

**JOHN FERNELEY COLLEGE ACADEMY TRUST
(A Company Limited by Guarantee)**

**ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

Registered Number 07796947 (England and Wales)

JOHN FERNELEY COLLEGE ACADEMY TRUST

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

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JOHN FERNELEY COLLEGE ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE PERIOD ENDED 31 AUGUST 2012

Governors (Trustees)

C J Robinson (Principal and Accounting Officer)
(appointed 4 October 2011) * **
P Kruse (Staff governor) (appointed 4 October 2011 and resigned
31 October 2011)
A Maxfield (appointed 4 October 2011 and resigned 1 January 2012)
L Garrigan (appointed 4 October 2011)
S Mabbott (appointed 4 October 2011)
P Posnett (appointed 4 October 2011)
S Lebbon (appointed 4 October 2011)
T Eardley (appointed 4 October 2011) * **
S Brunt (appointed 4 October 2011 and resigned 17 September 2012)
A Cornforth (appointed 4 October 2011) *
E Welsh (appointed 4 October 2011) **
D Harris (Staff governor) (appointed 4 October 2011) * **
A Brewster (appointed 4 October 2011)
R Roberts (Vice chair) (appointed 4 October 2011) * **
D O'Higgins (Staff governor) (appointed 4 October 2011 and resigned 9
July 2012)
C Godber (Chair) (appointed 4 October 2011) * **
M O'Callaghan (appointed 4 October 2011)
M Twitey (appointed 9 February 2012)
F Macdonald (Staff governor) (appointed 11 July 2012)
L Umbleja (Staff governor) (appointed 21 December 2011)
P John (appointed 30 March 2012)

* Members of the Finance and General Purpose Committee

** Subscribers

Company Secretary

R Roberts (appointed 4 October 2011, resigned 12 October 2011)
D H Reed (appointed 12 October 2011)

Senior Management Team:

- | | |
|-----------------------------------|--------------|
| • Senior Vice Principal | M Parrott |
| • Vice Principal (Achievement) | C Stansfield |
| • Vice Principal (Core) | A Dalby |
| • Assistant Principal (Behaviour) | P Kruse |
| • Assistant Principal (Teaching) | L Umbleja |
| • Finance Director | S Mitchell |

Principal and Registered Office

C J Robinson
Scalford Road
Melton Mowbray
Leicestershire LE13 1LH

Company Registration Number

07796947 (England and Wales)

Auditors

RSM Tenon Audit Limited
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicester LE19 1SD

Bankers

Lloyds TSB
23-25 High Street
Melton Mowbray
Leicestershire LE13 0TS

Solicitors

Browne Jacobson
44 Castlegate
Nottingham NG1 7BJ

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNORS' REPORT

FOR THE PERIOD ENDED 31 AUGUST 2012

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

The charitable company was incorporated on 4 October 2011 and commenced trade as an Academy on 1 November 2011.

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee (registration number 07796947) 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 John Ferneley College Academy Trust and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as John Ferneley College.

Details of the directors and trustees who served throughout the period 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 period 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

The Academy has taken out third party indemnity insurance to protect the governors and officers against claims arising from negligent acts, errors or omissions occurring whilst on academy business. See note 11 for further details.

Principal Activities

The College has been established to provide high quality education to students in the area of Melton Mowbray and to enable those students to achieve success in their education whilst also developing their personal skills and enabling them to access whatever their chosen future path may be.

The specific objects of the College are laid out below.

Method of Recruitment and Appointment or Election of Trustees

- One third of Governors may be appointed directly by the Members of the charitable company
- The Local Authority may appoint one Governor to act as their representative
- Parent Governors are elected by parents of registered students at the Academy, and must be a parent of a student at the Academy at the time of election. At times of vacancies of parent governors all parents will be informed of the vacancy that it is required to be filled by election, and how to nominate, stand, and vote and given an opportunity to partake in the election procedure. If insufficient numbers of parents stand for election the Governing Body may appoint sufficient parent governors to fill the vacancies.
- Community Governors may be appointed by the Governing Body

A term of office for the position of a Governor is 4 years, with the exception of the Principal. Any Governor may be re-appointed or re-elected.

