

**The Chelsea Academy
(A Science Academy)**

A company limited by guarantee

Company Registration Number 06176090 (England and Wales)

**Annual Report and Financial
Statements**

31 August 2012

The Chelsea Academy (A Science Academy)

Contents

	Page
Reference and administrative information	1
Governors' report	3
Governance statement	13
Statement on regularity, propriety and compliance	17
Statement of governors' responsibilities	18
Independent auditor's report	20
Independent auditor's report on regularity	22
Statement of financial activities incorporating the income & expenditure account	23
Balance sheet	24
Cash flow statement	25
Notes to the financial statements incorporating:	
- Statement of accounting policies	26
- Other notes to the financial statements	30

The Chelsea Academy (A Science Academy)

Reference and administrative information

Governors

Mrs Sarah Arkas
Councillor Elizabeth Campbell
Councillor Merrick Cockell (*)
Mrs Jill Coughlan
Dr Rodney Eastwood (*)
Revd Rob Gillion
Mr Robert Hingley (*)
Mr Gareth Jones (*)
Mr Barnaby Lenon
Ms Rebecca Matthews
Mr William Salomon (*)
Lady Sarah Sassoon
The Venerable Stephan Welch (Chair)
Mr Andy Yarrow (Principal) (*)

(*) Member of the Business Operations Committee

Company Secretary

Allister Duncan

Senior Leadership Team :

Principal
Senior Vice Principal
Vice Principal
Director of Finance & Operations
Assistant Principals

Andy Yarrow
Charlotte Harrison
Tom Cragg
Allister Duncan
Mark Dalton
Lisa Minshull
Jeannette Simpson
Lana Kulas

Head of Sixth Form

The Chelsea Academy (A Science Academy)

Governors' report

The governors of The Chelsea Academy (A Science Academy) ('the Academy'), a Charitable Company, present their annual report together with the financial statements and auditor's report for the year ended 31 August 2012.

Structure, Governance and Management

Constitution

The Academy is a company limited by guarantee with no share capital (company registration no. 06176090) which became an exempt charity with effect from 1 August 2011. The memorandum and articles of association are the primary governing documents of the Academy. The sponsors of the Academy are the London Diocesan Board for Schools (LDBS) and the Royal Borough of Kensington and Chelsea (RBKC) with the Education Funding Agency (EFA), part of the Department for Education (DFE)), as the largest funder. The sponsors nominate the principal members of the Charitable Company.

Governance arrangements

The members of the charitable company are as set out below:

- ◆ The London Diocesan Board for Schools;
- ◆ The Royal Borough of Kensington and Chelsea;
- ◆ One person appointed by the Secretary of State for Education; and
- ◆ Any further members appointed by the above.

The affairs of the Academy are managed by the governors, who are also the trustees and directors of the Charitable Company.

Details of the governors who served throughout the year are included in the reference and administrative information on page 1.

The Chelsea Academy (A Science Academy)

Governors' report (continued)

Structure, Governance and Management (continued)

Members' liability

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

Governors' Indemnities

There are no qualifying third party indemnity provisions to declare.

Principal activities

The objects of the Charitable Company, as set out in the memorandum of association, are to advance, for the public benefit, education in the United Kingdom, in particular by establishing, maintaining, operating and developing a Church of England school, offering a broad curriculum with a strong emphasis on, but not limited to, the Sciences, conducted in accordance with the principles and practices of the Church of England.

Method of recruitment and appointment of governors

The term of office for any governor shall be four years, although the nominating bodies may re-nominate the governor to serve for a further period. This time limit shall not apply to the Principal.

The articles of association provide for the appointment or election of up to 15 governors, as follows:

- ◆ four governors appointed by the LDBS;
- ◆ three governors appointed by the RBKC;
- ◆ the Principal of The Chelsea Academy;
- ◆ one elected parent governor;
- ◆ one elected teacher governor;
- ◆ one governor, to represent the private sector, who is appointed by the LDBS and the RBKC; and
- ◆ up to four governors co-opted by the Governing Body.

The Chelsea Academy (A Science Academy)

Governors' report (continued)

Structure, Governance and Management (continued)

Policies and procedures adopted for the induction and training of governors

All governors are provided with an induction and training programme appropriate to their skills and experience. As a minimum this will include training on the Academy's Child Protection policy.

Organisational structure

As set out in the articles of association, the governors exercise their powers and functions with a view to fulfilling a largely strategic role in the running of the Academy and consider any advice given by the Principal.

The governing body of the Academy has three primary roles:

- ◆ to set the Academy's strategic direction; its mission, ethos, core values; overall aims and objectives;
- ◆ to provide accountability for the Academy, for example, by reporting to key stakeholder groups and providing information for those groups; or by hearing appeals against decisions of the Academy; and
- ◆ to monitor and evaluate the Academy's performance, for example, against past performance, against other 'like' Academies and against its own improvement plan, budgets and policies.

In particular, this means exercising responsibility for and oversight over the following:

- ◆ overall policy and strategic direction of the Academy;
- ◆ mission and vision of the Academy;
- ◆ Academy development plan;
- ◆ adoption and monitoring of key targets;
- ◆ adoption of the annual budget and major financial decisions;
- ◆ overall curriculum;
- ◆ preparation of the annual report and financial statements;
- ◆ overall governance of the Academy including oversight of committees and appointment of governors;
- ◆ dealing with any statutory inspection of the Academy; and
- ◆ maintaining relations with the sponsors of the Academy and the EFA.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Structure, Governance and Management (continued)

Organisational structure (continued)

The Principal is responsible for the internal organisation, management and control of the Academy; and for advising on and implementing the Academy's strategic framework. In particular, the Principal and his Senior Leadership Team will formulate specific aims and objectives, policies and targets for the governing body to consider adopting. The Principal is responsible for discharging many responsibilities on the governing body's behalf, as well as for discharging his own responsibilities.

Risk management

During the year ended 31 August 2012, the risk register has been used by the governors to ensure that the major risks to which the Academy is exposed have been kept under review, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances.

