



**Sutton Grammar
School Trust**

**Annual Report and Financial
Statements**

For the period from 13 May 2011
to 31 August 2012

Company Limited by Guarantee
Registration Number
07633715 (England and Wales)

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Reference and administrative information

Directors

Mr J E Edwards (Chairman) (Appointed 13 May 2011)
Mr G W Jones (Appointed 13 May 2011)
Mrs S Lalani (Appointed 13 May 2011)
Mr G D Ironside (Ex officio)
Mr P Kearns (Appointed 22 June 2011; resigned 31 October 2012)
Mr R Parrington (Appointed 22 June 2011; resigned 4 October 2012)
Mrs K Ward (Appointed 22 June 2011; resigned 26 April 2012)
Miss F Alexander (Appointed 22 June 2011; elected 15 October 2012)
Ms L Henderson (Elected 1 January 2012)
Mr A Oommen (Appointed 22 June 2011)
Ms C Smith (Appointed 22 June 2011)
Ms M Takeda (Appointed 22 June 2011)
Mrs J Hayman (Appointed 22 June 2011; resigned 31 May 2012)
Mr S Karlsson (Appointed 22 June 2011)
Mr S Shergold (Appointed 22 June 2011)
Mrs L Williams (Elected 9 September 2012)
Mr R Murrill (Appointed 17 October 2012)
Mr R Ward (Appointed 17 October 2012)

Company Secretary Dr N S Wrench

Senior Leadership Team

Headmaster Mr G D Ironside
Deputy Head Mrs I Sutherland
Assistant Head Mr S Brook
Assistant Head Mr N Price
Bursar Mrs E C Beach

Registered address Manor Lane
Surrey
SM1 4AS

Company registration number 07633715 (England and Wales)

Auditor Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Reference and administrative information

Bankers Barclays Bank plc
43 High Street
Sutton
Surrey
SM1 1DR

Solicitors Vivash Hunt
19/21 Central Road
Worcester Park
KT4 8EH

Baker Small Solicitors
Exchange House
494 Midsummer Boulevard
Milton Keynes
MK9 2EA

Responsible Officer Mr J Lloyd FCCA
John Lloyd and Co
Coles House
64d Central Road
Worcester Park
KT4 8HY

Directors' report Period from 13 May 2011 to 31 August 2012

The directors of Sutton Grammar School Trust ('the School') present their statutory report together with the financial statements of the charitable company for the period from 13 May 2011 to 31 August 2012.

The financial statements have been prepared in accordance with the accounting policies set out on pages 24 to 27 of the attached financial statements and comply with the School's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ('SORP 2005').

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Trust is a company limited by guarantee and is an exempt charity by virtue of the Academies Act 2010. The Charitable Company's Memorandum and Articles of Association are the primary governing documents of the Trust.

The Directors act as the trustees for the charitable activities of Sutton Grammar School Trust Limited and are the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Sutton Grammar School. The Directors are also the governors of Sutton Grammar School. As a consequence the terms 'director', 'trustee' and 'governor' are interchangeable.

Details of the directors, at the date of this report and who served through out the period under review, except as noted, are included in the Reference and Administrative details on page 1.

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.

Directors' indemnities

In accordance with normal commercial practice the School has purchased insurance to protect Directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. The insurance provides cover up to £10 million on any one claim and the cost for the period ended 31 August 2012 was £2,458.

Principal activities

The Sutton Grammar School Trust Limited (the Company) was registered on 13 May 2011.

This report covers the period from 13 May 2011 to 31 August 2012.

Directors' report Period from 13 May 2011 to 31 August 2012

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Principal activities (continued)

The objective of the Trust is the advancement of education, principally secondary education. On the 1 June 2011 the Trust took over the assets of the former selective maintained school, Sutton Grammar School for Boys, and began operating it as Sutton Grammar School (the School) under an academy funding agreement with the Secretary of State.

The School is a single sex school. Boys are admitted through a competitive examination at age 11. The majority of boys stay into the sixth form. As a result only a small number of boys are admitted from other schools into Year 12, the lower sixth. During the period there were on average 840 students on roll.

The principal source of income is the General Annual Grant (GAG) provided by the Secretary of State for Education under the Funding Agreement between the Trust and the Secretary of State. Payment of this grant is through the Education Funding Agency (EFA).

The Board believes it must continue to deliver the full all round education experience the School had provided over the years. As a significant part of the School's strategic education plans will not now be funded through GAG the Board very reluctantly decided to seek parental support for revenue expenditure, something never previously done. The appeal was launched in July 2012 and by October 2012 the equivalent of £110,000 pa was being raised through monthly donations.

Directors

The directors of the charitable company are also Trustees for the purposes of the Charities Act 2011. The following Directors were in office at 31 August 2012 and served throughout the year except where shown.

Governor	Appointed/Resigned	Appointing body
Mr J E Edwards	Appointed 13 May 2011	Trust
Mr G W Jones	Appointed 13 May 2011	Trust
Mrs S Lalani	Appointed 13 May 2011	Trust
Mr G D Ironside	Ex officio	Under Articles
Mrs K Ward	Appointed 22 June 2011 Resigned 26 April 2012	Board
Mr R Parrington	Appointed 22 June 2011	Board
Mr P Kearns	Appointed 22 June 2011	Board
Miss F Alexander	Appointed 22 June 2011 Resigned 14 October 2012	Board
	Appointed 15 October 2012	Elected by parents
Ms L Henderson	Appointed 1 January 2012	Elected by parents
Mr A Oommen	Appointed 22 June 2011	Board
Ms C Smith	Appointed 22 June 2011	Board
Ms M Takeda	Appointed 22 June 2011	Board
Mrs J Hayman	Appointed 22 June 2011 Resigned 31 May 2012	Board
Mr S Shergold	Appointed 22 June 2011	Board
Mr S Karlsson	Appointed 22 June 2011	Board

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Method of recruitment and appointment or election of directors

The composition of the Trust Board requires a minimum of two directors to be elected by registered parents by nomination and secret ballot. During the formation of the Trust it was agreed that the five elected parent governors of the former maintained school would continue in office as if elected as directors and serve the residue of their term. It was subsequently agreed that the Trust would continue to seek five elected parents.

