

SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

GOVERNORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

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**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE PERIOD ENDED 31 AUGUST 2012**

Governors

Fr N Maxted (appointed 1 December 2011)^{3,4}
Rev J Warren (appointed 1 December 2011)³
A Macey (appointed 1 December 2011)²
R Philips (appointed 1 December 2011)^{1,3}
S Kirby, Headteacher (appointed 18 October 2011)^{1,2,3,4}
L Aggestam (appointed 1 December 2011, resigned 12 July 2012)²
R Davis, Vice Chair (appointed 18 October 2011)^{1,4}
J Luscombe (appointed 1 December 2011, resigned 12 July 2012)³
J Haines (appointed 1 December 2011)²
V Jones (appointed 1 December 2012)¹
H Crump (appointed 1 December 2011)²
S Tozer (appointed 1 December 2011)²
C Cardnell, Chair (appointed 18 October 2011)^{1,2,3,4}
K Hampton (appointed 1 December 2011)^{1,4}
R Hounsell (appointed 1 December 2011, resigned 12 July 2012)¹
S McPhee-Clarke (appointed 26 April 2012)¹

- 1 Business Committee
- 2 Education & Welfare Committee
- 3 Personnel Committee
- 4 Admissions Committee

Company registered number 07814065

Principal and Registered office Berkley Road
Frome
Somerset
BA11 2EF

Company secretary R Clark

Accounting Officer S Kirby

Leadership & Management Team

S Kirby, Headteacher
N Simmonds, Deputy Headteacher
L Steward, Assistant Headteacher
B White, Assistant Headteacher
G Driffield, Business Manager

Auditors

Bishop Fleming
Chartered Accountants
Statutory Auditors
16 Queen Square
Bristol
BS1 4NT

Bankers

Lloyds TSB Bank plc
25 Cheap Street
Frome
BA11 1BW

Solicitors

Stone King LLP
13 Queen Square
Bath
BA1 2HJ

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

**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.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy (was incorporated on 18 October 2011 and opened as an Academy on 1 December 2011) is a charitable company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy.

The Governors act as the Trustees for the charitable activities of Selwood Academy and are also the directors of the charitable company for the purposes of company law.

Details of the Governors who served throughout the period, 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 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 they cease to be a member.

Governors' Indemnities

Governors benefit from indemnity insurance purchased at the Academy's expense to cover the liability of the Governors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy, provided that any such insurance shall not extend to any claim arising from any act or omission which the Governors knew to be a breach of trust or breach of duty or which was committed by the Governors in reckless disregard to whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Governors in their capacity as Directors of the Academy. The insurance provides cover up to £1,000,000 on any one claim.

Principal Activity

The principal activity is to advance for the public benefit by establishing, maintaining, carrying on, managing and developing a middle school offering a broad and balanced curriculum. This is achieved by the provision of free education for pupils of different abilities between the ages of 9 and 13 with an emphasis on Performing Arts.

GOVERNORS

Method of recruitment and appointment or election of Governors

On 1 December 2011 the Trustees appointed all those Governors that served the predecessor school to be Governors of the newly formed Academy. These Governors were appointed on a term of office that would end when their original term at the predecessor school would have ended, thus ensuring a staggered re-election or replacement process.

The Academy's Governing Body comprises the Headteacher, a minimum of 5 Parent Governors, up to 2 Staff Governors (providing that the total number of Governors, including the Headteacher, who are employees of the Academy, does not exceed one third of the total number of Governors) and up to 8 other Governors.

**GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012**

The Academy shall have the following Governors as set out in its Articles of Association and funding agreement:

- the Headteacher who is treated for all purposes as being an ex officio Governor
- the Chair of Governors
- the Vice-Chair of Governors
- up to 1 Anglican Foundation Governor
- up to 1 Methodist Foundation Governor
- up to 3 Governors who are appointed by members

Governors are appointed for a four year period, except that this time limit does not apply to the Headteacher. Subject to remaining eligible to be a particular type of Governor, any Governor can be re-appointed or re-elected.

When appointing new Governors, the Board will give consideration to the skills and experience mix of existing Governors in order to ensure that the Board has the necessary skills to contribute fully to the Academy's development.

Policies and Procedures adopted for the Induction and Training of Governors

The Academy has a Governor Recruitment, Induction and Training policy available from the Clerk to the Governors.

The training and induction provided for new Governors will depend upon their existing experience but would always include a tour of the Academy and a chance to meet staff and pupils. All Governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Governors. As there are normally only two or three new Governors a year, induction tends to be done informally and is tailored specifically to the individual. Advantage is taken of specific courses offered by the Local Authority and other bodies.

Organisational Structure

The Board of Governors normally meets once each term. The Board establishes an overall framework for the governance of the Academy and determines membership, terms of reference and procedures of Committees and other groups. It receives reports including policies from its Committees for ratification. It monitors the activities of the Committees through the minutes of their meetings. The Board may from time to time establish Working Groups to perform specific tasks over a limited timescale.

There are 4 committees as follows;

- **Business Committee** - this meets at least six times a year and is responsible for monitoring, evaluating and reviewing policy and performance in relation to financial management, compliance with reporting and regulatory requirements and reporting, receiving reports from the Responsible Officer and drafting the annual budget including setting staffing levels. It also incorporates the role of an audit committee
- **Education & Welfare Committee** - this meets once a term to monitor, evaluate and review Academy policy, practice and performance in relation to curriculum planning, communications, target setting and assessment, examinations and all pastoral issues
- **Admissions Committee** - which meets as required to deal with all matters relating to admissions
- **Personnel Committee** - which meets as required to deal with all staffing and personnel issues

The following decisions are reserved to the Board of Governors; to consider any proposals for changes to the status or constitution of the Academy and its committee structure, to appoint or remove the Chairman and/or Vice Chairman, to appoint the Headteacher and Clerk to the Governors, to approve the Annual Development Plan and budget.