Systems have been introduced, including operational procedures (e.g. vetting of new staff and visitors) and internal financial controls in order to minimise risk. Where significant financial risk still remains, the Academy has ensured it has adequate insurance cover. The Academy has an effective system of internal financial control and more details are provided in pages 14 to 16.

Connected organisations

The Academy's sponsors are the Royal Borough of Kensington and Chelsea and the London Diocesan Board for Schools. Details of any donations and sponsorship during the year from these two organisations are given in note 26. The Chelsea Academy Foundation, a registered charity (charity number 1120784), exists to raise funds to support access for all students to an extended range of curriculum at the Academy. Details of donations from the Chelsea Academy Foundation during the year are given in note 26.

Auditors

In so far as the governors are aware:

- ◆ there is no relevant audit information of which the Charitable Company's auditor is unaware; and
- ◆ the governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Objectives, strategies and activities for 2011/12

The objects of the Academy are to advance, for the public benefit, education in the United Kingdom, by establishing, maintaining, operating and developing a Church of England secondary school offering a broad curriculum with a strong emphasis on the Sciences. The sole activity of the Academy is to provide education for students of different abilities between the ages of 11 and 19. The Academy admits 162 year 7 students each year and the expectation is that most of these will live in the local area. Up to ten per cent of the places are offered to students with musical aptitude. The remaining places are shared equally between 'Foundation Places', with priority given to those who attend Christian churches and Church of England primary schools within the Royal Borough of Kensington and Chelsea, and 'Community Places', with priority given again to applicants from the Royal Borough of Kensington and Chelsea's community primary schools and allocated to those who live closest to the Academy. The Academy remains heavily oversubscribed and maintains waiting lists for year groups 7, 8, 9 and 10.

The Academy adopted a Development Plan for 2011 – 2013 during the year, the key objectives being as follows:

- ◆ students' attainment and achievement across all Key Stages is outstanding;
- ◆ the quality of teaching in all Curriculum Areas and Faculties is at least good, and frequently outstanding;
- ◆ leadership and management at all levels is highly effective, supportive and challenging;
- ◆ students' behaviour is conducive to outstanding learning and levels of safety;
- ◆ a distinctive Christian ethos is developed across the Academy community; and
- ◆ the future sustainability of the Academy is secured with regard to accommodation, finances, admissions and staffing.

Public benefit

The governors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Academy's objectives and aims and in planning future activities for the year. The governors consider that the Academy's aims are demonstrably to the public benefit.

Achievements and performance

The main activity during the period under review was to continue to ensure that students' attainment and achievement was outstanding. The major measure of achievement in the year was being assessed as 'outstanding' in the Academy's first full Section 5 Ofsted inspection.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Achievements and performance (continued)

under the new framework. This was followed by an outstanding judgement in the Academy's first Statutory Inspection of Anglican Schools (SIAS) Section 48 inspection.

Some of highlights from the Ofsted report were as follows :

- ◆ Chelsea Academy is an outstanding academy. It inspires students to excel;
- ◆ students are highly motivated and achieve standards in personal development as well as academic and intellectual pursuits;
- ◆ teaching is stimulating and supportive. The pursuit of consistently outstanding teaching is increasingly being met because of the commitment and dedication of staff;
- ◆ behaviour is outstanding. The students are excellent ambassadors for their academy, with a passion for learning;
- ◆ the leadership and management are of exceptionally high quality;
- ◆ the sixth form is outstanding. A supportive culture and range of courses have attracted students who are making outstanding progress and achieving extremely well.

Other significant achievements included:

- ◆ seeing our first sixth formers to our first whole year public examinations with AS levels being taken;
- ◆ further extending the wide ranging programme of school trips and visits including a further visit to China for another eight students and a group of sixth formers supporting an orphanage in Bosnia;
- ◆ taking part in an extensive range of sporting and cultural activities, building on the very popular extended curriculum offered to all students, achieving further competition success in a range of sports and dance;
- ◆ offering an even greater selection of activities to all students, on a weekly basis, through the enrichment programme;
- ◆ running six highly successful 'immersion' days where individual faculties designed and delivered a day long, commonly themed, programme; and
- ◆ recruiting a total of 30 new staff, ensuring that the demands of the new Year 7 and 12's could be catered for.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Achievements and performance (continued)

Going concern

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

Financial review

Financial report for the year

The financial position of the Academy at the year ended 31 August 2012 was sound with each of the separate funds managed by the Academy remaining in surplus.

The results for the year are shown on page 23.

The net reduction in funds for the year was £1,457,000 (2011 – increase of £3,831,000). The sharp reduction compared to 2010/11 was the absence of any further transactions relating to the original build. Excluding the fixed assets fund, the Academy's operating surplus (i.e. the net surplus before capital expenditure and losses on the RBKC pension fund) for the year was £113,000 (2011 – loss £199,000). This was in line with the budgeted surplus for the year of £114,000 (2011 – surplus £94,000).

The difference between the operational surplus and the actual deficit of £160,000 was made up of two factors: a further rise in the LGPS pension deficit of £145,000 to £269,000 in total and the purchase of £128,000 of fixed assets. Actual operating income exceeded the original budget by £96,000, while costs rose by £97,000. Income from trips, Special Educational Needs (SEN) and the Chelsea Academy Foundation rose, but these were matched by cost increases, whilst both catering income and expenditure were below budget. Other areas of expenditure where costs exceeded budget were agency staff and maintenance costs.

At 31 August 2012, the net book value of tangible fixed assets was £38,978,000 (2011 - £40,275,000). The fall reflects the relatively small level of additions, £128,000 (2011 - £5,571,000), compared to the depreciation charge of £1,425,000 (2011 - £1,408,000).