In addition to the Headmaster the initial Board also included three elected employee governors. Again the Trust has agreed to continue this practice.

The Board will be giving careful consideration to its composition to ensure that the relevant experience and expertise needed for the ongoing successful strategic management of the Trust is available to support the Headmaster in delivering the educational objectives of the School. Suitably qualified and experienced community governors will be appointed and where necessary consideration will also be given to the appointment of co-opted governors where this will be beneficial to the ongoing management of the Trust and School.

Organisational structure

The Board is responsible for all strategic decisions. It is supported by four standing committees – the Finance and General Purposes Committee which is responsible for budget setting and monitoring, the Admissions Committee responsible for implementing the admissions policy and admissions decisions, the Audit Committee and the Remuneration Committee. Other committees of the Board are set up as required.

Two working parties; Strategic Development of the School - maximising potential, pupil numbers, building requirements, ways of delivering curriculum, and sustainability of small sets, and External Sources of Funding (not parents) - DfE capital grants, alumni, business community, are currently considering the future strategy and future funding issues.

The Board has delegated to the Headmaster responsibility of all educational operations. He is supported by the senior leadership team of a Deputy Head, two Assistant Heads and the Bursar. The Headmaster has the freedom to adjust staff numbers and other expenditure within the approved financial budget to meet the operational needs of the School.

The Headmaster is the Accounting Officer and the Bursar is the Finance Director.

Risk management

The Trust's commercial and financial operating procedures are designed to provide a clear separation of responsibility for dealing with all income and expenditure. There are approved procedures for certifying all transactions including electronic ordering and payments.

The Bursar manages the Trust's funds on a daily basis to maximise interest whilst at the same time providing funds for the day-to-day management of the School. Regular cash flows forecasts are prepared.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Risk management (continued)

The Board has approved a treasury policy whereby all surplus funds are managed as a single treasury deposit with interest allocated to the source funds on a proportionate basis. As treasury rates have been so low the Bursar negotiated no fee interest-bearing current accounts with its bankers for both its public and private funds. Although treasury rates offered by its bankers can be exceeded elsewhere the Finance and General Purposes Committee (FGPC) considered that it was not appropriate to take the Trust's limited funds off-shore as the bulk would be required for the capital projects due for delivery in the summer of 2012.

The key performance indicators adopted are by the Trust are: delivery of planned revenue expenditure in line with budget; capital projects delivered on time and to budget; interest maximised. With further reductions expected in the amount of GAG predicted over the next two years the Trust intends to continue a cautious budgeting policy.

The deficit in the Trust's section of the London Borough of Sutton local government pension scheme is not considered to be material in the ongoing financial performance of the Company. The employer contributions at 26.5% are higher than as a maintained school (21.5%) and it is hoped that the initiative of the Secretaries of State for Education and Communities and Local Government will be fruitful and allow the Trust's employer contributions to revert to the 'pooled' rate thus making a modest contribution to the boys' educational provision.

As already described the Trust has initiated an appeal to parents to support revenue costs for the delivery of essential educational features not funded through GAG. The Trust's capital reserves were fully expended during the period so further progress on modernising accommodation will have to await success in any future capital bidding round.

Auditor

In so far as the Directors are aware:

- ◆ there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ the Directors 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.

OBJECTIVES AND ACTIVITIES

Objects and aims

It is the Trust's strategic educational objective to aim for excellence in teaching and in academic achievement supported by varied and stimulating extra curricular activities. The overall aim is to continue to produce well-rounded young men who can win places in the most competitive university courses and careers. This can only be achieved by providing the most broadly based educational opportunities in all age groups giving each student the chance to excel over a range of curricular and extra curricular activities.

The Trust is committed to maintaining and further developing high-quality teaching and sports facilities and continuing to attract high calibre teaching and support staff.

The Trust also recognizes the importance of its place in the local community and seeks to collaborate effectively with other schools in Sutton, and with the Local Authority, in the interests of all children in the area.

Public Benefit

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

In terms of the broader charitable activities, the Trust provides accommodation for the Sutton College of Learning for Adults (SCOLA). The Trust has agreed a licence with SCOLA on a seven-year rolling basis and in this respect the agreement is similar to the Trust's rolling

Funding Agreement with the Secretary of State. The licence fee is designed to recover the Trust's marginal costs in providing the facilities. The Trust makes available its sports facilities for community use. The School also contributes to science teaching in a number of local primary schools.

ACHIEVEMENTS AND PERFORMANCE

Review of activities

The Trust Company took over management of a school rated Outstanding by OFSTED. Academic results achieved in the summer of 2011 placed the School in the top 30 of state funded schools (as determined by various national newspapers) and this performance was maintained in 2012.

Pupils took part in a wide range of non-curriculum competitive activities - for example in many sports together with chess; debating; mathematics; enterprise and others. The School continued to support a very active unit of the Combined Cadet Force (CCF), in which another local school also participates, and the Duke of Edinburgh's Award programme.

