48,590	48,590
Capital Grants Income	-	7,679	7,679
	<u>-</u>	<u>56,269</u>	<u>56,269</u>
DfE/YPLA Revenue Grants			
General Annual Grant	-	1,994,525	1,994,525
Start Up Grant	-	-	-
Other DfE Grants	-	4,452	4,452
	<u>-</u>	<u>1,998,977</u>	<u>1,998,977</u>
Other Government Grants			
Other Government Grants	820	12,744	13,564
Academy Start Up Grant	-	25,000	25,000
	<u>820</u>	<u>37,744</u>	<u>38,564</u>
	<u>820</u>	<u>2,092,990</u>	<u>2,093,810</u>

Priory School 7729941

Note 7**Resources Expended**

	Non Pay Expenditure			Total 2012 £
	Staff Costs £	Premises £	Other Costs £	
Costs of generating voluntary income	-	-	-	-
Costs of activities for generating income	-	-	3,008	3,008
Costs of investment management	-	-	-	-
Academy's educational operations				
• Direct Costs	1,463,649	89,934	79,238	1,632,821
• Allocated Support Costs	147,778	67,643	161,621	377,042
• Other Expenditure	-	-	45,275	45,275
	<u>1,611,426</u>	<u>157,577</u>	<u>289,141</u>	<u>2,058,144</u>
Governance costs (including allocated)	-	-	48,130	48,130
	<u>1,611,426</u>	<u>157,577</u>	<u>337,271</u>	<u>2,106,274</u>

Incoming/outgoing resources for the year include

	2012 £
Operating leases	-
Fees payable to auditor	4,500 00
Profit/loss on disposal of fixed assets	-
	<u>4,500</u>

Priory School 7729941

Note 8**Charitable Activities - Academy's educational operations**

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
Direct Costs			
Teaching and educational support staff costs	37,684	1,425,965	1,463,649
Direct Costs Depreciation	-	89,934	89,934
Educational supplies	10,065	30,498	40,564
Examination Fees	-	3,558	3,558
Staff Development	-	3,277	3,277
Educational Consultancy	9,344	16,546	25,890
Pupil Transport	-	5,949	5,949
Special Facilities	-	-	-
Agency Teaching	-	-	-
Other direct costs	-	-	-
	<u>57,093</u>	<u>1,575,727</u>	<u>1,632,820</u>
Allocated Support Costs			
Support Staff Costs	76	147,702	147,778
Pupil recruitment and support	204	1,557	1,761
Maintenance of premises and equipment	12	61,932	61,944
Cleaning	-	5,699	5,699
Rent, rates and water	-	4,833	4,833
Insurance	-	18,102	18,102
Travel and Subsistence	1,071	3,727	4,798
Catering	128	71,635	71,763
Bank Interest and Charges	-	184	184
Heat and Light	-	25,956	25,956
Technology	1,589	30,906	32,495
Supplies, printing and telephone	-	1,728	1,728
Allocated Support Costs Depreciation	-	-	-
Other support costs	-	-	-
	<u>3,080</u>	<u>373,961</u>	<u>377,041</u>
Other Expenditure			
Other GAG Expenditure	-	-	-
Other Non GAG Expenditure	18,727	29,556	48,283
	<u>15,719</u>	<u>29,556</u>	<u>45,275</u>
	<u><u>75,892</u></u>	<u><u>1,979,244</u></u>	<u><u>2,055,136</u></u>

Priory School 7729941

Note 9
Governance Costs

	Unrestricted Funds	Restricted Funds	Total 2012
	£	£	£
Legal and professional fees	-	43,450	43,450
Auditors remuneration - audit of financial statements	-	4,500	4,500
Governors reimbursed expenses	-	180	180
	<u>-</u>	<u>48,130</u>	<u>48,130</u>

Note 10
Staff Costs

	2012
	£
Direct staff costs during the period were	
Wages and salaries	1,315,551
Social security costs	88,410
Other pension costs	201,296
	<u>1,605,257</u>
of which supply teacher costs	14,803
compensation payments	-
Indirect employee expenses	6,169
	<u>1,611,426</u>

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

	2012
	No
Teachers	16
Administration and support	29
Management	2
	<u>47</u>

	2012
	No
The number of employees whose emoluments fell within the following bands was	
£60,001 - £70,000	1
£70,001 - £80,000	1
£80,001 - £90,000	
£90,001 - £100,000	
£100,001 - £110,000	
£110,001 - £120,000	
£120,001 - £130,000	
	<u>2</u>

The two above employees participated in the Teachers' Pension Scheme During the year ended 31 August 2012, pension contributions for these staff amounted to £19,908

Priory School 7729941

Note 11**Governors' Remuneration and Expenses**

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

Principle	£78,214
Other staff Governor	£45,636
Other staff Governor	£30,011

During the year ended 31 August 2012, travel expenses totalling £180 were reimbursed to Governors

Other related party transactions involving the trustees are set out in the Related Party Transactions note

Note 12**Governors' and Officers Insurance**

In accordance with normal commercial practice the academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or emissions occurring whilst on academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2012 was £599