The Academy has agreed a number of financial Key Performance Indicators (KPIs) that it should adopt and use for benchmarking purposes. However, obtaining reliable, comparable data has proved a limiting factor. The governors have agreed, however, that there should be an absolute limit on the size of Academy's staff costs. This has been set at 75% of total income, including General Annual Grant (GAG) income but excluding other restricted income.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Financial review (continued)

Internal financial controls

During the course of the year, the Academy managed its day-to-day operations and GAG income and expenditure. The balance of the capital funds was transferred from the LDBS to the Academy during the year. The Academy has an appropriate financial system, including the segregation of duties and a system of delegation and accountability.

The current arrangements provide reasonable, but not absolute assurance, that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Financial and risk management objectives and policies

There is no exposure to any financial instruments other than cash, bank balances and trade creditors. Consequently, this area of financial risk is deemed to very low. The funding of the Local Government Pension Scheme remains the major non-operational financial risk.

Principal risks and uncertainties

With nearly 90% of the Academy's operational income being from the GAG funded by the EFA, the greatest risk in the medium to longer term is the failure to attract a full quota of students. This is because a significant element of GAG is determined directly by student numbers.

In the current economic climate, future levels of Government funding cannot be taken for granted. Further reductions, in real terms, of general core school funding cannot be ruled out and therefore pose a risk to the Academy.

Much of the other operational income relates to specific activities and associated costs. Loss of Special Educational Needs (SEN) funding, catering income and income from trips and music tuition, for example, would also lead to a reduction in costs, leaving the overall impact likely to be fairly negligible.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Financial review (continued)

Just over 70% of the Academy's operating costs relate to staffing and this can be carefully managed. The primary risks attached to staff costs are the level of maternity cover required and the level of sickness, particularly long term absence. With regards to the latter, the Academy is fortunate that sickness absence has been very low and has been reducing with careful management.

A much clearer picture of the costs associated with the running of the Academy's building has emerged. Some additional costs were incurred during the year in order to either achieve longer term savings or to deal with issues not covered under warranty. Inflation remains a risk generally and, as the number of students and staff increases to capacity, some additional premises related cost pressures may arise.

Reserves policy

The Governing Body has adopted a policy on reserves to carry forward a prudent level of resources designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies, amounting to the equivalent of 3 months of normal General Annual Grant. However, given the current constraint placed on reserves by the EFA, the Governors are limited in their capacity to implement the policy.

The value of free reserves at the end of the financial year was £82,000, which was significantly below the level of reserves indicated by the policy and allowed by the EFA policy.

Investment policy and practice

The governors' investment powers are governed by the memorandum and articles of association, which permit the Academy's funds, not immediately required for the furtherance of its objects, to be invested in or upon such investments, securities or property, as may be thought fit, subject to such conditions and consents as may for the time being be imposed or required by law. The Academy has not engaged in any investment of surplus funds during the year under review.

Plans for the future

In September 2012, the Academy admitted a further 162 students to Year 7 and 110 sixth form students. The likely demand for sixth form places appears to be the biggest logistical challenge facing the Academy.

Having been judged 'outstanding' under both Ofsted and SIAS frameworks, the challenge is now to continue to improve, ensuring that no sense of complacency is allowed to enter the Academy's culture.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

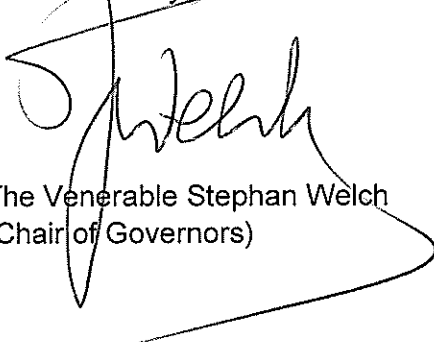
Plans for the future (continued)

The Academy is currently in discussion with RBKC regarding the possibility of renting additional space, in order to accommodate more than the standard number of 250 for the sixth form. Given the success in attracting more than 100 students from outside of the Academy in each of the last two years, it is expected that demand for places will exceed 400 when students who have been with the Academy from the outset reach the end of Key Stage 4. Although not all of the 162 students in each Year 11 will be expected to want a place, it is expected that approximately 100 will do so year on year from September 2014.

There are also plans to site the Behaviour Support Service away from Lots Road. This will make the process of re-integrating students back in to mainstream classes more effective and will help ease some of the demands on the limited space available.

The key objectives for the Academy are set out in the Development Plan and are outlined on page 7 of this report:

Approved by order of the members of the Governing Body on 6 December 2012 and signed on its behalf by:



The Venerable Stephan Welch
(Chair of Governors)

The Chelsea Academy (A Science Academy)

Governance Statement

Scope of responsibility

As governors, we acknowledge we have overall responsibility for ensuring that The Chelsea 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 Principal, as Accounting Officer, for ensuring financial controls conform to the requirements of both propriety and good financial management, and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Chelsea Academy and the Secretary of State for Education. The Principal is responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

The information on governance here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The governing body met 4 times during the year. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings attended	Out of a possible
The Venerable Stephan Welch (Chair)	4	4
Mrs Sarah Arkas	3	4
Councillor Elizabeth Campbell	3	4
Councillor Merrick Cockell	3	4
Mrs Jill Coughlan	3	4
Dr Rodney Eastwood	4	4
Rev'd Rob Gillion	3	4
Mr Robert Hingley	4	4
Mr Gareth Jones	2	4
Mr Barnaby Lenon	4	4
Ms Rebecca Matthews	2	4
Mr William Salomon	3	4
Lady Sarah Sassoon	3	4
Mr Andy Yarrow	4	4

The Chelsea Academy (A Science Academy)

Governance Statement (continued)

Governance (continued)

The **Business and Operations Committee** is a sub-committee of the main governing body. Its purpose is to review all non academic operational matters on behalf of the governing body, including the regular consideration of the Academy's financial position and risk management. Attendance at meetings in the year was as follows:

Governor/member	Meetings attended	Out of a possible
Mr Robert Hingley (Chair)	3	3
Councillor Merrick Cockell	3	3
Dr Rodney Eastwood	3	3
Mr Gareth Jones	2	3
Mr William Salomon	1	3
Mr Inigo Woolf	3	3
Mr Andy Yarrow	3	3