Directors' report Period from 13 May 2011 to 31 August 2012

ACHIEVEMENTS AND PERFORMANCE (continued)

Review of activities (continued)

Many internal clubs and societies continued to flourish and school music and drama productions, some organized jointly with other schools, gave performance experience to many boys.

The School remained oversubscribed.

At the end of the year a new teaching block was opened, to be used by the mathematics department, a new chemistry laboratory was created by converting existing classrooms, and additional, though temporary, teaching spaces were provided for drama and music. The new facilities will help the School to maintain its fine tradition in delivering science and mathematics and the continued development of performing arts.

FINANCIAL REVIEW

Financial report for the period

The majority of the school's funding was provided by the Education Funding Agency (EFA)

plus voluntary income received transferred from Sutton Grammar School for Boys on conversion. The School's total incoming resources for the period ended 31 August 2012 amounted to £22,182,958 of which £5,190,951 related to the EFA revenue. In addition, the

School has received £15,338,577 on conversion which includes buildings valued at £15,282,370 and a £718,000 inherited pension scheme deficit.

Resources expended totalled £6,012,982 and includes £5,098,419 on the School's educational operations and £68,936 on governance costs.

The School held fund balances of £16,059,976 at 31 August 2012 which includes unrestricted funds of £640,242.

Licence agreements were concluded for the use of School premises for adult education

with the Sutton College of Learning for Adults and for the use of the School's playing field facilities with the Old Suttonians' Association.

The results for the period are shown on page 21.

The Board believes it must continue to deliver the full all round education experience the School had provided over the years. A significant part of the activities currently provided, and seen as an essential part of the School's strategic education plan, will not in future be funded through GAG as a result of changes in the way funding is calculated. During the year, the Board very reluctantly decided to seek parental support for revenue expenditure, something never previously done. The appeal was launched in July 2012 and by October 2012 the equivalent of £110,000 pa was being raised through monthly donations.

FINANCIAL REVIEW (continued)

Capital investment

The School occupies a mix of buildings constructed over a period from 1926 to 2012. The main building, dating from 1926, houses the School's science laboratories as well as teaching rooms and management accommodation. It requires constant investment both for maintenance and to adapt it for modern teaching styles. The Trust has inherited a Master Plan for the redevelopment of the site and this will be reviewed in the light of new developments.

The Trust and its predecessor school have been seriously under-funded from public sources in terms of the capital needs of the School. In recent years parents, directly or through the efforts of the Parent-Teacher Association (PTA), have contributed to the cost of building the sports hall, the canteen, a two storey Portakabin for drama and music teaching, a coach, a chemistry laboratory and the new teaching block for the mathematics faculty. They have also contributed to the refurbishment of the swimming pool. These contributions come to just under £1,000,000 in the last decade. This year, about 25% of the cost of the new teaching block was provided from the Trust's privately raised funds and a top-up donation from the PTA. Without these funds it could not have been built.

During the period under review the PTA has continued to make regular contributions to support the purchase of many items of equipment for teaching departments.

The Trust was very disappointed that it was not awarded any capital grant in the year's bidding round. It was particularly concerned that its application for funding to replace the boilers for the main building was rejected. These were last renovated 50 years ago; they are well beyond their economic life span and thus seriously at risk of failure, with consequent disruption to teaching, as well as expensive to use. That the installation of new boilers would have been funded in 2012 by the former maintaining authority made the rejection all the more disappointing. As this report was being finalized the School heard that it would receive a grant for replacing the boilers, awarded in a new phase of allocations. But the Trust remains concerned that capital grant programme operates in a way which makes investment difficult to plan.

Principal risks and uncertainties

With the continued shortage of public funds as a result of the economic situation and the redefinition of the funding formula for 16-19 education the continued support of the PTA and parents is essential. The Board is continuing to give detailed consideration to the future funding of the School and the impact of this reduced public funding on its ability to provide the wide range of courses currently on offer.

Reserves policy

The Board will endeavour to build reserves for further capital improvements to capital stock.

However in the light of tightening funding there is little expectation of the Trust building reserves from public sources.

FINANCIAL REVIEW (continued)

Reserves policy (continued)

The Board will make appropriate bids for DfE funding to support development of the estate to meet the educational objectives of the Trust.

Investment policy

The Board has approved a treasury policy whereby all surplus funds are managed as a single treasury deposit with interest allocated to the source funds on a proportionate basis. As treasury rates have been so low the Bursar negotiated no fee interest-bearing current accounts with its bankers for both its public and private funds. Although treasury rates offered by its bankers can be exceeded elsewhere the Finance and General Purposes Committee (FGPC) considered that it was not appropriate to take the Trust's limited funds off-shore as the bulk would be required for the capital projects due for delivery in the summer of 2012.

The FGPC will review the current policy should the availability of funds make this desirable.

Going concern

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

Key financial performance indicators

The key performance indicators adopted by the Trust are: delivery of planned revenue expenditure in line with budget; capital projects delivered on time and to budget; interest maximised. With further reductions expected in the amount of GAG predicted over the next two years the Trust intends to continue a cautious budgeting policy.

The deficit in the Trust's section of the London Borough of Sutton local government pension scheme is not considered to be material in the ongoing financial performance of the Company. The employer contributions at 26.5% are higher than as a maintained school (21.5%) and it is hoped that the initiative of the Secretaries of State for Education and Communities and Local Government will be fruitful and allow the Trust's employer contributions to revert to the 'pooled' rate thus making a modest contribution to the boys' educational provision.

As already described the Trust has initiated an appeal to parents to support revenue costs for the delivery of essential educational features not funded through GAG. The Trust's capital reserves were fully expended during the year so further progress on modernising accommodation will have to await success in any future capital bidding round.