The cost for this insurance is included in the total insurance cost

Note 13**Tangible Fixed Assets**

	Leasehold Land and Buildings £	Plant and Machinery £	Furniture and Equipment £	Computer Equipment and Software £	Vehicles £	Total £
Cost	-	-	-	-	-	-
Assets transferred upon conversion	5,355,000	-	3,385	5,934	10,666	5,374,985
Additions	27,103	-	900	16,270	-	44,273
Disposals	-	-	-	-	-	-
At 31 August 2012	<u>5,382,103</u>	<u>-</u>	<u>4,285</u>	<u>22,204</u>	<u>10,666</u>	<u>5,419,258</u>
Depreciation	-	-	-	-	-	-
Charged in year	78,623	-	1,725	4,253	5,333	89,934
Disposals	-	-	-	-	-	-
At 31 August 2012	<u>78,623</u>	<u>-</u>	<u>1,725</u>	<u>4,253</u>	<u>5,333</u>	<u>89,934</u>
Net Book Values	-	-	-	-	-	-
At 31 August 2012	<u>5,303,480</u>	<u>-</u>	<u>2,560</u>	<u>17,952</u>	<u>5,333</u>	<u>5,329,325</u>

Note 14**Stock**

Uniform

2012
£
266
266

Priory School 7729941

Note 15
Debtors

	2012
	£
Trade Debtors	1,191
Prepayments	15,195
Other Debtors	5,818
VAT Debtor	6,167
	<u>28,371</u>

Note 16
Creditors amounts falling due within one year

	2012
	£
Trade Creditors	26,031
Other taxation and social security	-
Other creditors	-
Accruals and deferred income	55,824
Loan Accounts	4,000
	<u>85,855</u>

	2012
	£
Deferred Income (included within the above)	
Deferred income as at 31 August 2012	<u>49,226</u>

At the balance sheet date, the academy was holding funds in relation to grants that relate to after the balance sheet date, therefore the academy have deferred an element of such grants. In addition to this, the academy received funds from parents relating to activities that fell after the balance sheet date.

Priory School 7729941

Note 17
Funds

	Incoming Resources £	Resources Expended £	Transfers in/out £	Gains / Losses £	Balance as at 31 August 2012 £
Restricted general funds					
General Annual Grant	1,994,525	(1,745,833)	(148,269)	-	100,423
Start Up Grant	25,000	(25,000)	-	-	-
Other DfE/YPLA Grants	4,452	(4,452)	-	-	-
Other Restricted Funds	42,656	(25,156)	(5,491)	-	12,009
	2,066,633	(1,800,440)	(153,760)	-	112,432
Restricted pension fund					
Pension reserve	(531,000)	(137,000)	131,000	(117,000)	(654,000)
	(531,000)	(137,000)	131,000	(117,000)	(654,000)
Restricted fixed asset funds					
DfE/YPLA capital grants	56,269	(89,934)	-	-	(33,665)
Capital expenditure from GAG	-	-	17,269	-	17,269
Capital expenditure from other funds	5,378,163	-	33,004	-	5,411,167
	5,434,432	(89,934)	50,273	-	5,394,771
Total restricted funds	6,970,065	(2,027,374)	27,513	(117,000)	4,853,204
Unrestricted funds					
Unrestricted fund	238,692	(78,900)	(27,513)	-	132,279
	238,692	(78,900)	(27,513)	-	132,279
Total funds	7,208,757	(2,106,274)	-	(117,000)	4,985,483

Note 18

Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds 2012 £
Tangible fixed assets	-	-	5,329,325	5,329,325
Current assets	178,582	147,984	69,447	396,013
Current liabilities	(46,303)	(35,552)	(4,000)	(85,855)
Non current liabilities	-	-	-	-
Pension scheme liability	-	(654,000)	-	(654,000)
Total net assets	132,279	(541,568)	5,394,771	4,985,483

Priory School 7729941

Note 19**Capital commitments****2012****£**

Contracted for, but not provided in the financial statements

-

Note 20**Financial commitments**

Operating leases

At 31 August 2012 the Academy had annual commitments under non-cancellable operating leases as follows

2012**£****Land and buildings**

Expiring within one year

-

Expiring within two and five years inclusive

-

Expiring in over five years

-

-

Other

Expiring within one year

3,600

Expiring within two and five years inclusive

2,015

Expiring in over five years

-

5,615

Priory School 7729941

Note 21**Reconciliation of net income to net cash inflow**

	2012 £
Net Income	5,102,483
Pension scheme deficit transferred in (year 1 only)	531,000
Depreciation	89,934
Capital grants from DfE and other capital income	(5,434,432)
Interest receivable	(678)
FRS17 pension cost less contributions payable	(23,000)
FRS17 pension finance income	29,000
(Increase)/decrease in stocks	(266)
(Increase)/decrease in debtors	(28,371)
Increase/(decrease) in creditors	85,855
Cash transferred on conversion to academy	(162,819)
Net cash inflow from operating activities	<u>188,705</u>