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNORS' REPORT

FOR THE PERIOD ENDED 31 AUGUST 2012

Structure, Governance and Management (continued)

Policies and Procedures Adopted for the Induction and Training of Governors

All Governors are expected to undertake a full induction with the College upon their appointment, and are given a Governors' Handbook. This induction programme and Handbook provides information on the College, its activities, staff, achievements, and the responsibilities expected of the Governors.

The College also provides access to Governor training resources procured through the Local Authority.

Organisational Structure

The Governing Body are charged with overall responsibility for the actions of the College. There are 5 Members of the College, all of whom are Governors. The Governing body has formed sub-committees of Finance, Members, Discipline, Achievement and Care. These sub-committees meet regularly and report back to the full Governing Body.

The strong Senior Management Team is headed by the Principal. This team has delegated responsibilities that cover every area of College life. It's members are detailed on Page 1. Compliance with the Accounts Direction and the Academies Financial Handbook is delivered through the Principal, who fulfils the role of Accounting Officer.

Risk Management

The Governing Body regularly review the risks to which the academy is exposed, and systems or procedures have been established to manage those risks. These systems and procedures, and the risk element being addressed are held under constant review by the Senior Management Team who report to the Governors on progress against those risk elements or any deviations away from the expected actions.

Objectives and Activities

Objects and Aims

The charitable company has been established for the express objectives of :

- To advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.
- To promote the benefit of the inhabitants of Melton Mowbray and the surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship, or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

Objectives, Strategies and Activities

Since opening in November 2011 (and prior as a Local Authority maintained school), John Ferneley College Academy Trust's absolute focus has been on establishing an educational environment where our students can flourish and achieve a level of success, both curriculum focussed and in personal development, that sets them well on their way in their future careers. Two years ago the College welcomed its first GCSE cohort, offering education to 14-16 year olds for the first time. Now firmly established as a hugely successful College, leading the way in the league tables for achievement, the College is clearly demonstrating its success in delivering against its objectives.

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNORS' REPORT

FOR THE PERIOD ENDED 31 AUGUST 2012

Objectives & Activities (continued)

Public Benefit

The Governors of the Academy Trust have exercised due regard to the guidance on public benefit published by the Charity Commission in exercising their power and duties.

Our provision of education is inclusive and wide ranging, with students able to experience diverse areas of the curriculum as well as being able to access a wide range of choices for their education between the years of 14-16.

Achievements and Performance

The period covered by this set of accounts represents the second academic year since the College (and its predecessors), started teaching Key Stage 4. These two years have seen immense changes within the day to day life of the College. There have been 2 new buildings created, the student numbers of the college have climbed to nearly 1,000. This comes on the back of significant political changes to education provision in the area.

The Senior Team and Governors have been dedicated to delivering the premier Key Stage 4 provision in the local area. Building upon an impressive first year set of results of 57% students achieving 5+ A*-C including English and Maths GCSEs, with 88% of students achieving 5+ A*-C, 2012 results have seen John Ferneley well and truly establish itself as a leading player in Leicestershire and wider afield. Our cohort of GCSE students in 2012 achieved 71% 5+ A*-C including English and Maths, and 96% 5+A*-C in total. This 24.5% increase in performance in headline figures stands against a declining national position with the average school now recording 58.6%, and in a countywide scenario this places the College second in the league tables. In addition these results place John Ferneley College Academy Trust in the top 5 percent nationally of similar schools achieving 5C's and above including English and Maths.

The College however sets its aims much further than solely on academic gradings. The Senior Team measure performance against the following criteria, and these form the basis of the College operational strategy: Achievement, Teaching, Behaviour, Leadership & Management, Additional Judgements, Finance and Resources, Health and Safety.

Going Concern

After making appropriate enquiries, 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 can be found in the Statement of Accounting Policies.

Financial Review

This set of accounts lays out the financial performance for the College since its conversion to Academy status on 1 November 2011, following incorporation on the 4 October 2011.

As this is the first set of results the Accounts show a set of figures that include recognition of the land and buildings and other assets being transferred to the charitable company in the Income and Expenditure Statement.