The Governors are responsible for setting general policy, adopting an annual plan and budget, approving the statutory accounts, monitoring the Academy by the use of budgets and other data, and making major decisions about the direction of the Academy, capital expenditure and staff appointments.

The Trustees and Board of Governors have devolved responsibility for day to day management of the Academy to the Headteacher and Leadership & Management Team (LMT). The LMT comprises the Headteacher, Deputy Headteacher, two Assistant Headteachers and the Business Manager. The LMT implement the policies laid

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**GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012**

down by the Governors and report back to them on performance.

The Academy has a leadership structure which consists of the Governors, The Senior Leadership Team and Team Leaders. The aim of the leadership structure is to devolve responsibility and encourage involvement in decision making at all levels.

The LMT controls the Academy at an executive level, implementing the policies laid down by the Governors and reporting back to them. The Headteacher, Academy Business Manager and Business Committee are responsible for the authorisation of spending within agreed budgets; a summary of this is in the Scheme of Delegation. Some spending control is devolved to Budget Holders which must be authorised in line with the Scheme of Delegation. The Headteacher is responsible for the appointment of staff, though appointment panels for teaching posts always include a Governor.

The Headteacher is the Accounting Officer.

Risk management

The Governors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas, and its finances.

The Governors have implemented a system to assess risks that the Academy faces, especially in the operational areas (e.g. in relation to teaching, health & safety and trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of Academy grounds) and internal financial controls in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover.

The Academy has an effective system of internal financial controls and this is explained in more detail in the Statement of Internal Control.

The Academy has undertaken a full review of the main areas of risks which it faces. This includes all health and safety and child protection policies and procedures. In addition a review of all financial risks is undertaken on a regular basis.

The Academy has a formal risk management process to assess business risks and to implement risk management strategies. This process involves identifying the types of risk the Academy faces, scoring and prioritising the risks in terms of their potential operational and financial impact, assessing the likelihood of occurrence and identifying means of mitigating the risks. A Risk Register is maintained and reviewed on a regular basis.

Connected Organisations, including Related Parties

The Academy has strong collaborative links with Hayesdown First School which is part of the Frome Community Learning Partnership (FCLP).

There are no related parties which either control or significantly influence the decisions and operations of Selwood Academy. There are no sponsors.

Selwood United is a formal Parent Teacher Association, which is associated with Selwood Academy.

OBJECTIVES AND ACTIVITIES

The principal objective and activity of the Academy is to advance for the public benefit education in Frome and the surrounding area, in particular by establishing, maintaining, carrying on, managing and developing a school, offering a broad range of curriculum for pupils of different abilities, with a strong emphasis on Performing Arts.

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**GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012**

The principal objective and activity of the charitable company is the operation of Selwood Academy to provide free education and care for pupils of different abilities between the ages of 9 and 13. The Academy's specialism is Performing Arts.

The aims of the Academy during the period ended 31 August 2012 are summarised below:

- to continue to raise the standard of educational attainment and achievement of all pupils
- to provide a broad and balanced curriculum, including extra curricular activities
- to develop students as more effective learners
- to develop the Academy site so that it enables students to achieve their full potential
- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care
- to improve the effectiveness of the Academy by keeping the curriculum and organisational structure under continual review
- to provide value for money for the funds expended
- to work with Hayesdown First School (our main feeder school) to further develop continuity and progression, particularly in literacy.
- to develop greater coherence, clarity and effectiveness in school systems
- to comply with all appropriate statutory and curriculum requirements
- to maintain close links with the community
- to develop the Academy's capacity to manage change, and
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and openness

At Selwood Academy we aim to get the best for, and from, each child. We intend to enable each child to realise his or her full academic, creative and physical potential and to develop positive social and moral values. Our Academy is a community in which children, staff and parents should be part of a happy and caring environment.

Objectives, Strategies and Activities

Key priorities for the year are contained in our Academy Development Plan which is available from the Academy Office. Improvement focuses identified for this year include:

- concentrating on the basics of Literacy and Numeracy
- stretching the more able
- striving to become an outstanding school
- ambitious targets have been set for the end of KS2 SAT assessments, including minimum 79% pupil attainment at level 4 in reading and maths. 82% in level 4 plus English, 85% in level 4 maths, 2 levels progress in English 90%, 2 levels progress in maths 88%

Key activities and targets were identified in the Academy Development Plan and were influenced by the significant challenges and opportunities arising from national changes in education policy and funding, including the conversion to Academy status. The activities included the following:

- review of numeracy, literacy and ICT capability
- review of staffing levels in the light of budgetary pressure
- further development of the intranet to support administration and communication
- development and embedding of key financial and administrative procedures arising from conversion
- continued development of systems for tracking and monitoring pupil attainment
- range of activities to promote community adhesion and support of other charities activities

Public Benefit

The Governors confirm that they have complied with the requirement in the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit in exercising their powers or duties. They have referred to this guidance when reviewing the Academy's aims and objectives and in planning its future activities.

The Academy aims to advance for the public benefit, education in Frome and the surrounding area. In particular, but without prejudice to the generality of the forgoing by estimating, maintaining, managing and development schools, offering a broad curriculum with a strong emphasis on, but in no way limited to the specialism of

**GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012**

Performing Arts.