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 provide only a reasonable, and not absolute, assurance of effectiveness. The system is based on an ongoing process designed to identify and prioritise risks to the achievement of Academy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their likely impact, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 August 2012 and up to the date of the 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 put in place to mitigate those risks. The governing body is of the opinion that there is a formal ongoing process for identifying, evaluating and managing the significant risks that the Academy has faced during 2011/12 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 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 reporting which are reviewed by the governing body;

The Chelsea Academy (A Science Academy)

Governance Statement (continued)

The risk and control framework (continued)

- ◆ regular reviews by the Business Operations Committee of reports providing details of financial performance against budgets and forecasts and of major purchasing plans, capital works and expenditure programmes;
- ◆ target setting to measure financial and operational performance;
- ◆ clearly defining purchasing, both asset and capital investment, guidelines;
- ◆ delegation of authority and segregation of duties; and
- ◆ 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 Robert Ashdown, a Chartered Accountant and a Registered Auditor, as the Academy's 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.

In the year ended 31 August 2012, the governors confirm that the RO function has been fully delivered in line with requirements of the EFA and the RO is not aware of any material internal control issues in the year.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. During the year to 31 August 2012 this has been informed by:

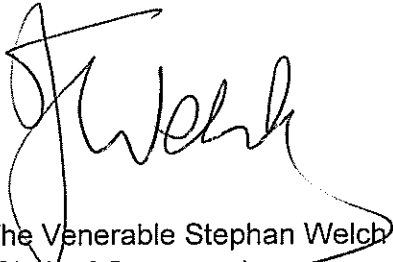
- the work of the RO;
- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the Senior Leadership Team members within the Academy who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer and relevant Senior Leadership Team members have had ongoing discussions with the Business Operations Committee concerning the system of internal control and action has been taken to enable continuous improvement of the system.

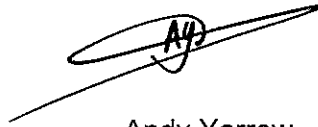
The Chelsea Academy (A Science Academy)

Governance Statement (continued)

Approved by order of the members of the Governing Body on 6 December 2012 and signed on its behalf by:



The Venerable Stephan Welch
(Chair of Governors)



Andy Yarrow
(Principal and Accounting Officer)

The Chelsea Academy (A Science Academy)

Statement on Regularity, Propriety and Compliance

As accounting officer of The Chelsea Academy (A Science Academy) 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 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, 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.

A handwritten signature in black ink, appearing to read 'AY', with a long horizontal stroke extending to the left.

Andy Yarrow
(Accounting Officer)

The Chelsea Academy (A Science Academy)

Statement of Governors' Responsibilities

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

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, 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 Statement of Recommended Practice (Accounting and Reporting by Charities) (the Charities' SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

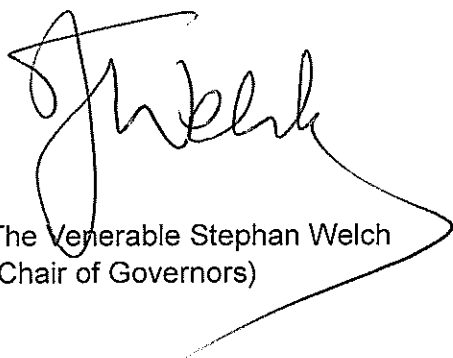
The governors are responsible for ensuring that in its conduct and operation the Charitable Company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have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

The Chelsea Academy (A Science Academy)

Statement of Governors' Responsibilities (continued)

Approved by order of the members of the Governing Body on 6 December 2012 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'S. Welch', with a large, sweeping flourish extending from the bottom right of the signature.

The Venerable Stephan Welch
(Chair of Governors)

The Chelsea Academy (A Science Academy)

Independent Auditor's Report on the Financial Statements to the Governing Body of The Chelsea Academy (A Science Academy)

We have audited the financial statements of The Chelsea Academy for the year 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 Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governors and the auditor

The governors act as trustees for the charitable activities of the The Chelsea Academy and are also the directors of the charity for the purposes of company law.

As explained more fully in the statement of governors' responsibilities, the governors 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 charity'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 inconsistencies we consider the implications for our report.

The Chelsea Academy (A Science Academy)

Independent Auditor's Report on the Financial Statements to the Governing Body of The Chelsea Academy (A Science Academy) (continued)

Opinion on financial statements

In our opinion:

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the governors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

Matters on which we are required to report by exception

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

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



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

Date 21 December 2012

The Chelsea Academy (A Science Academy)

Independent Auditor's Report on Regularity to the Governing Body of The Chelsea Academy (A Science Academy) and the Education Funding Agency

In accordance with the terms of our engagement letter dated 30 November 2009 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 during the period 1 September 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the 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 is 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 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis of our 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 the income received during the period 1 September 2011 to 31 August 2012 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date 21 December 2012

The Chelsea Academy (A Science Academy)

Statement of financial activities for the year ended 31 August 2012 (including income and expenditure account and statement of total recognised gains and losses)

	Note	Unrestricted Funds £000	Restricted General and Other Funds £000	Restricted Fixed Assets Funds £000	Total 2012 £000	Total 2011 £000
Incoming resources						
<i>Incoming resources from generated funds:</i>						
. Voluntary income	3	3	140	-	143	179
. Activities for generating funds	4	22	-	-	22	19
. Investment income	5	1	23	-	24	14
<i>Incoming resources from charitable activities:</i>						
. Funding for the Academy's educational operations and development	6	231	5,535	-	5,766	9,530
Total incoming resources		257	5,698	-	5,955	9,742
Resources expended						
<i>Charitable activities:</i>						
. Academy's educational operations and development	8	188	5,665	1,425	7,278	5,867
<i>Governance costs</i>	9	-	19	-	19	15
Total resources expended	7	188	5,684	1,425	7,297	5,882
Net incoming / (outgoing) resources before transfers		69	14	(1,425)	(1,342)	3,860
Gross transfers between funds	16	-	(128)	128	-	-
Net income/(expenditure) for the year		69	(114)	(1,297)	(1,342)	3,860
Other recognised gains and losses						
Actuarial (losses) on defined benefit pension schemes	16,26	-	(115)	-	(115)	(29)
Net movement in funds		69	(229)	(1,297)	(1,457)	3,831
Reconciliation of funds						
Funds brought forward at 1 September 2011	16	36	94	40,275	40,405	36,574
Funds carried forward at 31 August 2012		105	(135)	38,978	38,948	40,405

All of the Academy's activities derived from continuing operations during the above two financial periods.