Funding is primarily received through the Funding Agreement that the College has with the Secretary of State. This funding is based upon the number of students on the College roll, and is restricted for expenditure solely on the purposes of meeting the terms of the Funding Agreement.

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNORS' REPORT

FOR THE PERIOD ENDED 31 AUGUST 2012

Financial Review (continued)

Expenditure during the period has been overseen by the Governing Body and through its delegated powers to the Finance Committee. It is the view of this Committee and the Governing Body that expenditure has been prudent and managed in accordance with the College's financial procedures and policies. The majority of expenditure has been in relation to teaching staff and support costs, as is to be expected with a College of this nature.

At 31 August 2012 the College had £618,344 in cash, with a reported surplus of £19,177,952 after the transfer of assets. These figures, as mentioned above include the donation of assets from the Council, and are recognised as a Gift in Kind, and therefore recorded in the Income and Expenditure account. The cash balance has been influenced by the transfer from the Local Authority of reserves of £457,237 relating to pre-conversion balances.

Principal Risks and Uncertainties

The College's Governing Body regularly reviews the Risk Register, and ensures that appropriate actions are being taken. Risks considered include core areas such as loss of funding, poor Ofsted reviews, lack of demand, staff acting outside of the articles of association etc.

Confirmation is received under the Funding Agreement with the EFA for a 7 year rolling cycle giving the Governors some reassurance over the major risk of loss of funding.

Reserves Policy

The Governing Body have determined that the charitable company requires reserves for the following purposes:

- To cover statutory obligations and to wind up its own affairs in an orderly way; if so decided
- To provide working capital for projects with late payment dates and to fund initiatives of importance to furthering the objects of the Company
- To meet the costs of planned major capital expenditure

All these calls on reserves are inter-related, so that reserves ultimately held to cover statutory obligations may be used as working capital in the short term, where it is known that funding will eventually be received. The long term objective is that separate sums should be designated to meet statutory objectives and for working capital needs.

Required Level of Reserves

The Academy's reserves are currently of a good, but not overtly strong nature. The minimum target for reserves was set at £500k by the Governors at their last meeting and will be reviewed on a regular basis. Reserves at the end of August 2012 were £19,177,952, however free reserves (i.e. cash, and cash equivalents) were £450,073. Whilst the target is currently being materially met in terms of free reserves, the Board are reviewing its future investment strategy, and therefore feel that it is prudent to keep reserves high so that any investment to be made does not utilise all available reserves. At all times the Governors pay due regard to the benefit of utilising reserves whilst minimising the risk to the College of cash flow implications.

Statement to Members

The Governing Body are of the opinion that we do not foresee any plans for utilisation of current reserves that would cause a conflict of interest with any Member of the College. The Governors are currently considering a plan for significant expenditure on the rejuvenation of the College playing fields, which will involve utilising some of the reserves of the College, however do not consider there to be a material impact upon the risk the College faces as a result of lowering reserve levels in the short term.

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNORS' REPORT

FOR THE PERIOD ENDED 31 AUGUST 2012

Financial Review (continued)

The Academy identifies free reserves as being the income funds that are freely available for its general purposes i.e. it does not include restricted funds or any part of unrestricted funds not readily available for spending, specifically income funds which could only be realised by disposing of fixed assets held for charitable activities.

Investment Policy

The Governors have approved an Investment Policy that ensures that reserves are being invested in an appropriate manner with due regard to return and risk. It is the policy of the College that reserves be invested in approved investment vehicles but should not be fixed for longer than six months. The Governors receive regular reports as to the performance of investments made by the College.

Plans for Future Periods

The Governors are focussed on ensuring that the College continues its excellent path of growth with regard to results at Key Stage 4. It has reviewed management forecasts and plans which indicate continued success.

There is significant action locally with regard to potential spatial planning issues within Melton Mowbray and the College stands ready to play its part in developing education provision in the most advantageous manner for students.

Auditor

In so far as the trustees are aware:

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

The auditors are willing to continue in office and will be reappointed for the forthcoming year.