The Academy provides facilities for recreational and other leisure time occupation for the community at large in the interests of social welfare and with the interest of improving the life of the said community.

As an Academy we have a duty to support other schools. Our named school in the Academy status is Hayesdown First School. The Headteacher has met with the Hayesdown First Schools' new Headteacher (in post since September 2012) with a view of developing a joint-school approach to literacy improvement. Action taken so far is that Selwood has paid for a Hayesdown teacher to attend a school-based inset day on literacy on 5 November 2012. There is future planning intended.

ACHIEVEMENTS AND PERFORMANCE

The total number of students in the year ended 31 August 2012 was 673. The intake from September 2012 is 180 due to the increased admission number being reached. The Academy was oversubscribed for September 2012. There were 190 applicants for the 180 places available in Year 5. The Academy is full in one year group and has a waiting list in operation.

SATS

The combined score for our Year 6 SATs results were our best ever: In English, 84% attained a level 4+ for reading and maths 46% a level 5. Teacher assessment for writing was 78% and 29% respectively. Overall for English this makes 80% level 4 and 36% level 5, with 84% making two levels progress across Key Stage Two.

In maths, a record 89% attained a level 4+, 41% level 5+ and 2% level 6, with 93% making two levels progress across Key Stage Two.

77% of the cohort achieved a level 4+ in English and maths - again, our best ever.

Compared with the highly challenging Fischer D targets, we were just below in English (82% and 40%) and above the level 4 target in maths (85% and 45%). Fischer D is an externally-fixed target based on how each child performed at Key Stage 1, i.e. when they were 7 years old. Fischer predicts what each child should score when aged 11 in the SATs assuming each child makes progress in line with the top 25% of children nationwide.

Contributory factors to these impressive results were as follows:

Presentation evening to parents; tips sheets to pupils and parents; invitation evening in maths, mock SATs week, boosting, holiday revision; level 6 maths sessions after school, but most importantly and effectively, high quality teaching by the English and maths departments, particularly as the English department had to cope with a specialist and experienced teacher being absent on maternity leave from January 2012 who taught one-third of the Year 6 pupils.

To ensure that standards are continually assessed, the Academy operates a programme of lesson observations, which are undertaken by the Department Heads and the Senior Leadership Team.

The Academy was inspected by OFSTED in January 2012 and was judged to be Good in all areas.

During the year the Academy continued with the refurbishment of the main block, including refurbishing two new science labs and the reception area.

The boys and girls toilet blocks were refurbished during the academic year at a cost of £80,000.

To become an outstanding school requires everyone to have access to the most up to date training to maximise potential and performance. The Academy is committed to investing in the professional development of all staff. Together with teachers striving to become outstanding practitioners, the majority of Teaching Assistants and Support Staff have gained vocational qualifications up to level 3. One member of the finance staff obtained Certification in School Business Management in the past year. Individual Teaching Assistants have developed

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specialist expertise as Higher Level Teaching Assistants, Restorative Justice Counsellors and mentoring vulnerable children. Three Apprentice Teaching Assistants are currently employed.

During the year, the Academy's charity fundraising activities raised £21,000. This academic year the Academy achieved Healthy Schools Plus and was a finalist in the Ashden National Awards for sustainability. The Academy has also been asked to be a pilot for both sustainability and as a healthy school.

The Academy has established close links with the other eight Middle Schools in Somerset and the FCLP.

Going Concern

After making appropriate enquiries, the Governing Body 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 accounting policies.

Key Financial Performance Indicators

The main financial performance indicator is the level of reserves held at the Balance Sheet date. In particular, the management of spending against General Annual Grant (GAG) requires special attention as the amount of carry forward is restricted. In the period under review, £136,326 was carried forward representing 6.7% of GAG.

As funding is based on pupil numbers this is also a key performance indicator. Pupil numbers for 2012 were 673, an increase of 20 over 2011.

Another key financial performance indicator is staffing costs as a percentage of GAG. For 2012 this was 82%.

FINANCIAL REVIEW

Financial Review

Most of the Academy's income is obtained from the DfE via the EFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the period ended 31 August 2012 and the associated expenditure are shown as Restricted Funds in the Statement of Financial Activities.

The Academy carried forward fixed assets from Somerset County Council on conversion and they are shown in the Statement of Financial Activities as restricted income in the Fixed Asset Fund. The Restricted Fixed Asset Fund balance will be reduced by annual depreciation charges over the useful life of the assets concerned, as defined in the Academy's accounting policies.

During the period ended 31 August 2012, the Academy received total income of £7,970,426 which consisted of recurrent grant funding from the DfE of £2,206,510, other incoming resources of £89,756 and a one off donation of assets on conversion of £5,674,160. Total expenses for the period amounted to £2,178,084.

At 31 August 2012 the net book value of fixed assets was £6,106,421 and movements in tangible fixed assets are shown in note 16 to the financial statements. The assets were used for providing education and the associated support services to the pupils of the Academy.

The land, buildings and other assets were transferred to the Academy upon conversion. Land and buildings were professionally valued on 31 August 2012 at £5,959,177. Other assets have been included in the financial statements at a best estimate, taking into account purchase price and remaining useful lives.

The balance of the former school's budget share was transferred across on conversion and is included in unrestricted funds.

The Academy has taken on the deficit in the Local Government Pension Scheme in respect of its non teaching staff transferred on conversion. The deficit is incorporated within the Statement of Financial Activity with details in Note 25 to the financial statements.