A statement of total recognised gains and losses is not required as all gains and losses are included in the above statement of financial activities.

The Chelsea Academy (A Science Academy)

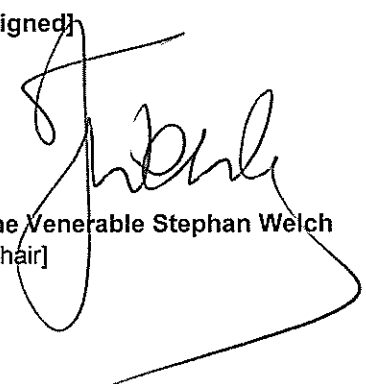
Balance sheet as at 31 August 2012

Company Number - 06176090

	Notes	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Tangible assets	13		38,978		40,275
Current assets					
Debtors	14	159		929	
Cash at bank and in hand		<u>1,293</u>		<u>423</u>	
		1,452		1,352	
Creditors: Amounts falling due within one year	15	<u>(1,213)</u>		<u>(1,098)</u>	
Net current assets			<u>239</u>		<u>254</u>
Net assets excluding pension liability			39,217		40,529
Pension scheme liability	26		<u>(269)</u>		<u>(124)</u>
Net assets including pension liability			<u>38,948</u>		<u>40,405</u>
Funds of the Academy:					
Restricted funds					
. Fixed assets funds	16		38,978		40,275
. General and other funds	16		134		218
. Pension reserve	16		<u>(269)</u>		<u>(124)</u>
Total restricted funds			<u>38,843</u>		<u>40,369</u>
Unrestricted funds					
. General funds	16		<u>105</u>		<u>36</u>
Total unrestricted funds			<u>105</u>		<u>36</u>
Total funds			<u>38,948</u>		<u>40,405</u>

The financial statements on pages 23 to 45 were approved by the governors, and authorised for issue, on 6 December 2012 and were signed on their behalf by:

[Signed]


The Venerable Stephan Welch
[Chair]

The Chelsea Academy (A Science Academy)

Cash flow statement for the year ended 31 August 2012

	Notes	2012 £000	2011 £000
Net cash inflow/(outflow) from operating activities	19	997	(664)
Returns on investments and servicing of finance	20	1	2
Capital expenditure	21	(128)	(818)
Increase/(decrease) in cash in the year	22	<u>870</u>	<u>(1,480)</u>
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2011		423	1,903
Net funds at 31 August 2012	22	<u>1,293</u>	<u>423</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012

Statement of accounting policies

Basis of preparation

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

Going Concern

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

Incoming resources

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 is included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

Sponsorship income

Sponsorship income provided to the Academy which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable.

Donations

Donations are included in the statement of financial activities on a cash received basis or on an accruals basis where they are assured with reasonable certainty and are receivable at the balance sheet date.

Interest receivable

Interest receivable is included within the statement of financial activities on a receivable basis.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

Statement of accounting policies (continued)

Other Income

Other income, including the hire of facilities and other charges, is recognised in the period it is receivable and to the extent that the goods and services have been provided or the service completed.

Resources expended

All expenditure is recognised in the period in which the liability is incurred and has been classified under headings that aggregate all costs that 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 the resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Costs of generating funds

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

Charitable activities

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

Governance costs

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.

Tangible fixed assets

All assets costing more than £1,000, and with an expected useful life exceeding one year, are capitalised as fixed assets and are carried at cost net of depreciation. All professional fees and other associated costs incurred as part of the capital development works have been expensed during the period.

Where tangible fixed assets have been acquired with the aid of specific grants, either from Government or private sources, they are included in the balance sheet at cost and are depreciated over the expected useful economic life of the asset. The related grants are credited to the restricted fixed assets fund in the statement of financial activities (SOFA) and are carried forward in the balance sheet. Depreciation on these assets are charged to the restricted fixed assets fund in the SOFA 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.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

Tangible fixed assets (continued)

Depreciation is charged in the year in which the asset is brought into use at the following annual rates:

◆ Land and buildings	2% Straight line
◆ Furniture, fixtures and fittings	20% Straight line
◆ Computer equipment	33% Straight line
◆ Motor vehicles	20% Straight line

Taxation

The Charitable Company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore meets the definition of a Charitable Company for UK Corporation Tax purposes. Accordingly the Charitable Company is exempt from taxation in respect of income and 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.

Pension costs

Academy staff are members of one of two multi employer defined benefit pension schemes. More details of the scheme are given in note 26 to the financial statements.

Teachers' Pension Scheme

Full-time and part-time teaching staff employed under a contract of service are eligible to contribute to the Teachers' Pension Scheme (TPS). The TPS, is a statutory, contributory, final salary scheme, contracted out of the State Earnings-Related Pension Scheme ('SERPS') and is administered by Teachers' Pensions on behalf of the Department for Education. The assets of TPS 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 26, the TPS is a multi employer scheme and the Academy is unable to identify its share of the underlying (notional) assets and liabilities of the scheme on a consistent and reasonable basis. The Academy has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the Academy in the year.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2011

(continued)

Pension costs (continued)

Local Government Pension Scheme

Non teaching members of staff are able to join the Royal Borough of Kensington and Chelsea Local Government Pension Scheme (LGPS).