Approved by order of the directors and trustees on 10 December 2012 and signed on their behalf by:



R Roberts
Vice chair

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNANCE STATEMENT

FOR THE PERIOD ENDED 31 AUGUST 2012

Scope of Responsibility

As governors, we acknowledge we have overall responsibility for ensuring that John Ferneley College Academy 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 governing body has 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 John Ferneley College Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the governors' Report and in the Statement of Governors' responsibilities. The governing body has formally met twice during the period. Attendance during the period at meetings of the governing body, and constituent sub committees, were as follows:

	Full Governing Body		Other Governor meetings	
	Potential	Attended	Potential	Attended
Adam Brewster	2	2	5	5
Trevor Eardley	2	2	12	12
Alex Mansfield	0	0	2	2
Dawn O'Higgins	2	2	11	11
Rachel Roberts	2	2	12	12
Chris Robinson	2	2	12	12
Mark Twithey	2	2	3	3
Elaine Welsh	2	1	6	6
Conroy Godber	2	2	12	10
Sarah Lebbon	2	1	5	5
Steve Mabbott	2	1	5	5
Lara Umbleja	2	1	4	4
Samantha Brunt	2	1	5	4
Lydia Garrigan	2	2	5	3
Debbie Harris	2	0	5	5
Amanda Cornforth	2	1	8	6
Phil John	1	0	2	2
Matthew O'Callaghan	2	2	2	0
Pam Posnett	2	1	5	1

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNANCE STATEMENT

FOR THE PERIOD ENDED 31 AUGUST 2012

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 John Ferneley College Academy Trust for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The governing body has reviewed the key risks to which the academy 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 period ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the governing body.

The Risk and Control Framework

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

Review of Effectiveness

As accounting officers, the Principal has responsibility for reviewing the effectiveness of the system of internal control. During the period in question, the review has been informed by:

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

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNANCE STATEMENT

FOR THE PERIOD ENDED 31 AUGUST 2012

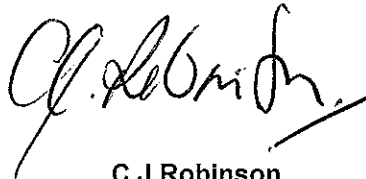
Review of Effectiveness (continued)

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance and 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 10 December 2012 and signed on its behalf by:



R Roberts
Vice chair



C J Robinson
Accounting officer

JOHN FERNELEY COLLEGE ACADEMY TRUST
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE PERIOD ENDED 31 AUGUST 2012

Statement on Regularity, Propriety and Compliance

As accounting officer of John Ferneley Academy Trust, 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.

A handwritten signature in black ink, appearing to read 'C J Robinson', followed by a short horizontal line.

C J Robinson
Accounting officer

JOHN FERNELEY COLLEGE ACADEMY TRUST
STATEMENT OF GOVERNORS' RESPONSIBILITIES
FOR THE PERIOD ENDED 31 AUGUST 2012

The governors (who act as trustees for charitable activities of John Ferneley College Academy Trust 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 statement 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 judgements 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 of both propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the governing body on 10 December 2012 and signed on its behalf by:



R Roberts
Vice chair

JOHN FERNELEY COLLEGE ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT

FOR THE PERIOD ENDED 31 AUGUST 2012

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE GOVERNING BODY OF JOHN FERNELEY ACADEMY TRUST LIMITED

We have audited the financial statements of John Ferneley College Academy Trust Limited for the period ended 31 August 2012 which comprises the Statement of Financial Activities (including income and expenditure account and statement of recognised gains and losses), balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the EFA.

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Governors' Responsibilities Statement set out on page 11, the governors (who are also the directors of the company 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 charitable company'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 annual 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 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Annual Accounts Direction 2011/12 issued by the EFA; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

JOHN FERNELEY COLLEGE ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT

FOR THE PERIOD ENDED 31 AUGUST 2012

Opinion on other matter prescribed by the Companies Act 2006

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

RSM Tenon Audit Limited

Kelly Boorman
Senior Statutory Auditor
for and on behalf of

Date 10 December 2012

RSM Tenon Audit Limited
Statutory Auditor

Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicester
LE19 1SD

JOHN FERNELEY COLLEGE ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT

FOR THE PERIOD ENDED 31 AUGUST 2012

Independent Auditor's Report on Regularity to the Governing Body of John Ferneley College Academy Trust and the Education Funding Agency Limited

In accordance with the terms of our engagement letter 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 academy trust 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 the governing body and the EFA. Our review work has been undertaken so that we might state to the governing body 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 governing body and the EFA for our review work for this report, or for the opinion we have formed.