Key financial policies adopted or reviewed during the year include the Finance Policy which lays out the framework for financial management, including financial responsibilities of the Board, Headteacher, managers,

**GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012**

budget holders and other staff, as well as delegated authority for spending. Other policies reviewed and updated included Charges and Lettings, Asset Management and Insurance.

Governors have adopted a Responsible Officer Policy and appointed Jill Halmkin, a senior finance officer from Somerset County Council, to undertake a programme of internal checks on financial controls. During the year, the Governors received the initial report from the Responsible Officer which contained no matters of significance.

Financial and Risk Management Objectives and Policies

The Academy has agreed a Risk Management Strategy, a Risk Register and a Risk Management Plan. These have been discussed by Governors and include the financial risks to the Academy. The register and plan are constantly reviewed in light of any new information and formally reviewed annually.

The Governors have assessed the major risks to which the Academy is exposed, in particular those relating to its finances, teaching, facilities and other operational areas. The Governors have implemented a number of systems to assess and minimise those risks, including internal controls described elsewhere. Where significant financial risk still remains they have ensured they have adequate insurance cover.

Whilst the Academy is over-subscribed in Year 5, risks to revenue funding from a falling roll exist. Also the freeze on the Government's overall education budget, changes in funding arrangements for special educational needs and increasing employment and premises costs mean that budgets will be increasingly tight in coming years. The Governors are assessing the impact of developments as they arise.

The Governors examine the financial health formally every term, reviewing performance against budgets and overall expenditure by means of regular update reports at all full Governors' and Finance Committee meetings. The Governors also regularly review cash flow forecasts and ensure sufficient funds are held to cover all known and anticipated commitments.

At the year end, the Academy had no significant liabilities arising from trade creditors or debtors where there would be a significant effect on liquidity.

The Governing Body recognises that the defined benefit scheme deficit (Local Government Pension Scheme), which is set out in Note 25 to the financial statements, represents a significant potential liability. However as the Governors consider that the Academy is able to meet its known annual contribution commitments for the foreseeable future, this risk from this liability is minimised.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Academy are as follows:

Financial - the Academy has considerable reliance on continued Government funding through the EFA. In the last year 98% of the Academy's incoming resources was ultimately Government funded and whilst this level is expected to continue, there is no assurance that Government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

Failures in governance and/or management - the risk in this area arises from potential failure to effectively manage the Academy's finances, internal controls, compliance with regulations and legislation, statutory returns, etc. The Governors continue to review and ensure that appropriate measures are in place to mitigate these risks.

Reputational - the continuing success of the Academy is dependant on continuing to attract applicants in sufficient numbers by maintaining the highest educational standards. To mitigate this risk Governors ensure that student success and achievement are closely monitored and reviewed.

Safeguarding and child protection - the Governors continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline.

Staffing - the success of the Academy is reliant on the quality of its staff and so the Governors monitor and review policies and procedures to ensure continued development and training of staff as well as ensuring there is clear succession planning.

**GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012**

Fraud and mismanagement of funds - The Academy has appointed a Responsible Officer to carry out checks on financial systems and records as required by the Academy Financial Handbook. All finance staff receive training to keep them up to date with financial practice requirements and develop their skills in this area.

The Academy has continued to strengthen its risk management process throughout the year by improving the process and ensuring staff awareness. A risk register is maintained and reviewed and updated on a regular basis.

Reserves Policy

The Governors review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Governors take into consideration the future plans of the Academy, the uncertainty over future income streams and other key risks identified during the risk review.

The Governors have determined that the appropriate level of free cash reserves should be approximately £100,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies. The Academy's current level of reserves (total funds less the amount held in fixed assets and restricted funds) is £198,470.

Investment Policy

All funds surplus to immediate requirements are invested to optimal effect. Where cash flow allows, sums of £50,000 will be invested for a six week investment ensuring there is always £50,000 available.

Due to the nature of funding, the Academy may at times hold cash balances surplus to its short term requirements. The Governors have authorised the opening of additional short term bank investment accounts to take advantage of higher interest rates. No other form of investment is authorised.

Governors are committed to ensuring that all funds under their control are managed in such a way as to maximise return whilst minimising risk. Any cash not required for operating expenses is placed on deposit at the most favourable rate available from providers covered by the Financial Services Compensation Scheme. Day to day management of the surplus funds is delegated to the Headteacher and Business Manager within strict guidelines approved by the Governing Body as stated in the Investment Policy.

PLANS FOR FUTURE PERIODS

The Academy will continue to strive to provide outstanding education and improve the levels of performance of its pupils at all levels. The Academy will continue to aim to attract high quality teachers and support staff in order to deliver its objectives.

The Academy will continue to work with partner schools to improve the educational opportunities for students in the wider community.

Full details of our plans for the future are given in our Academy Development Plan, which is available on our website or from the Clerk to the Governors.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

The Academy and its Governors do not act as the Custodian Trustees of any other Charity.