The LGPS is a funded scheme and the assets are held separately from those of the Academy in separate trustee administered funds. The Academy's share of the LGPS assets are measured at fair value as at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method and are discounted at a rate equivalent to the current rate of return on a high quality bond of equivalent term and currency to that of the liabilities. The actuarial valuations are obtained at least triennially. The amounts charged to operating surplus are the current service costs and the gains and losses on settlements and curtailments. They are included as part of the 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

The unrestricted general fund represents those monies that are freely available for application towards achieving any charitable purpose that falls within the Academy's charitable objects.

Restricted fixed assets funds are resources which are to be applied to specific capital purposes imposed by the provider.

Restricted general funds comprise monies received which are to be used for specific purposes as explained in note 16 and include grants from the EFA.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

2 General Annual Grant (GAG)

a. Results and carry forward for the year	2012 £000	2011 £000
GAG brought forward from previous year	27	51
GAG allocation for current year (note 6)	4,685	2,771
Total GAG available to spend	4,712	2,822
Recurrent expenditure from GAG	(4,584)	(2,795)
Transferred to fixed assets fund	(128)	-
GAG carried forward to next year (note 16)	-	27

Maximum permitted GAG carry forward at end of current year
(12% of allocation for current year)

562 **333**

GAG to surrender to DfE

(12% rule breached if result is positive)

- -
no breach no breach

b. Use of GAG brought forward from previous year for recurrent purposes

(Of the amount carried forward each year, a maximum of 2% of GAG can be used for recurrent purposes. Any balance, up to a maximum of 12%, can only be used for capital purposes)

Recurrent expenditure from GAG in current year	4,584	-
GAG allocation for current year	(4,685)	-
GAG allocation for previous year x 2%	(55)	(55)
GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year	-	-
(2% rule breached if result is positive)	no breach	no breach

3 Voluntary income

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Donations - capital (note 27)	-	-	-	101
Donation from Chelsea Academy Foundation	-	131	131	71
Other donations	3	9	12	7
	3	140	143	179

4 Activities for generating funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000	Total 2,010 £000
Hire of facilities	22	-	22	19
	22	-	22	19

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

5 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Bank interest receivable	1	-	1	2
FRS17 adjustment - interest on pension scheme (see note 25)	-	23	23	12
	<u>1</u>	<u>23</u>	<u>24</u>	<u>14</u>

6 Funding for Academy's educational operations and development

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
DfE / EFA capital grants				
. Academy main building grants	-	-	-	5,421
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,421</u>
DfE / EFA revenue grants				
. General Annual Grant (GAG) (note 2)	-	4,685	4,685	2,771
. Start Up Grants	-	600	600	1,001
. Other DfE / EFA grants	-	7	7	63
	<u>-</u>	<u>5,292</u>	<u>5,292</u>	<u>3,835</u>
Other Government grants				
. RBKC - Special Educational Needs projects (note 26)	-	243	243	102
	<u>-</u>	<u>243</u>	<u>243</u>	<u>102</u>
Other incoming resources				
. Music tuition	25	-	25	21
. School uniforms	-	-	-	12
. Trips	57	-	57	21
. Catering income	105	-	105	71
. Miscellaneous	44	-	44	47
	<u>231</u>	<u>-</u>	<u>231</u>	<u>172</u>
	<u>231</u>	<u>5,535</u>	<u>5,766</u>	<u>9,530</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

7 Resources expended

	Staff Costs	Non Pay Expenditure		Total	Total
	(note 10)	Premises	Other Costs	2012	2011
	£000	£000	£000	£000	£000
Academy's educational operations					
. Direct costs	3,570	2	565	4,137	2,962
. Allocated support costs	625	530	1,986	3,141	2,905
	<u>4,195</u>	<u>532</u>	<u>2,551</u>	<u>7,278</u>	<u>5,867</u>
Governance costs including allocated support costs	-	-	19	19	15
	<u>4,195</u>	<u>532</u>	<u>2,570</u>	<u>7,297</u>	<u>5,882</u>

Net incoming/(outgoing) resources for the year include:

	2012	2011
	£000	£000
Operating leases	-	-
Fees payable to auditor		
- current year	11	11
- prior year	3	-
- other services	2	-
	<u>2</u>	<u>-</u>

8 Charitable activities - Academy's educational operations and development

	Unrestricted Funds	Restricted Funds	Total	Total
	£000	£000	2012	2011
	£000	£000	£000	£000
<i>Direct costs</i>				
Teaching and educational support staff costs	-	3,570	3,570	2,449
Depreciation	-	-	-	16
Educational supplies	-	338	338	256
Examination fees	-	27	27	3
Staff development	-	23	23	47
Technology costs	-	146	146	139
Other direct costs	-	33	33	52
	<u>-</u>	<u>4,137</u>	<u>4,137</u>	<u>2,962</u>
<i>Allocated support costs</i>				
Support staff costs	-	625	625	540
Depreciation	-	1,425	1,425	1,392
Recruitment and support	-	56	56	58
Maintenance of premises and equipment	-	299	299	192
Cleaning	-	127	127	94
Rent & rates	-	64	64	56
Insurance	-	51	51	47
Interest cost on pension scheme (note 26)	-	25	25	13
Administration costs	-	66	66	87
Bought-in services - non curriculum	-	17	17	34
Catering costs	105	179	284	279
Uniforms	-	-	-	31
Trips	60	19	79	23
Other support costs	23	-	23	59
	<u>188</u>	<u>2,953</u>	<u>3,141</u>	<u>2,905</u>
	<u>188</u>	<u>7,090</u>	<u>7,278</u>	<u>5,867</u>

9 Governance costs

	Unrestricted Funds	Restricted Funds	Total	Total
	£000	£000	2012	2011
	£000	£000	£000	£000
Auditor's remuneration				
. Audit of financial statements	-	14	14	11
. Other	-	2	2	-
Responsible officer work	-	2	2	2
Governors' reimbursed expenses	-	1	1	2
	<u>-</u>	<u>19</u>	<u>19</u>	<u>15</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