Respective responsibilities of the governing body and Auditors

The governing body 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 and income received during the period ended 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 ended 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.



Kelly Boorman
Senior Statutory Auditor
for and on behalf of

Date 10 December 2012

RSM Tenon Audit Limited
Statutory Auditor

Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicester
LE19 1SD

JOHN FERNELEY COLLEGE ACADEMY TRUST

STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account and Statement of Recognised Gains and Losses) FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2012 £
Incoming resources					
<i>Income resources from generated funds:</i>					
- Transfer from Local Authority on conversion	25	457,237	(873,000)	20,326,605	19,910,842
- Activities for generating funds	3	165,246	-	-	165,246
- Investment income	4	608	-	-	608
<i>Incoming resources from charitable activities:</i>					
- Funding for the Academy's educational operations	5	-	3,740,342	20,268	3,760,610
Total incoming resources		623,091	2,867,342	20,346,873	23,837,306
Resources expended					
<i>Cost of generating funds:</i>					
- Fundraising trading		93,647	-	-	93,647
<i>Charitable activities:</i>					
- Academy's educational operations	7	70,796	3,753,342	584,994	4,409,132
<i>Governance costs</i>	8	8,575	-	-	8,575
Total resources expended	6	173,018	3,753,342	584,994	4,511,354
Net income/(expenditure) before other recognised gains and losses		450,073	(886,000)	19,761,879	19,325,952
<i>Other recognised gains and losses:</i>					
Actuarial losses on defined benefit pension scheme	23	-	(148,000)	-	(148,000)
Net movement in funds		450,073	(1,034,000)	19,761,879	19,177,952
Total funds brought forward		-	-	-	-
Total funds carried forward		450,073	(1,034,000)	19,761,879	19,177,952

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.

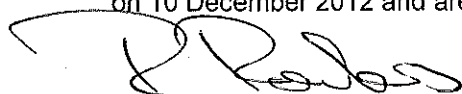
JOHN FERNELEY COLLEGE ACADEMY TRUST

BALANCE SHEET AT 31 AUGUST 2012

COMPANY NUMBER: 07796947

	Note	2012 £	2012 £
Fixed assets			
Tangible assets	12		19,747,849
Current assets			
Debtors	13	76,878	
Cash at bank and in hand		618,344	
		<u>695,222</u>	
Liabilities			
Creditors: amounts falling due within one year	14	(231,119)	
Net current assets			<u>464,103</u>
			20,211,952
Net assets excluding pension liability			
Pension scheme liability	23		(1,034,000)
Net assets including pension liability			<u>19,177,952</u>
Funds of the academy:			
Restricted income funds			
- fixed asset fund			19,761,879
- pension reserve			(1,034,000)
Total restricted funds			<u>18,727,879</u>
Unrestricted income funds			
- general fund			450,073
Total unrestricted funds			<u>450,073</u>
Total funds	15		<u>19,177,952</u>

The financial statements on pages 15 to 31 were approved by the governors and authorised for issue on 10 December 2012 and are signed on their behalf by:



R Roberts
Vice chair

The notes on pages 18 to 31 form part of these financial statements.

JOHN FERNELEY COLLEGE ACADEMY TRUST

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	2012 £
Net cash inflow from operating activities	18	146,469
Return on investments and services of finance	19	608
Capital expenditure	20	<u>14,030</u>
Increase in cash in the year	21	161,107
Reconciliation of net cash flow on movement in net funds		
Net funds at 1 November 2011 – transferred on conversion	25	<u>457,237</u>
Net funds at 31 August 2012	21	<u><u>618,344</u></u>

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

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

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 Education Funding Agency and the Companies Act 2006. The Statement of Financial Activities as set out on page 15 identifies the identical information as that of the Income and Expenditure Statement. As such, no separate Income and Expenditure Statement has been prepared.

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 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 from John Ferneley College to an academy trust 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 by John Ferneley College Academy Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised as a transfer on conversion as net income/(expenditure) 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.