Directors' report Period from 13 May 2011 to 31 August 2012

FUTURE ACTIVITIES AND PLANS

At incorporation the Trust had the benefit of the around £243,000 of unrestricted inherited reserves generated as the result of previous cautious budgeting by its predecessor. In the light of funding reductions expected in 2012-13 and subsequent years the Board decided that only cautious use should be made of this reserve. The 2012-13 budget will be a deficit budget requiring £147,000 of the reserve; once again a cautious budget decision.

The Board will continue to seek funds for essential capital spending to maintain, and where possible enhance the School buildings and facilities.

The Board has set up two working parties to report on strategic development and funding issues. These are expected to report by March 2013.

Approved by order of the members of the Board on 12 December 2012 and signed on its behalf by:



J R Edwards
Chair of the Board

Date: 20 December 2012

Governance statement 31 August 2012

Scope of responsibility

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

The Board have delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the Academy and the Secretary of State for Education. The Principal is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Directors' report and in the statement of Directors' responsibilities. The Board has formally met seven times during the period. Attendance during the period at meetings of the Board was as follows:

Director	Number of meetings attended	Out of a possible
Mr J Edwards (Chairman)	7	7
Mr G Jones	4	7
Mrs S Lalani	5	7
Ms L Henderson	2	2
Ms M Takeda	4	5
Mr A Oommen	3	5
Mrs C Smith	4	5
Miss F Alexander	5	5
Mrs K Ward	2	4
Mr R Parrington	2	5
Mr P Kearns	5	5
Mr G D Ironside	7	7
Mrs J Hayman	3	4
Mr S Shergold	5	5
Mr S Karlsson	5	5

Acting in accordance with the Company's Articles and the agreement reached in the governing body of the former maintained school the Members of the Trust arranged for the former members of the governing body of the maintained school to be governors to serve for the balance of the terms to which they were appointed in the former maintained school.

During the period, as a result of vacancies, two parents were elected as directors under the terms of the Articles to serve for a period of four years. Mrs Ward, a community governor, resigned during the period having given over 22 years service as a governor of the School. Mr Kearns also a governor with over 20 years of service to the work of governance did not seek re-appointment when his term of office expired on 31 October. Mr Parrington resigned after four years of service.

Governance statement 31 August 2012

Governance (continued)

The Finance and General Purposes Committee (FGPC) is a committee of the Board. Its purpose is to consider the indicative funding from the EFA and the implications for the ensuing financial year. It recommends the annual budget; monitors approved expenditure; approves any adjustments to budgets to meet changing priorities; reviews, approves and monitors the implementation of the financial procedures, approves the insurance arrangements and approves major tenders for capital expenditure.

The FGPC is responsible for recommending the financial statements to form part of the annual report of the Board in accordance with the Companies Act and the Charity Commission's requirements.

Attendance at meetings in the period was as follows:

Director	Number of meetings attended	Out of a possible
Mr G Jones (Chairman)	4	4
Miss F Alexander	3	4
Mr J Edwards	3	4
Mr G D Ironside	4	4
Mr A Oommen	3	4
Mr S Shergold	3	4

Mrs E C Beach, Bursar, was in attendance at each meeting.

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 at the Academy for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Board has 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 Board is of the view that there is an ongoing process for identifying, evaluating and managing the Trust's significant risks that has been in place for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements. This Board regularly reviews this process.

The risk and control framework

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

- ◆ comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board;
- ◆ 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 Board recognised that it was not able to create an internal audit function. It decided to appoint Mr John Lloyd FCCA as the Responsible Officer (RO). The RO's role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems. The RO reported on his initial findings to Board on the operation of the systems of control and on the discharge of the Board's financial responsibilities. No material weaknesses were identified.

Review of effectiveness

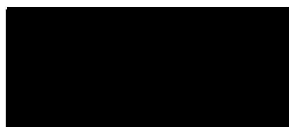
The Headmaster, as Accounting Officer, has responsibility for reviewing the effectiveness of the system of internal control. During the period in question, the review has been informed by:

- ◆ the work of the responsible officer;
- ◆ the work of the external auditor;
- ◆ the financial management and governance self assessment process;
- ◆ the work of the Bursar who has responsibility for the development and maintenance of the internal control framework.

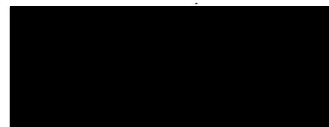
Governance statement 31 August 2012

The Accounting Officer has advised the finance committee of the implications of his review of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Board and signed on their behalf by:



J R Edwards
(Chairman)



G D Ironside
(Principal and Accounting Officer)

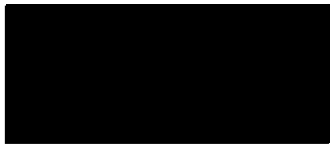
Approved on: 20 December 2012

Statement on regularity, propriety and compliance 31 August 2012

As accounting officer of Sutton Grammar School Trust, I have considered my responsibility to notify the Academy's Board and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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



G D Ironside
Accounting Officer

Date: 20 Dec 2012

Statement of Directors' responsibilities 31 August 2012

The Board members as trustees and directors of the Trust Company for the purposes of company law are responsible for preparing the Directors' 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 Directors to prepare financial statements for each financial year. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Academy and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities' Statement of Recommended Practice (the Charities' SORP);
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom 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 Academy will continue in operation.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Academy and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Academy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that in its conduct and operation the Academy 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 have been applied for the purposes intended.