10 Staff costs

Staff costs during the period were:	2012	2011
	£000	£000
Wages and salaries	3,353	2,398
Social security costs	288	204
Pension costs	415	298
	<u>4,056</u>	<u>2,900</u>
Supply teacher costs	70	25
Other agency staff costs	41	10
	<u>4,167</u>	<u>2,935</u>
FRS17 adjustment to staff costs (see note 25)	28	54
	<u>4,195</u>	<u>2,989</u>

The average number of persons (including Senior Leadership Team) employed by the Academy during the year expressed as full time equivalents was as follows:

	2012	2011
	No.	No.
Charitable Activities		
Teachers	46	29
Administration and support	48	34
Management	7	7
	<u>101</u>	<u>70</u>

The number of employees whose emoluments, on a full time annual basis, fell within the following bands was:

	2012	2011
	No.	No.
£60,001 - £70,000	4	2
£70,001 - £80,000	1	-
£110,001 - £120,000	1	1

Five of the employees above participated in the Teachers' Pension Scheme. During the year ended 31 August 2012 pension contributions for these staff amounted to £52,439 (2011: £25,652 for 2 staff). One employee participated in the RBKC pension scheme and pension contributions during the year ended 31 August 2012 amounted to £9,271 (2011 : £3,154, four months only).

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

11 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 the governors' remuneration was as follows :

Principal	£115,000 - £120,000	(2011 : £110,000 - £115,000)
Other staff governor	£55,000 - £60,000	(2011 : £50,000 - £55,000)

During the year ended 31 August 2012, travel and subsistence expenses totalling £325 (2011 : £223) were reimbursed to one governor (2011 : one).

Related party transactions involving the governors are set out in note 26.

12 Governors' and officers' insurance

In accordance with normal commercial practice, the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2012 was £1,188 (2011 : £1,750).

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

13 Tangible fixed assets

	Leasehold Land and Buildings £000	Furniture and Equipment £000	Computer Equipment £000	Motor Vehicles £000	Total £000
Cost					
At 1 September 2011	39,511	733	1,415	28	41,687
Additions	33	7	88	-	128
At 31 August 2012	<u>39,544</u>	<u>740</u>	<u>1,503</u>	<u>28</u>	<u>41,815</u>
Depreciation					
At 1 September 2011	790	140	472	10	1,412
Charged in year	791	148	481	5	1,425
At 31 August 2012	<u>1,581</u>	<u>288</u>	<u>953</u>	<u>15</u>	<u>2,837</u>
Net book values					
At 31 August 2012	<u>37,963</u>	<u>452</u>	<u>550</u>	<u>13</u>	<u>38,978</u>
At 31 August 2011	<u>38,721</u>	<u>593</u>	<u>943</u>	<u>18</u>	<u>40,275</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

14 Debtors

	2012 £000	2011 £000
Trade debtors	19	6
Prepayments	29	46
Other debtors	<u>111</u>	<u>877</u>
	<u>159</u>	<u>929</u>

15 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	191	2
Other taxation and social security	95	74
Other creditors	824	868
Accruals and deferred income	<u>103</u>	<u>154</u>
	<u>1,213</u>	<u>1,098</u>

Deferred income

	2012 £000	2011 £000
Deferred income at 1 September	47	-
Resources deferred in the year	30	47
Amounts released from previous years	<u>(7)</u>	<u>-</u>
Deferred income at 31 August	<u>70</u>	<u>47</u>

Deferred income held at 31 August 2012 comprises the balance transferred from the LDBS (£40,000), the 16-19 Bursary Fund allocated for 2012/13 (£16,000), the 2012/13 Capital allocation (£9,000) and funds received by the Sport & Well-being department for future use (£5,000).

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

16 Funds

	Balance at 1 September 2011 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2012 £000
Restricted general funds					
GAG (note 2)	27	4,685	(4,584)	(128)	-
Start Up Grant	147	600	(658)	-	89
Other DfE/EFA grants	33	7	(7)	-	33
Other	-	9	(8)	-	1
Pension reserve (note 26)	(124)	23	(53)	(115)	(269)
	83	5,324	(5,310)	(243)	(146)
Restricted fixed asset funds					
DfE/EFA capital grants	34,204	-	(1,210)	128	33,122
Local Authority capital funding	4,018	-	(142)	-	3,876
Private sector capital sponsorship	2,053	-	(73)	-	1,980
	40,275	-	(1,425)	128	38,978
Other restricted funds					
RBKC - SEN	-	243	(243)	-	-
Chelsea Academy Foundation	9	131	(131)	-	9
Other	2	-	-	-	2
	11	374	(374)	-	11
Total restricted funds	40,369	5,698	(7,109)	(115)	38,843
Unrestricted funds					
General funds	36	257	(188)	-	105
Total unrestricted funds	36	257	(188)	-	105
Total funds	40,405	5,955	(7,297)	(115)	38,948

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. The pension reserve relates to the Academy's share of the deficit to the Local Government Pension Scheme administered by the Royal Borough of Kensington & Chelsea.

Other restricted 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 assets fund

These grants relate to funding received from the DfE, EFA and private sponsors to carry out works of a capital nature as part of the School Building project at Lots Road and other fixed assets purchased by the Academy.