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 trust to continue as a going concern. The governors make this assessment each year 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 trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

- **Grants receivable**

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

- **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.

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

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 trust's educational operations.

- **Governance costs**

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

All resources expended are inclusive of irrecoverable VAT, although the academy makes use of section 126 reclaim capabilities, where appropriate.

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 trust's depreciation policy.

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

Long leasehold buildings	Over 50 years on straight line basis
Fixtures and equipment	Over 5 years on a straight line basis
Computer equipment	Over 3 years on a straight line basis
Motor vehicles	Over 10 years on a straight line basis

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

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

1. Statement of Accounting Policies (continued)

Taxation

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the government actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 23, the TPS is a multi-employer scheme and the trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Fund Accounting

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

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

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

Comparative figures

The academy was incorporated on 4 October 2011, this being the first period of activity which commenced on 1 November 2011, no comparatives exist.

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

2. General Annual Grant (GAG)

a) Results and carry forward for the period

	2012 £
GAG brought forward from previous period	-
GAG allocation for current period	3,719,138
Total GAG available to spend	3,719,138
Recurrent expenditure from GAG	(3,719,138)
Fixed assets purchased from GAG	-
GAG carried forward to next year	-
Maximum permitted GAG carry forward (12% of allocation for current year)	(446,297)
GAG to surrender to DfE (12% rule breached if result is positive)	Nil

3. Activities for Generating Funds

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
Academy trips	76,509	-	76,509
Hire of facilities	21,264	-	21,264
Sundry income	67,473	-	67,473
	165,246	-	165,246

4. Investment Income

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
Short term deposits	608	-	608

5. Funding for academy's educational operations

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
DfE / EFA capital grants			
- Devolved formula capital allocations	-	20,268	20,268
DfE / EFA revenue grants			
- General Annual Grant (GAG)	-	3,719,138	3,719,138
	-	3,719,138	3,719,138
Other Government grants			
- Local authority grants	-	7,600	7,600
- SEN funding from local authority	-	13,604	13,604
	-	21,204	21,204
Total	-	3,760,610	3,760,610

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

6. Resources expended

	Staff Costs £	Premises costs £	Other costs £	Total 2012 £
Costs of activities for generating funds	-	-	93,647	93,647
Academy's education operations:				
- Direct costs	2,335,599	-	159,198	2,494,797
- Allocated support costs	559,569	883,889	470,877	1,914,335
	<u>2,895,168</u>	<u>883,889</u>	<u>723,722</u>	<u>4,502,779</u>
Governance costs including allocated support costs	-	-	8,575	8,575
	<u>2,895,168</u>	<u>883,889</u>	<u>732,297</u>	<u>4,511,354</u>

Incoming/outgoing resources for the year include:

	2012 £
Operating leases	7,539
Fees payable to auditor - audit	7,700
- other services	875
Depreciation on tangible fixed assets	<u>584,994</u>

7. Charitable Activities – Academy's educational operations

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
Direct costs:			
Teaching and educational support staff costs	-	2,335,599	2,335,599
Educational supplies	-	60,605	60,605
Examination and assessment costs	-	47,416	47,416
Staff development	-	20,570	20,570
Other direct costs	-	30,607	30,607
	<u>-</u>	<u>2,494,797</u>	<u>2,494,797</u>
Allocated support costs:			
Support staff costs	-	559,569	559,569
Depreciation	-	584,994	584,994
Recruitment and support	-	14,962	14,962
Maintenance of premises and equipment	-	95,402	95,402
Cleaning	-	139,776	139,776
Rent and rates	-	18,026	18,026
Insurance	-	45,691	45,691
Security and transport	-	3,464	3,464
Pension finance costs	-	30,000	30,000
Other support costs	70,796	351,655	422,451
	<u>70,796</u>	<u>1,843,539</u>	<u>1,914,335</u>
Total	<u>70,796</u>	<u>4,338,336</u>	<u>4,409,132</u>

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

8. Governance Costs

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
Auditor's remuneration:			
Audit of financial statements	7,700	-	7,700
Other services	875	-	875
	<u>8,575</u>	<u>-</u>	<u>8,575</u>

9. Staff costs

Staff costs during the period were:

	2012 £
Wages and salaries	2,363,696
Social security costs	173,279
Pension costs	<u>341,447</u>
	2,878,422
Supply teacher costs	<u>16,746</u>
	<u>2,895,168</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.
Charitable activities	
Teachers	74
Administration and support	35
Management	<u>5</u>
	114

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

	2012 No.
£ 60,001 - £ 70,000	1
£100,001 - £110,000	<u>1</u>

The above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2012, pension contributions for these staff amounted to £20,000.