AUDITORS

In so far as the Governors are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The auditors, Bishop Fleming, are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

This report was approved by the members of the Governing Body on 5 December 2012 and signed on its behalf by:

C Cardnell, Chair

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

The Governing Body has delegated the day-to-day responsibility to the Headteacher, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Selwood Academy 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 Governors' responsibilities statement. The Governing Body has formally met 5 times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Governor	Meetings attended	Out of a possible
Fr N Maxted	3	5
Rev J Warren	4	5
A Macey	4	5
R Philips	5	5
S Kirby	5	5
L Aggestam	3	5
R Davis	4	5
J Luscombe	1	5
J Haines	5	5
V Jones	4	4
H Crump	5	5
S Tozer	2	5
C Cardnell	5	5
K Hampton	4	5
R Hounsell	4	4
S McPhee-Clarke	1	2

The Business Committee is a sub-committee of the main Governing Body. Its purpose is to make smaller financial decisions and summarise larger decisions for discussion at the full governor meetings.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
R Philips, Foundation Governor	5	5
S Kirby, Head Teacher	5	5
R Davis, Vice Chair	4	5
V Jones, Parent Governor	1	3
C Cardnell, Chair	4	5
K Hampton, Community Governor	4	5
R Hounsell, Community Governor	3	3
S McPhee-Clarke, Community Governor	0	1

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

GOVERNANCE STATEMENT (continued)

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 Selwood 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 Governing Body has reviewed the key risks to which the Academy 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 ongoing process for identifying, evaluating and managing the Academy'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'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 Business 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 (as set 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 J Halmkin, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a quarterly 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.

GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Headteacher 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 who have responsibility for the development and maintenance of the internal control framework.

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

Approved by the members of the Governing Body on 5 December 2012 and signed on their behalf, by:

C Cardnell, Chair

S Kirby, Headteacher

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Selwood Academy I have considered my responsibility to notify the Academy 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 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 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'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.

S Kirby, Headteacher

Date: 5 December 2012

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

**GOVERNORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012**

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

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

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

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

Approved by order of the members of the Governing Body and signed on its behalf by:

C Cardnell, Chair

Date: 5 December 2012

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SELWOOD ACADEMY

We have audited the financial statements of Selwood Academy for the period ended 31 August 2012 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

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

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

As explained more fully in the Governors' responsibilities statement, the Governors (who are also the directors of the Academy 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.

The Governors have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006. Accordingly we have been appointed as Auditors under section 144 of the Charities Act 2011 and report to you in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Academy'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
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SELWOOD ACADEMY

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Matthew Lee FCA (Senior Statutory Auditor)
for and on behalf of
Bishop Fleming
Chartered Accountants
Statutory Auditors
16 Queen Square
Bristol
BS1 4NT
10 December 2012

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO SELWOOD
ACADEMY AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 9 November 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies: Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Selwood Academy during the period 18 October 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 Selwood Academy and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Selwood Academy and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Selwood Academy and the EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF SELWOOD ACADEMY'S ACCOUNTING OFFICER AND THE
REPORTING ACCOUNTANTS**

The Accounting Officer is responsible, under the requirements of Selwood Academy's funding agreement with the Secretary of State for Education dated 1 December 2011, and the Academies Financial Handbook as published by DfE in 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies: Accounts Direction 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 18 October 2011 to 31 August 2012 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

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

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

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

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

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO SELWOOD
ACADEMY AND THE EDUCATION FUNDING AGENCY (continued)**

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 18 October 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.

Bishop Fleming

Chartered Accountants
16 Queen Square
Bristol
BS1 4NT

10 December 2012

SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

STATEMENT OF FINANCIAL ACTIVITIES
(incorporating Income and Expenditure account and a Statement of Total Recognised Gains and Losses)
FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	Unrestricted funds 2012 £	Restricted funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
INCOMING RESOURCES					
Incoming resources from generated funds:					
Transfer on conversion from Local Authority	3	190,774	(631,000)	6,148,542	5,708,316
Other voluntary income	3	3,803	28,899	10,075	42,777
Activities for generating funds	4,5	12,495	-	-	12,495
Investment income	6	328	-	-	328
Incoming resources from charitable activities	7	2,232	2,204,278	-	2,206,510
TOTAL INCOMING RESOURCES		209,632	1,602,177	6,158,617	7,970,426
RESOURCES EXPENDED					
Costs of generating funds:					
Fundraising expenses and other costs	5	8,930	-	-	8,930
Charitable activities	9,10	2,232	2,035,496	122,749	2,160,477
Governance costs	8	-	8,677	-	8,677
TOTAL RESOURCES EXPENDED	11	11,162	2,044,173	122,749	2,178,084
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS					
		198,470	(441,996)	6,035,868	5,792,342
Transfers between Funds	20	-	(96,398)	96,398	-
NET EXPENDITURE FOR THE PERIOD		198,470	(538,394)	6,132,266	5,792,342
Actuarial gains and losses on defined benefit pension schemes		-	(214,000)	-	(214,000)
NET MOVEMENT IN FUNDS FOR THE PERIOD		198,470	(752,394)	6,132,266	5,578,342
Total funds at 18 October 2011		-	-	-	-
TOTAL FUNDS AT 31 AUGUST 2012		198,470	(752,394)	6,132,266	5,578,342

All of the Academy's activities derive from acquisitions in the current financial period.

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

The notes on pages 23 to 40 form part of these financial statements.

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)
REGISTERED NUMBER: 07814065**

**BALANCE SHEET
AS AT 31 AUGUST 2012**

	Note	£	2012 £
FIXED ASSETS			
Tangible assets	16		6,106,421
CURRENT ASSETS			
Stocks	17	7,375	
Debtors	18	38,138	
Cash at bank and in hand		376,645	
		<u>422,158</u>	
CREDITORS: amounts falling due within one year	19	(54,237)	
		<u>367,921</u>	
NET CURRENT ASSETS			<u>367,921</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,474,342</u>
Defined benefit pension scheme liability	25		(896,000)
NET LIABILITIES INCLUDING PENSION SCHEME LIABILITY			<u>5,578,342</u>
FUNDS OF THE ACADEMY			
Restricted funds:			
General funds	20	143,606	
Fixed asset funds	20	6,132,266	
		<u>6,275,872</u>	
Restricted funds excluding pension liability			
Pension reserve		(896,000)	
		<u>5,379,872</u>	
Total restricted funds			5,379,872
Unrestricted funds	20		198,470
TOTAL FUNDS			<u>5,578,342</u>

The financial statements were approved by the Governors, and authorised for issue, on 5 December 2012 and are signed on their behalf, by:

C Cardnell, Chair

S Kirby, Headteacher

The notes on pages 23 to 40 form part of these financial statements.