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

Approved by order of the members of the Board on 12 December 2012 and signed on its behalf by:



J R Edwards
Chairman

Independent auditor's report to the members of Sutton Grammar School Trust

We have audited the financial statements of Sutton Grammar School Trust for the period ended 31 August 2012 which comprise the statement of financial activities, the balance sheet, the cash flow statement, the principal accounting policies 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 charitable company'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 charitable company'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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

The Directors act as trustees for the charitable activities of Sutton Grammar School Trust.

As explained more fully in the statement of Directors' responsibilities set out in the Directors' report, the Directors 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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material inconsistencies we consider the implications for our report.

Independent auditor's reports 31 August 2012

Opinion

In our opinion:

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

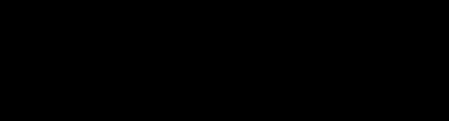
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period 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
- ◆ the financial statements are not in agreement with the accounting records; or
- ◆ certain disclosures of Directors remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit.


Avnish Savjani, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

21 December 2012

Independent auditor's report on regularity to the Board of Sutton Grammar School Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 24 May 2012 and further to the requirements of the Education Funding Agency (EFA), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received by the Trust during the period from 13 May 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Board and the EFA. Our review work has been undertaken so that we might state to the Board and the EFA those matters we are required to state to it 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 Board and the EFA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Board and auditor

The Board is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, 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 review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the EFA's Financial Handbook and Accounts Direction. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed or income received during the period from 13 May 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Academies Handbook and the Accounts Direction issued by the EFA.

Opinion

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 from 13 May 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

20 December 2012

Statement of financial activities Period from 13 May 2011 to 31 August 2012

	Notes	Restricted funds			Period to 31 August 2012 Total funds £	
		Unrestricted general fund £	EFA £	Other £		Fixed assets fund £
Incoming resources						
Incoming resources from generated funds						
. Voluntary income	2	72,479	—	25,712	119,051	217,242
. Voluntary income - transfer from SGS for Boys on conversion	25	760,925	(718,000)	13,282	15,282,370	15,338,577
. Activities for generating funds	3	435,451	—	37,014	—	472,465
. Investment income	4	6,991	—	—	—	6,991
Incoming resources from charitable activities						
. Funding for the academy's educational operations	5	—	5,190,951	30,675	926,057	6,147,683
Total incoming resources		1,275,846	4,472,951	106,683	16,327,478	22,182,958
Resources expended						
Cost of generating funds:						
. Cost of generating voluntary income		399,544	—	—	—	399,544
Charitable activities						
. Academy's educational operations	7	—	5,098,419	56,445	389,638	5,544,502
Governance costs	8	—	68,936	—	—	68,936
Total resources expended	6	399,544	5,167,355	56,445	389,638	6,012,982
Net incoming (outgoing) resources before transfers						
		876,302	(694,404)	50,238	15,937,840	16,169,976
Gross transfers between funds						
		(236,060)	—	—	236,060	—
Net income (expenditure) for the period						
		640,242	(694,404)	50,238	16,173,900	16,169,976
Other recognised gains and losses						
Actuarial loss on defined benefit pension scheme	23	—	(110,000)	—	—	(110,000)
Net movement in funds						
		640,242	(804,404)	50,238	16,173,900	16,059,976
Reconciliation of funds						
Fund balances brought forward at 13 May 2011						
		—	—	—	—	—
Fund balances carried forward at 31 August 2012						
		640,242	(804,404)	50,238	16,173,900	16,059,976

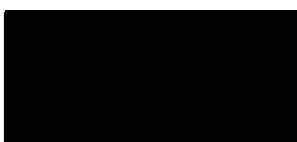
All of the academy trust's activities derive from operations which commenced during the period ended 31 August 2012.

A separate 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 31 August 2012

	Notes	2012 £	2012 £
Fixed assets			
Tangible fixed assets	12		16,173,900
Current assets			
Debtors	13	267,144	
Cash at bank and in hand		809,941	
		1,077,085	
Creditors: amounts falling due within one year	14	(351,009)	
Net current assets			726,076
Net assets excluding pension scheme liability			16,899,976
Pension scheme liability	23		(840,000)
Net assets including pension scheme liability			16,059,976
Funds of the Academy			
Restricted funds			
. Fixed asset fund	15		16,173,900
. EFA fund	15		35,596
. Pension reserve			(840,000)
. Other funds			50,238
			15,419,734
Unrestricted funds			
. General fund			640,242
Total funds			16,059,976

The financial statements on page 21 to 43 were approved by the Directors, and authorised for issue on 12 December 2012 and are signed on their behalf by:



J R Edwards
Chairman

Sutton Grammar School Trust
Company Limited by Guarantee
Registration Number: 07633715 (England and Wales)

Cash flow statement Period from 13 May 2011 to 31 August 2012

	Notes	Period to 31 August 2012 £
Net cash inflow from operating activities	18	264,802
Cash transferred on conversion to Academy		1,129,666
Returns on investment and servicing of finance	19	6,991
Capital expenditure	20	(591,518)
Increase in cash in the period	21	<u>809,941</u>
Reconciliation of net cash flow to movement in net funds:		
Net funds at 13 May 2011		—
Net funds at 31 August 2012		<u>809,941</u>

All of the cash flows derived from operations which commenced during the period ended 31 August 2012.

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.

Conversion to an academy trust

The conversion from a state maintained school to an Academy 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 transferred on conversion from Sutton Grammar School for Boys to the Trust have been valued at their fair value being a reasonable market value the Board would expect to pay in the open market for an equivalent item. The market value of the freehold land has not been included as it is not a realisable asset. 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 Note 25 of the financial statements.