10. Governors' 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 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:

C J Robinson, principal	£100,001 - £110,000
D A O'Higgins, staff governor	£50,001 - £55,000
L M Umbleja, staff governor	£35,001 - £40,000
D Harris, staff governor	£35,001 - £40,000
F Macdonald, staff governor	£10,001 - £15,000
P Kruse, staff governor	£40,001 - £45,000

During the period ended 31 August 2012, no expenses were reimbursed to governors.

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

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

11. Governors' and Officers' Insurance

In accordance with normal commercial practice, the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £3,000,000 on any one claim and the cost for the period ended 31 August 2012 was £1,469.

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

12. Tangible Fixed Assets

	Long leasehold land and buildings £	Furniture and equipment £	Computer equipment £	Motor vehicles £	Total £
Cost					
Transfer on conversion	19,685,000	39,844	578,484	23,277	20,326,605
Additions	-	6,238	-	-	6,238
At 31 August 2012	19,685,000	46,082	578,484	23,277	20,332,843
Depreciation					
Charged in period	294,100	10,247	276,949	3,698	584,994
At 31 August 2012	294,100	10,247	276,949	3,698	584,994
Net book values					
At 31 August 2012	19,390,900	35,835	301,535	19,579	19,747,849

13. Debtors

	2012 £
Trade debtors	2,508
VAT recoverable	33,021
Prepayments and accrued income	41,349
	<u>76,878</u>

14. Creditors: amounts falling due within one year

	2012 £
Trade creditors	74,199
PAYE & NIC creditor	119,454
Accruals and deferred income	37,466
	<u>231,119</u>

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

15. Funds

	Transfer on conversion £	Income resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2012 £
Restricted general funds					
General Annual Grant (GAG)	-	3,719,138	(3,719,138)	-	-
Local authority grants	-	21,204	(21,204)	-	-
Pension reserve	(873,000)	-	(13,000)	(148,000)	(1,034,000)
	(873,000)	3,740,342	(3,753,342)	(148,000)	(1,034,000)
Restricted fixed asset funds					
DfE/EFA capital grants	-	20,268	(2,801)	-	17,467
Long leasehold land & building	19,685,000	-	(294,100)	-	19,390,900
Other tangible assets on conversion	641,605	-	(288,093)	-	353,512
	20,326,605	20,268	(584,994)	-	19,761,879
Total restricted funds	19,453,605	3,760,610	(4,338,336)	(148,000)	18,727,879
Unrestricted funds					
General funds	457,237	165,854	(173,018)	-	450,073
Total unrestricted funds	457,237	165,854	(173,018)	-	450,073
Total funds	19,910,842	3,926,464	(4,511,354)	(148,000)	19,177,952

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

Restricted general funds

This fund represents grants received for the Academy's operational activities and development. This includes the pension reserve which represents the potential liability due by the academy at the period end.

Restricted other funds

From time to time, additional funds are applied as set out above for specific purposes laid down by the grant provider and to be used in the short term.

Fixed asset fund

This fund represents the net book value of fixed assets that the academy have purchased out of grants received and have been transferred on conversion. Also included are capital grants amounting to £14,030 from DfE/EFA that were unspent at the period end.

Unrestricted funds

The unrestricted funds represent funds available to the Governors to apply for the general purposes of the Academy.