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012**

	Note	2012 £
Net cash flow from operating activities	22	282,908
Capital expenditure and financial investment		(96,398)
Cash transferred on conversion to an Academy	24	190,135
INCREASE IN CASH IN THE PERIOD		376,645

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

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE PERIOD ENDED 31 AUGUST 2012**

Increase in cash in the period	376,645
MOVEMENT IN NET FUNDS IN THE PERIOD	376,645
NET FUNDS AT 31 AUGUST 2012	376,645

The notes on pages 23 to 40 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, the Academies Accounts Direction 2011/12 issued by the EFA, applicable accounting standards and the Companies Act 2006.

1.2 COMPANY STATUS

The Academy is a company limited by guarantee. The members of the company are the Governors named on page 1. In the event of the Academy being wound up, the liability in respect of the guarantee is limited to £10 per member of the Academy.

1.3 FUND ACCOUNTING

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 Department for Education.

Investment income, gains and losses are allocated to the appropriate fund.

1.4 INCOMING RESOURCES

All incoming resources are included in the Statement of financial activities when the Academy is legally entitled to the income and the amount can be quantified with reasonable accuracy.

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

Sponsorship income provided to the Academy which amounts to a donation is recognised in the Statement of financial activities in the period in which it is receivable, where there is certainty of receipt.

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

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

1. ACCOUNTING POLICIES (continued)

1.5 RESOURCES EXPENDED

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

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

Charitable activities are costs incurred in the Academy's educational operations.

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

All resources expended are inclusive of irrecoverable VAT.

1.6 GOING CONCERN

The Academy has considerable reliance on continued Government funding through the EFA. Although there is no assurance that Government funding will continue at its current level for the period covered by the going concern review the Governors have a reasonable expectation that the Academy will have adequate resources to continue its activities for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements as outlined in the Statement of Governors' Responsibilities.

1.7 TANGIBLE FIXED ASSETS AND DEPRECIATION

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of financial activities and are carried forward in the Balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy's depreciation policy.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long term leasehold property	-	Straight line 2% pa
Plant and machinery	-	Straight line 15% pa
Fixtures and fittings	-	Straight line 15% pa
Computer equipment	-	Straight line 33.3% pa

1.8 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

1. ACCOUNTING POLICIES (continued)

1.9 TAXATION

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

1.10 PENSIONS

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

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

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

1.11 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 and liabilities transferred on conversion from Selwood VC Anglican Methodist Middle School to an Academy have been valued at their fair value, being a reasonable estimate of the current market value that the Governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Academy. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised 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 24.

**SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

2. GENERAL ANNUAL GRANT (GAG)

	2012 £
Result and Carry Forward for the Period	
GAG Allocation for current period	2,020,902
Total GAG Available to spend	2,020,902
Recurrent expenditure from GAG	(1,809,797)
Fixed assets purchased from GAG	(74,779)
GAG Carried forward to next year	136,326
Maximum permitted GAG carried forward at end of current year (12% allocation for current year)	(242,508)
GAG to surrender to DfE	(106,182)
(12% rule breached if result is positive)	No breach

3. VOLUNTARY INCOME

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Transfer on conversion from Local Authority	190,774	5,517,542	5,708,316
Donations	3,803	17,355	21,158
Government grants	-	21,619	21,619
Subtotal	3,803	38,974	42,777
Voluntary income	194,577	5,556,516	5,751,093

4. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Lettings	8,635	-	8,635
After school club income	573	-	573
Sales to pupils	3,287	-	3,287
	12,495	-	12,495

SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

5. COST OF GENERATING FUNDS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
FUNDRAISING TRADING EXPENSES			
Lettings expenses	5,643	-	5,643
Sales to pupils expenses	3,287	-	3,287
	8,930	-	8,930
Net expenditure from cost of generating funds	(8,930)	-	(8,930)

6. INVESTMENT INCOME

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Bank interest	328	-	328

SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

7. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Education	2,232	2,204,278	2,206,510
	<u>2,232</u>	<u>2,204,278</u>	<u>2,206,510</u>

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
DfE/EFA revenue grant			
General Annual Grant	-	2,020,902	2,020,902
Start up Grants	-	25,000	25,000
Special Educational Needs	-	128,619	128,619
	<u>-</u>	<u>2,174,521</u>	<u>2,174,521</u>
Other government grants			
Other DfE/EFA grants	-	29,757	29,757
	<u>-</u>	<u>29,757</u>	<u>29,757</u>
Other funding			
Sales to pupils	725	-	725
Recharge of costs	1,507	-	1,507
	<u>2,232</u>	<u>-</u>	<u>2,232</u>
	<u>2,232</u>	<u>2,204,278</u>	<u>2,206,510</u>

8. GOVERNANCE COSTS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Auditors' remuneration	-	5,500	5,500
RO costs and financial advice	-	3,177	3,177
	<u>-</u>	<u>8,677</u>	<u>8,677</u>

SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

9. DIRECT COSTS

	Education £
Pension finance costs	22,000
Educational supplies	51,299
Staff development	6,276
Other costs	5,022
Supply teachers	8,129
Wages and salaries	1,070,839
National insurance	75,712
Pension cost	179,989
Depreciation	122,749
	<hr/>
	1,542,015
	<hr/> <hr/>