Going Concern

The directors 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 directors 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 School 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.

Incoming Resources (continued)

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 is recognised in the period it is receivable.

Gifts in kind

The value of gifts in kind provided to the School are recognised at a valuation attributed by the directors in the period in which they are receivable as incoming resources, where the benefit to the School 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.

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.

Charitable activities

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

Governance Costs

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

All resources expended are inclusive of irrecoverable VAT.

Principal accounting policies 31 August 2012

Tangible Fixed Assets

Assets costing £2,000 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 School's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost/valuation of each asset on a straight-line basis over its expected useful economic life, as follows:

Freehold buildings	2%
Plant	6.67%
Furniture	10%
Fixtures and fittings	10%
Electrical Equipment	20%
Non Electrical Equipment	10%
Vehicles	20%
Computers	33.3%

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.

Leased Assets

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the statement of financial activities on a straight line basis over the lease term.

Taxation

The School 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 School 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 School 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 School.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the School 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 22, the TPS is a multi employer scheme and the School 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 School 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 School at the discretion of the Directors.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency (EFA), Department for Education or other funders where the asset acquired or created is held for a specific purpose.

Principal accounting policies 31 August 2012

Fund Accounting (continued)

Restricted EFA funds comprise all other grants received from the Education Funding Agency.

Restricted other funds comprise all other restricted funds received and include grants from the Local Authority.

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

1 General Annual Grant (GAG)

Results and Carry Forward for the period	Period to 31 August 2012 £
GAG allocation for current period	5,166,087
Total GAG available to spend	5,166,087
Recurrent expenditure from GAG	5,155,355
GAG carried forward to next year*	10,732
Maximum permitted GAG carry forward at end of current year (12% of allocation for 12 month period ending 31 August 2012)	493,315
GAG to surrender to DfE (12% rule breach if result is positive)	(482,583)
	No breach

* This excludes the FRS17 charge of £12,000.

2 Voluntary income

	Unrestricted funds £	Restricted funds £	Period to 31 August 2012 total funds £
Capital grants	—	119,051	119,051
Other donations	72,479	25,712	98,191
	72,479	144,763	217,242

3 Activities for generating funds

	Unrestricted funds £	Restricted funds £	Period to 31 August 2012 total funds £
Hire of facilities	95,076	—	95,076
Educational visits and School trips	244,642	—	244,642
Other activities	70,098	—	70,098
Miscellaneous income	25,635	37,014	62,649
	435,451	37,014	472,465

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

4 Investment Income

	Unrestricted funds £	Restricted funds £	Period to 31 August 2012 total funds £
Interest receivable	6,991	—	6,991

5 Funding for academy's educational operations

	Unrestricted funds £	Restricted funds £	Period to 31 August 2012 total funds £
Capital grant			
. Payment under commercial transfer agreement	—	926,057	926,057
DfE / EFA revenue grant			
. General Annual Grant (GAG) (note 1)	—	5,166,087	5,166,087
. Other DfE / EFA	—	24,864	24,864
	—	5,190,951	5,190,951
Other government grants			
. SEN and EFL grants	—	17,636	17,636
. Educational projects	—	13,039	13,039
	—	30,675	30,675
	—	6,147,683	6,147,683

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

6 Resources expended

	Staff costs £	Non pay expenditure		Period to 31 August 2012 total funds £
		Premises £	Other costs £	
Cost of generating funds				
. Cost of generating voluntary income	25,228	—	374,316	399,544
Charitable activities				
. School's educational operations				
.. Direct costs	3,629,215	—	236,045	3,865,260
.. Allocated support costs	644,766	295,984	738,492	1,679,242
	4,273,981	295,984	974,537	5,544,502
Governance costs	52,200	—	16,736	68,936
	4,351,409	295,984	1,365,589	6,012,982

	Period to 31 August 2012 total funds £
Incoming resources for the period include:	
Operating leases	48,504
Fees payable to auditor	
. Statutory audit	10,000
. Non statutory audit	750

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

7 Charitable activities - academy's educational operations

	Unrestricted funds £	Restricted funds £	Period to 31 August 2012 total funds £
Direct costs			
Teaching and educational support staff costs	—	3,629,215	3,629,215
Educational supplies	—	92,577	92,577
Examination fees	—	90,514	90,514
Staff development	—	11,099	11,099
Other direct costs	—	41,856	41,856
	—	3,865,261	3,865,261
Allocated support costs			
Support staff costs	—	644,766	644,766
Depreciation (see note 12)	—	379,939	379,939
Recruitment and support	—	2,544	2,544
Maintenance of premises and equipment	—	149,217	149,217
Cleaning	—	32,307	32,307
Rent and rates	—	56,707	56,707
Insurance	—	57,753	57,753
Security and transport	—	15,336	15,336
Catering	—	31,092	31,092
Bank interest and charges	—	274	274
Admission cost	—	14,927	14,927
Other support costs	—	294,379	294,379
	—	1,679,241	1,679,241
	—	5,544,502	5,544,502

8 Governance costs

	Unrestricted funds £	Restricted funds £	Period to 31 August 2012 total funds £
Legal and professional fees	—	6,736	6,736
Auditor's remuneration:			
· Audit of financial statements	—	9,300	9,300
· TPS audit	—	700	700
Support staff costs	—	52,200	52,200
	—	68,936	68,936

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

9 Staff costs

Staff costs during the period were:

	Unrestricted funds £	Restricted funds £	Period to 31 August 2012 total funds £
Wages and salaries	25,228	3,510,586	3,535,814
Social security costs	—	278,458	278,458
Pension costs	—	516,880	516,880
	25,228	4,305,924	4,331,152
Supply teacher costs	—	20,257	20,257
	25,228	4,326,181	4,351,409

The average numbers of persons (including senior management team) employed by the School during the period expressed as a full time equivalents was as follows:

Charitable activities	2012 No
Teachers	48
Administration and support	25
Management	5
	78

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

	2012 No
£60,001 - £70,000	1
£90,001 - £100,000	1

All of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2012 pension contributions for these staff amounted to £29,119.