Note 22**Returns on investment and servicing of finance**

	2012 £
Interest received	678
	<u>678</u>

Note 23**Capital expenditure and financial investment**

	2012 £
Purchase of tangible fixed assets	(5,419,258)
Capital grants from DfE/EFA	56,269
Capital Donations	5,378,163
Receipts from sale of tangible fixed assets	-
Net cash inflow from returns on investments and servicing of finance	<u>15,174</u>

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

	Cashflows £
Cash in hand and at bank	367,376
	<u>367,376</u>

Priory School 7729941

Note 25

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

Priory School 7729941

Note 26**Pensions 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, which is managed by Suffolk County Council Both are defined-benefit schemes

The LGPS obligations relate to the employees of the academy, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the year The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date

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

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

Teachers' Pension Scheme

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

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

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

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

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

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

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

Note 26

Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

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

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

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 and the implications for the academy in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £164,000, of which employer's contributions totalled £131,000 and employees' contributions totalled £33,000. The agreed contribution rates for future years are 24.5% for employers and a variable % for employees dependant on the salary of individuals as follows:

Annual Salary	Contribution Rate
£0 - £12,900	5.50%
12,901 - 15,100	5.80%
£15,101 - £19,400	5.90%
£19,401 - £32,400	6.50%
£32,401 - £43,300	6.80%
£43,301 - £81,100	7.20%
Above £81,100	7.50%

Principal Actuarial Assumptions

	31-Aug-12 % p a
Pension increase rate	2.20%
Salary increase rate	4.50%
Expected return on assets	4.50%
Discount rate	4.10%

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

	Males	Females
Current Pensioners	21.4 years	23.3 years
Future Pensioners	23.7 years	25.7 years

Note 26

Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	Expected return at 31 August 2011	Value at 31 August 2012 £
Equities	5.50%	458,000
Bonds	2.80%	229,000
Property	3.70%	79,000
Cash	2.80%	24,000
Total market value of assets		790,000
Present value of scheme liabilities		
- Funded		(1,444,000)
Deficit in the scheme		(654,000)

None of the fair values of the assets shown above include any of the Academy's own financial instruments or any property occupied by, or other assets used by, the Academy

The return on the Fund in market value terms for the period to 31 August 2012 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary

The actual return on the scheme assets for the period from 30 June 2011 to 30 June 2012 was (0.8%)

The estimated return for the period from 1 September 2011 to 31 August 2012 is 5.8%

Amounts recognised in the statement of financial activities

	2012 £
Analysis of pension costs	
Current service cost	108,000
Past service cost (gain)	-
Total operating charge	108,000

	2012 £
Analysis of pension finance income/(costs)	
Interest cost	(63,000)
Expected return on pension scheme	34,000
Pension finance income/(costs)	(29,000)

The actuarial gains and losses for the current period 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 £117,000 loss

Priory School 7729941

Note 26**Pensions and similar obligations (continued)****Local Government Pension Scheme (continued)****Movements in the present value of defined benefit obligations were as follows**

	2012
	£
Transfer in of scheme obligations	1,118,000
Current service cost	108,000
Interest cost	63,000
Contributions by scheme participants	33,000
Actuarial gains	122,000
Scheme liabilities at 31 August	<u>1,444,000</u>

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

	2012
	£
Transfer in of scheme assets	587,000
Expected return on scheme assets	34,000
Contributions by employer	131,000
Contributions by scheme participants	33,000
Actuarial gains	5,000
Fair value of scheme assets at 31 August	<u>790,000</u>

The estimated value of employer contributions for the year ended 31 August 2013 is £190,000

The history of experience adjustments is as follows

	2012
	£
Present value of defined benefit obligations	(1,444,000)
Fair value of share of scheme assets	790,000
Deficit in scheme	<u>(654,000)</u>
Experience adjustments on share of scheme assets	5,000
Experience adjustments on scheme liabilities	<u>(122,000)</u>

Note 27

Related Party Transactions

Owing to the nature of the academy's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arms length and in accordance with the academy's financial regulations and normal procurement procedures.

Suffolk Education Consultants - a company in which Mr Routledge, a Governor has a majority interest

Transactions totalling £1,488 relating to the construction of the academy's website took place in this period

Note 28

Conversion to an Academy Trust

On 1 September 2011, the school converted to an academy under the Academies Act 2010 and all operations and assets and liabilities were transferred to Prior School for £nil consideration

The transfer has been accounted for using the acquisition method. The asset and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate heading with a corresponding net amount recognised as net income in the Statement of Financial Activities as Voluntary Income.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA

	Unrestricted Funds	Restricted General Fund	Restricted Pension Fund	Restricted Fixed Asset Funds	Total
Tangible fixed assets					
- Leasehold land and buildings	-	-	-	5,355,000	5,355,000
- Other tangible fixed assets	-	-	-	19,985	19,985
Budget surplus / (deficit) on school funds	128,616	21,025	-	13,178	162,819
LGPS pension surplus / (deficit)	-	-	(531,000)	-	(531,000)
Borrowing obligations	-	-	-	(10,000)	(10,000)
Net assets / (liabilities)	128,616	21,025	(531,000)	5,378,163	4,996,804

The lease term for the leasehold land and building is 125 years