10. SUPPORT COSTS

	Education £
Other costs	10,885
Recruitment and other staff costs	8,926
Maintenance of premises and equipment	54,961
Cleaning	4,819
Rent and rates	11,563
Heat and light	22,768
Insurance	39,544
Security and transport	4,829
Catering	16,867
Technology costs	28,377
Office overheads	21,017
Legal and professional	63,843
Bank interest and charges	1,063
Wages and salaries	279,674
National insurance	12,734
Pension cost	36,592
	<hr/>
	618,462
	<hr/> <hr/>

SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

11. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff costs 2012 £	Depreciation 2012 £	Other costs 2012 £	Total 2012 £
Fundraising expenses	-	-	8,930	8,930
COSTS OF GENERATING FUNDS	-	-	8,930	8,930
Education	1,655,540	122,749	382,188	2,160,477
Governance	-	-	8,677	8,677
	<u>1,655,540</u>	<u>122,749</u>	<u>399,795</u>	<u>2,178,084</u>

12. NET INCOMING RESOURCES / (RESOURCES EXPENDED)

This is stated after charging:

	2012 £
Depreciation of tangible fixed assets:	
- owned by the charity	122,749
Auditors' remuneration	5,500
	<u>128,249</u>

During the period, no Governors received any benefits in kind.

During the period, no Governors received any reimbursement of expenses.

SELWOOD ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

13.

Staff costs were as follows:

	2012
	£
Wages and salaries	1,350,513
Social security costs	88,446
Other pension costs	216,581
	<hr/>
	1,655,540
	<hr/> <hr/>

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

	2012
	No.
Teachers	22
Administration and support	40
Management	4
	<hr/>
	66
	<hr/> <hr/>

No employee received remuneration amounting to more than £60,000 in the period.

14. GOVERNORS' REMUNERATION

During the period, retirement benefits were accruing to 2 Governors in respect of defined benefit pension schemes.

The Headteacher and Staff Governors only receive remuneration in respect of services they provide undertaking the roles of Headteacher 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 in the period was as follows: S Kirby £53,243, H Crump £32,002 and S Tozer £10,468. The value of Governors' pension contributions in respect of defined benefit schemes made in the period was as follows: S Kirby £7,507 and H Crump £4,512.

15. 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 £1,000,000 on any one claim and the cost for the period ended 31 August 2012 is included in the total insurance cost.

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16. TANGIBLE FIXED ASSETS

	Long term leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
COST					
Additions	-	12,271	56,810	27,317	96,398
Transfer on conversion	6,029,510	14,169	46,829	42,264	6,132,772
At 31 August 2012	<u>6,029,510</u>	<u>26,440</u>	<u>103,639</u>	<u>69,581</u>	<u>6,229,170</u>
DEPRECIATION					
Charge for the period	70,333	5,867	13,884	32,665	122,749
At 31 August 2012	<u>70,333</u>	<u>5,867</u>	<u>13,884</u>	<u>32,665</u>	<u>122,749</u>
NET BOOK VALUE					
At 31 August 2012	<u>5,959,177</u>	<u>20,573</u>	<u>89,755</u>	<u>36,916</u>	<u>6,106,421</u>

17. STOCKS

	2012 £
School uniforms for resale	<u>7,375</u>

18. DEBTORS

	2012 £
Trade debtors	150
VAT repayable	15,882
Other debtors	409
Prepayments and accrued income	21,697
	<u>38,138</u>

**19. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012 £
Trade creditors	16,943
Other creditors	5,719
Accruals and deferred income	31,575
	<u>54,237</u>

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NOTES TO THE FINANCIAL STATEMENTS
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19. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

	£
DEFERRED INCOME	
Resources deferred during the year	18,980

20. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
UNRESTRICTED FUNDS						
General funds	-	209,632	(11,162)	-	-	198,470
RESTRICTED FUNDS						
General Annual Grant (GAG)	-	2,020,902	(1,809,797)	(74,779)	-	136,326
Special Educational Needs	-	128,619	(128,619)	-	-	-
Pupil Premium	-	29,757	(29,757)	-	-	-
Start Up Grant	-	25,000	(25,000)	-	-	-
DfE/EFA Capital Grants	-	21,619	-	(21,619)	-	-
Other Restricted Funds	-	7,280	-	-	-	7,280
Pension Reserve	-	(631,000)	(51,000)	-	(214,000)	(896,000)
	-	1,602,177	(2,044,173)	(96,398)	(214,000)	(752,394)
RESTRICTED FIXED ASSET FUNDS						
	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Fixed assets transferred on conversion	-	6,148,542	(108,035)	-	-	6,040,507
Fixed assets purchased from GAG and restricted funds	-	10,075	(14,714)	96,398	-	91,759
	-	6,158,617	(122,749)	96,398	-	6,132,266
Total restricted funds	-	7,760,794	(2,166,922)	-	(214,000)	5,379,872
Total of funds	-	7,970,426	(2,178,084)	-	(214,000)	5,578,342

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20. STATEMENT OF FUNDS (continued)

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds	-	209,632	(11,162)	-	-	198,470
Restricted funds	-	1,602,177	(2,044,173)	(96,398)	(214,000)	(752,394)
Restricted fixed asset funds	-	6,158,617	(122,749)	96,398	-	6,132,266
	-	7,970,426	(2,178,084)	-	(214,000)	5,578,342

RESTRICTED FUNDS

The General Annual Grant (GAG) represents funding received from the YPLA / Education Funding Agency during the period in order to fund the continuing activities of the school.