10 Directors' remuneration and expenses

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as Directors. Other Directors did not receive any payments, other than expenses, from the academy in respect of their role as Directors. The value of Directors' remuneration in the period 1 June 2011 to 31 August 2012 was as follows:

	2012
G D Ironside, Headmaster and Director	£120k - £125k
S Shergold, staff governor and Director	£55k - £60k
S Karlsson, staff governor and Director	£55k - £60k
J Hayman, staff governor and Director	£35k - £40k

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

10 Directors' remuneration and expenses (continued)

During the period ended 31 August 2012, no (£nil) travel and subsistence expenses were reimbursed to Directors.

Other related party transactions involving the trustees are set out in note 24.

11 Directors' and Officers' insurance

In accordance with normal commercial practice the School has purchased insurance to protect Directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. The insurance provides cover up to £10 million on any one claim and the cost for the period ended 31 August 2012 was £2,458.

12 Tangible fixed assets

	Freehold land and buildings £	Furniture and equipment £	Total funds £
Cost/valuation			
Transfer on conversion	14,926,912	—	14,926,912
Additions	1,559,402	67,525	1,626,927
At 31 August 2012	<u>16,486,314</u>	<u>67,525</u>	<u>16,553,839</u>
Depreciation			
Charge in period	373,172	6,767	379,939
At 31 August 2012	<u>373,172</u>	<u>6,767</u>	<u>379,939</u>
Net book value			
At 31 August 2012	<u>16,113,142</u>	<u>60,758</u>	<u>16,173,900</u>
At 13 May 2011	<u>—</u>	<u>—</u>	<u>—</u>

For the purposes of these financial statements, the land is deemed to have no commercial value.

13 Debtors

	2012 £
Trade debtors	27,483
Prepayments	32,338
VAT debtor	124,638
Capital project debtor	44,051
Other debtors and accrued income	38,634
	<u>267,144</u>

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

14 Creditors: amounts falling due within one year

	2012 £
Trade creditors	123,436
Other taxation and social security	70,831
Other creditors	55,696
Accruals and deferred income	101,046
	<u>351,009</u>
Deferred income	
Deferred income at 13 May 2011	—
Resources deferred in the year	79,684
Deferred income at 31 August 2012	<u>79,684</u>

Deferred income of £22,450 relates to income received in the year for school trips that are taking place in the year ending 31 August 2013. Deferred income of £57,234 relates to grants received for 2012/13.

15 Funds

	Balance at 13 May 2011 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2012 £
EFA revenue grant fund					
. General Annual Grant (GAG)	—	5,166,087	(5,155,355)	—	10,732
. Other EFA grants	—	24,864	—	—	24,864
	—	5,190,951	(5,155,355)	—	35,596
. Pension reserve	—	(718,000)	(12,000)	(110,000)	(840,000)
	—	4,472,951	(5,167,355)	(110,000)	(804,404)
Fixed assets fund					
. Capital grants under CTA		926,057	—	—	926,057
. Capital funds transferred and school funds	—	355,459	—	236,060	591,519
. Donations	—	119,051	(16,466)	—	102,585
. Academy building transferred from Sutton Grammar School for Boys	—	14,926,911	(373,172)	—	14,553,739
	—	16,327,478	(389,638)	236,060	16,173,900
Other funds					
. SEN and EFL grants	—	17,636	—	—	17,636
. Teacher training grants	—	13,039	—	—	13,039
. Other	—	76,008	(56,445)	—	19,563
	—	106,683	(56,445)	—	50,238
Total restricted funds	—	20,907,112	(5,613,438)	126,060	15,419,734
Unrestricted funds					
. Unrestricted funds	—	1,275,846	(399,544)	(236,060)	640,242
Total unrestricted funds	—	1,275,846	(399,544)	(236,060)	640,242
Total funds	—	22,182,958	(6,012,982)	(110,000)	16,059,976

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

15 Funds (continued)

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

EFA revenue grant fund and other restricted funds

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

Fixed asset fund

These grants relate to funding received from the London Borough of Sutton under the Commercial Transfer Agreement for the new teaching block under construction at the date of conversion and donations for other work of a capital nature.

Pension reserve

The pension reserve forms part of the restricted general fund and relates to the Academy's share of the deficit of the London Borough of Sutton Local Government Pension Scheme.