Unrestricted funds

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

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

17 Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by:

	Unrestricted Funds	Restricted General and Other Funds	Restricted Fixed Assets Funds	Total Funds
	£000	£000	£000	£000
Tangible fixed assets	-	-	38,978	38,978
Current assets	105	1,347	-	1,452
Current liabilities	-	(1,213)	-	(1,213)
Pension scheme liability	-	(269)	-	(269)
Total net assets	105	(135)	38,978	38,948

18 Financial commitments

Operating leases

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

	2012 £000	2011 £000
Expiring within two and five years inclusive	16	17
	<u>16</u>	<u>17</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

	2012	2011
19 Reconciliation of net income (expenditure) to net cash inflow/(outflow) from operating activities	£000	£000
Net (expenditure) income	(1,342)	3,860
Depreciation (note 13)	1,425	1,408
Capital grants from DfE and other capital income	-	(5,522)
Interest receivable (note 5)	(1)	(2)
FRS 17 pension cost less contributions payable (note 26)	28	54
FRS 17 pension finance income (note 26)	2	1
Decrease (increase) in debtors	770	(570)
Increase in creditors	115	107
Net cash inflow/(outflow) from operating activities	997	(664)
	2012	2011
	£000	£000
20 Returns on investments and servicing of finance		
Interest received	1	2
Net cash inflow from returns on investment and servicing of finance	1	2
	2012	2011
	£000	£000
21 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(128)	(8,036)
Capital grants from DfE/EFA	-	5,879
Capital funding received from sponsors and others	-	1,339
Net cash outflow from capital expenditure and financial investment	(128)	(818)
22 Analysis of changes in net funds	At 1 September	At 31 August
	2011	2012
	£000	£000
Cash in hand and at bank	423	1,293

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

23 Contingent liabilities

Funding Agreement

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required to re-invest the proceeds or to repay the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State. Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Academy serving notice, the Academy shall repay to the Secretary of State sums determined by reference to :

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

24 Members' liability

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

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

25 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 the Royal Borough of Kensington & Chelsea. 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 £56,000 (2011 : £40,000) were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

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

The Government Actuary ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the review 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 costs of the 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 the 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%.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

25 Pension and similar obligations (continued)

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a members' Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15. The employer rate will remain at 14.1% for 2012/13.

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 full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer 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 year ended 31 August 2012 was £182,000, of which employer's contributions totalled £126,000 and employees' contributions totalled £56,000. The agreed contribution rates are 13.3% for employers and between 5.5% and 7.5% for employees.

The Chelsea Academy share of the scheme net deficit was calculated to be £269,000 as at 31 August 2012 (£124,000 - 2011). The level of contribution was reviewed as a result of the triennial valuation of the scheme as at 31 March 2010.

Principal Actuarial Assumptions	At 31 August 2012	At 31 August 2011
Rate of increase in salaries	4.00%	5.00%
Rate of increase for pensions in payment / inflation	1.80%	2.70%
Discount rate for scheme liabilities	3.90%	5.30%
Inflation assumption (CPI)	1.80%	2.70%
Commutation of pensions to lump sums	<u>50%</u>	<u>50%</u>

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	At 31 August 2011
<i>Retiring today</i>		
Males	19.0	18.9
Females	23.1	23.0
<i>Retiring in 20 years</i>		
Males	21.0	20.9
Females	<u>25.0</u>	<u>24.9</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

25 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)

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

	Expected return at 31 August 2012	Fair Value at 31 August 2012	Expected return at 31 August 2011	Fair Value at 31 August 2011
		£'000		£'000
Equities	5.80%	285	7.00%	150
Gilts	2.80%	5	4.00%	-
Property	4.80%	18	6.00%	9
Cash	3.00%	9	3.00%	5
Target Return Portfolio	4.40%	136	6.50%	70
Total market value of assets	5.20%	453	6.70%	234
Present value of scheme liabilities		(722)		(358)
		<u>(269)</u>		<u>(124)</u>
The actual return on scheme assets		<u>14</u>		<u>17</u>

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

The actual return on the scheme assets was £14,000 (2011:£16,000)

Amounts recognised in the statement of financial activities

	2012 £'000	2011 £'000
Current service cost (net of employee contributions)	183	121
Past service gain	-	-
Total operating charge	<u>183</u>	<u>121</u>

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	23	12
Interest on pension liabilities	(25)	(13)
Pension finance (costs)	<u>(2)</u>	<u>(1)</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

25 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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 £147,000 loss (2011: £32,000 loss).

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

	2012 £'000	2011 £'000
At 1 September	358	129
Current service cost	183	121
Interest cost	25	13
Employee contributions	53	32
Actuarial loss	106	67
Benefits paid	(3)	(4)
At 31 August	722	358

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

25 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)

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

	2012 £'000	2011 £'000
At 1 September	234	89
Expected return on assets	23	12
Actuarial (losses)/gain	(9)	38
Employer contributions	155	67
Employee contributions	53	32
Benefits paid	(3)	(4)
At 31 August	<u>453</u>	<u>234</u>

The estimated value of employer contributions for the year ended 31 August 2012, for FRS 17 purposes is £134,000.

The three year history of experience adjustments is as follows :

	2012 £'000	2011 £'000	2010 £'000
Present value of defined benefit obligations	(722)	(358)	(129)
Fair value of share of scheme assets	453	234	89
Deficit in the scheme	<u>(269)</u>	<u>(124)</u>	<u>(40)</u>
Experience adjustments on share of scheme assets	(9)	38	4
Experience adjustments on share of scheme liabilities	-	(22)	-

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2012 (continued)

26 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 possible 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.

The Academy sponsors are the Royal Borough of Kensington and Chelsea and the London Diocesan Board for Schools. During the year there were no further receipts relating to capital costs (2011 : £101,000) but £243,400 (2011: £102,000) was received from RBKC for SEN funding. The LDDBS transferred the Academy £840,000, the balance of capital monies previously received, and which relates to the final invoice from the Academy builder Wates.

The Academy bought back a number of services from both sponsors during the year including payroll support, some IT support and recruitment advertising. During the year payments to RBKC were £35,157, including business rates (2011 : £95,752) and £33,859 to LDDBS (2011 : £37,442).

The Chelsea Academy Foundation ("the Foundation") is a legally separate charity which is, nevertheless, closely associated with the Academy. The Foundation exists to raise funds to support access for all students, regardless of their financial means, to the range of extended curriculum. During the year the Foundation agreed to fund £131,000 of the Academy's expenditure (2011 : £71,000) of which, £60,000 was still owing as at 31 August 2012 (2011 : £57,000).