Special Education Needs (SEN) funding is received from the EFA to cater for pupils with learning difficulties and other disabilities.

Pupil Premium funding represents amounts received from the EFA to cater for disadvantaged pupils.

The Start Up Grant is funding from the Department for Education to cover costs in converting to an academy such as obtaining legal advice, costs of software licence transfers, HR/TUPE advice, re-branding costs and expenses incurred in setting up the academy trust.

DfE/EFA Capital Grants includes devolved capital funding and amounts received from the Academies Capital Maintenance Fund.

Other Restricted Funds covers smaller restricted donations, not spend at the period end.

The Pension Reserve represents the Academy's share of the assets and liabilities in the Local Government Pension Scheme. As with most pension schemes this is currently in deficit due to an excess of scheme liabilities over scheme assets which was inherited on conversion to an Academy. The Academy is following the recommendations of the actuary to reduce the deficit by making additional contributions over a number of years.

FIXED ASSET FUNDS

Fixed assets transferred on conversion represent the building and equipment donated to the school from Somerset County Council on conversion to an academy. It also includes a capital donation on conversion for the purpose of building a sports hall.

Fixed assets purchased from GAG represent amounts spent on fixed assets from the GAG funding received from the YPLA / EFA.

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21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
Tangible fixed assets	-	-	6,106,421	6,106,421
Current assets	252,707	143,606	25,845	422,158
Creditors due within one year	(54,237)	-	-	(54,237)
Provisions for liabilities and charges	-	(896,000)	-	(896,000)
	<u>198,470</u>	<u>(752,394)</u>	<u>6,132,266</u>	<u>5,578,342</u>

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £
Net incoming resources	5,792,342
Net assets transferred on conversion	(5,671,907)
Depreciation of tangible fixed assets	122,749
Increase in stocks	(7,375)
Increase in debtors	(31,138)
Increase in creditors	54,237
Defined benefit pension scheme adjustments	24,000

NET CASH INFLOW FROM OPERATIONS

282,908

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of tangible fixed assets

(96,398)

23. ANALYSIS OF CHANGES IN NET DEBT

	18 October 2011 £	Cash flow £	Other non-cash changes £	31 August 2012 £
Cash at bank and in hand	-	376,645	-	376,645
NET FUNDS	<u>-</u>	<u>376,645</u>	<u>-</u>	<u>376,645</u>

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NOTES TO THE FINANCIAL STATEMENTS
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24. CONVERSION TO AN ACADEMY TRUST

On 1st December 2011 Selwood VC Anglican Methodist Middle School converted to Academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Selwood Academy from Somerset County council 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 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 funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
- Leasehold land and buildings	-	-	6,029,510	6,029,510
- Other tangible fixed assets	-	-	103,262	103,262
Other assets	172,388	-	-	172,388
LGPS pension surplus/(deficit)	-	(631,000)	-	(631,000)
Net assets/(liabilities)	<u>172,388</u>	<u>(631,000)</u>	<u>6,132,772</u>	<u>5,674,160</u>

25. PENSION COMMITMENTS

The Academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Somerset 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.

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

Teachers' Pension Scheme

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

NOTES TO THE FINANCIAL STATEMENTS
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25. PENSION COMMITMENTS (continued)

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

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

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

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

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 (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Academy has taken advantage of the exemption in FRS17 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 assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £79,000, of which employer's contributions totalled £57,000. The agreed contribution rate for future years are 15.1% for employers and 5.5-7.5% for employees.

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25. PENSION COMMITMENTS (continued)

The amounts recognised in the Balance sheet are as follows:

	2012 £
Present value of funded obligations	(1,256,000)
Fair value of scheme assets	360,000
	<u> </u>
Net liability	<u><u>(896,000)</u></u>

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

	2012 £
Current service cost	(86,000)
Interest on obligation	(34,000)
Expected return on scheme assets	12,000
	<u> </u>
Total	<u><u>(108,000)</u></u>

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

	2012 £
Current service cost	86,000
Interest cost	34,000
Contributions by scheme participants	22,000
Actuarial losses	221,000
Benefits paid	14,000
Liability transferred on conversion	879,000
	<u> </u>
Closing defined benefit obligation	<u><u>1,256,000</u></u>

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

	2012 £
Expected return on assets	12,000
Actuarial gains	7,000
Contributions by employer	57,000
Contributions by employees	22,000
Benefits paid	14,000
Asset transferred on conversion	248,000
	<u> </u>
	<u><u>360,000</u></u>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was a loss of £214,000.

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25. PENSION COMMITMENTS (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2012
European equities	70.00 %
European bonds	19.00 %
Property	10.00 %
Cash	1.00 %

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

	2012
Discount rate for scheme liabilities	3.90 %
Expected return on scheme assets at 31 August	5.20 %
Rate of increase in salaries	4.10 %
Rate of increase for pensions in payment / inflation	1.90 %

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

	2012
Retiring today	
Males	20.0 years
Females	24.0 years
Retiring in 20 years	
Males	22.0 years
Females	25.9 years

Experience adjustments incurred for the current period are as follows:

Defined benefit pension schemes

	2012
	£
Defined benefit obligation	(1,256,000)
Scheme assets	360,000
Deficit	(896,000)
Experience adjustments on scheme liabilities	(221,000)
Experience adjustments on scheme assets	7,000

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26. OPERATING LEASE COMMITMENTS

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

	2012
	£
EXPIRY DATE:	
Between 2 and 5 years	9,961