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

16. 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
	£	£	£	£
Tangible fixed assets	-	-	19,747,849	19,747,849
Net current assets	450,073	-	14,030	464,103
Pension scheme liability	-	(1,034,000)	-	(1,034,000)
Total net assets	450,073	(1,034,000)	19,761,879	19,177,952

17. Financial commitments

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

	2012 £
Other	
Expiring within two and five years inclusive	12,035

18. Reconciliation of net expenditure to net cash inflow from operating activities

	2012 £
Net expenditure	(584,890)
Depreciation (note 12)	584,994
Capital grants from DfE and other capital income	(20,268)
Interest receivable (note 4)	(608)
FRS 17 pension cost less contributions payable (note 23)	(17,000)
FRS 17 pension finance income (note 23)	30,000
Increase in debtors	(76,878)
Increase in creditors	231,119
Net cash inflow from operating activities	146,469

19. Returns on investments and servicing of finance

	2012 £
Interest received	608
Net cash inflow from returns on investment and servicing of finance	608

20. Capital expenditure and financial investment

	2012 £
Purchase of tangible fixed assets	(6,238)
Capital grants from DfE/EFA	20,268
Net cash inflow from capital expenditure and financial investment	14,030

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

21. Analysis of changes in net funds

	At 1 November 2011 £	Cash flows £	At 31 August 2012 £
Cash in hand and at bank	457,237	161,107	618,344
Net cash inflow from returns on investment and servicing of finance	457,237	161,107	618,344

22. Members' Liabilities

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 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 Leicestershire County Council. Both are defined-benefit schemes.

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

Contributions amounting to £54,729 were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, defined benefit scheme. The regulations under which the TPS operates at 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' Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2011, 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 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 build up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

23. Pension and similar obligations (continued)

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 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. 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) Retirements 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 £169,000 of which employer's contributions totalled £129,000 and employees' contributions totalled £40,000.

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)	3.0%

JOHN FERNELEY COLLEGE ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

23. Pension and similar obligations (continued)

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	20.9
Females	23.3
<i>Retiring in 20 years</i>	23.3
Males	25.6
Females	

The academy'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 £
Equities	5.5%	566,000
Bonds	2.8%	137,000
Property	3.7%	89,000
Other assets	2.8%	16,000
Total market value of assets		<u>808,000</u>
Present value of scheme liabilities		
Funded		(1,842,000)
Deficit in the scheme		<u>(1,034,000)</u>

The expected return on assets is a weighted average of the assumed long term returns of various asset classes.

The actual return on scheme assets was £36,000.

Amounts recognised in the statement of financial activities

	2012 £
Current service cost (net of employee contributions)	112,000
Past service cost	-
Total operating charge	<u>112,000</u>

Analysis of pension finance income/(costs)

	2012 £
Expected return on pension scheme assets	30,000
Interest on pension liabilities	(60,000)
Pension finance costs	<u>(30,000)</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £148,000 loss.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

23. Pension and similar obligations (continued)

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

	2012 £
Brought in on conversion at 1 November 2011	1,476,000
Current service cost	112,000
Employee contributions	40,000
Actuarial loss	154,000
Interest cost	60,000
At 31 August 2012	1,842,000

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

	2012 £
Brought in on conversion at 1 November 2011	603,000
Expected return on assets	30,000
Actuarial loss	6,000
Employer contributions	129,000
Employee contributions	40,000
At 31 August 2012	808,000

The estimated value of employer contributions for the year ended 31 August 2013 is £174,000.

The five year history of experience adjustments is as follows:

	2012 £	2011 £
Present value of defined benefit obligations	(1,842,000)	(1,476,000)
Fair value share of scheme assets	808,000	603,000
Deficit in the scheme	(1,034,000)	(873,000)
Experience adjustments on share of scheme assets	6,000	n/a
Experience adjustments on scheme liabilities	(154,000)	n/a

24. 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 arm's length and in accordance with the academy's financial regulations and normal procurement procedures.

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NOTES TO THE FINANCIAL STATEMENTS

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25. Conversion to an academy trust

On 1 November 2011 the John Ferneley College converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to John Ferneley College Academy Trust from the Leicestershire Local Authority for £nil consideration.

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

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 general funds £	Restricted fixed asset funds £	Total £
Tangible fixed assets:				
Long leasehold land and buildings	-	-	19,685,000	19,685,000
Other tangible fixed assets	-	-	641,605	641,605
LGPS pension deficit	-	(873,000)	-	(873,000)
Other identified assets and liabilities	457,237	-	-	457,237
Net assets/(liabilities)	457,237	(873,000)	20,326,605	19,910,842