16 Analysis of net assets between funds

	Unrestricted funds £	Restricted general Funds £	Restricted fixed asset fund £	Total 2012 £
Fund balances at 31 August 2012 are represented by:				
Tangible fixed assets	—	—	16,173,900	16,173,900
Current assets	1,364,423	(287,338)	—	1,077,085
Current liabilities	(351,009)	—	—	(351,009)
Pension scheme liability	—	(840,000)	—	(840,000)
Total net assets	1,013,414	(1,127,388)	16,173,900	16,059,976

17 Capital Commitments

	2012 £
Contracted for, but not provided for in the financial statements	163,591

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

18 Reconciliation of net income to net cash inflow from operating activities

	2012 £
Net income	16,169,976
Cash transferred on conversion	(1,129,666)
Inherited land and buildings	(14,926,912)
Inherited pension deficit	718,000
Depreciation (note 12)	379,939
Capital grants from DfE and other capital income	(1,045,108)
Interest receivable (note 4)	(6,991)
Assets below capitalisation threshold purchased	9,699
FRS 17 pension cost less contributions payable (note 23)	(28,000)
FRS 17 pension finance cost (note 23)	40,000
(Increase) in debtors	(267,144)
Increase in creditors	351,009
Net cash inflow from operating activities	264,802

19 Returns on investment and servicing of finance

	2012 £
Interest received	6,991
Net cash inflow from returns on investment and servicing of finance	6,991

20 Capital expenditure and financial investment

	2012 £
Purchase of tangible fixed assets	(1,626,928)
Capital grants under CTA	926,057
Capital funding received from others	119,051
Assets below capitalisation threshold purchased	(9,699)
Net cash inflow from capital expenditure and financial investments	(591,518)

21 Analysis of changes in net funds

	At 13 May 2011 £	Cashflows £	At 31 August 2012 £
Cash in hand and at bank	—	809,941	809,941

22 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

23 Pension and similar obligations

The School'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 the London Borough of Sutton. Both are defined-benefit schemes.

As described in note 25, the LGPS obligation relates to the employees of the trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy 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 was 31 March 2010.

Contributions amounting to £54,702 were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

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

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

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

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

23 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

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

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

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

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

23 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Accordingly, the School 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 School has set out above the information available on the scheme and the implications for the School in terms of the anticipated contribution rates.

Local Government Pension Scheme (LGPS)

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 £206,000, of which employer's contributions totalled £161,000 and employees' contributions totalled £45,000.

Principal Actuarial Assumptions	At 31 August 2012
Rate of increase in salaries	4.5%
Rate of increase for pensions in payment / inflation	2.2%
Discount rate for scheme liabilities	4.1%
Inflation assumption (CPI)	2.2%
Commutation of pensions to lump sums	25%

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

	At 31 August 2012
<i>Retiring today</i>	
Males	21.0
Females	23.8
<i>Retiring in 20 years</i>	
Males	22.9
Females	25.7

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

23 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	Expected return at 31 August 2012	Fair value at 31 August 2012 £'000
Equities	5.5%	370
Bonds	3.3%	139
Property	3.7%	40
Cash	2.8%	29
Total market value of assets		578
Present value of scheme liabilities		(1,418)
Deficit in the scheme		(840)

The actual loss on scheme assets was £17,000.

Amounts recognised in statement of financial activities	2012 £'000
Current service costs (net of employee contributions)	133
Total operating charge	133
Analysis of pension finance income / (costs)	
Expected return on pension scheme assets	37
Interest on pension liabilities	(77)
Pension finance costs	(40)

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 loss of £110,000.

Movements in the overall deficit were as follows:	2012 £'000
Deficit at 13 May 2011	(718)
Current service cost	(133)
Employer contributions	161
Net finance interest	(40)
Actuarial loss	(110)
At 31 August 2012	(840)

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

23 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Movements in the present value of defined benefit obligations were as follows:	2012 £'000
Scheme liabilities at 13 May 2011	1,073
Current service costs	133
Interest costs	77
Employee contributions	45
Actuarial loss	90
At 31 August 2012	1,418

Movements in the fair value of School's share of scheme assets:	2012 £'000
Scheme assets at 13 May 2011	355
Expected return on assets	37
Actuarial loss	(20)
Employer contributions	161
Employee contributions	45
At 31 August 2012	578

The estimated value of the employer contributions for the year ended 31 August 2013 is £128,000.

The experience adjustments are as follows:

	2012 £'000
Present value of defined benefit obligations	(1,418)
Fair value of share scheme assets	578
Deficit on the scheme	(840)
Experience adjustments on share of scheme assets	
Amount	(20)
Experience adjustments on scheme liabilities	
Amount	—

Notes to the Financial Statements Period from 13 May 2011 to 31 August 2012

24 Related party transactions

Owing to the nature of the School's operations and the composition of the Board of Directors 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 Directors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures.

The following transactions took place where trustees had declared an interest:

- ◆ a licence agreement with Sutton College of Learning for Adults for the use of the Manor Lane premises for adult education.
- ◆ a licence agreement with the Old Suttonians Association regarding the use of the playing field facilities.

25 Conversion to an academy trust

On 1 June 2011 Sutton Grammar School for Boys converted to academy trust status under the Academies Act 2010 and all operations and assets and liabilities were transferred to Sutton Grammar School Trust from the Governing Body of Sutton Grammar School for Boys for £nil consideration.

The assets and liabilities transferred were valued at their fair value and recognised on the balance sheet under appropriate headings 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 statement of financial activities.

	Unrestricted funds £	Restricted EFA funds £	Restricted other funds £	Restricted fixed asset funds £	2012 Total £
Tangible fixed assets					
· Freehold/leasehold land and buildings	—	—	—	14,926,912	14,926,912
Surplus transferred from Sutton Grammar School for Boys	760,925	—	13,282	255,459	886,108
LGPS pension deficit	—	(718,000)	—	—	(718,000)
Net assets (liabilities)	760,925	(718,000)	13,282	15,282,371	15,338,578

The above net assets included £1,129,666 that was transferred as cash on 1 June 2011 from the Governing Body of Sutton Grammar School for Boys.

The Trust's Commercial Transfer Agreement with London Borough of Sutton and the Governing Body of Sutton Grammar School for Boys required the Council to pay £926,057 towards the cost of the new maths block under construction at the date of conversion.