

THE EMMANUEL SCHOOLS FOUNDATION

Report and Consolidated Accounts

31 August 2005

Company registration number
4464331

Charity registration number
1093739



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THE EMMANUEL SCHOOLS FOUNDATION
Report and Consolidated Accounts
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THE EMMANUEL SCHOOLS FOUNDATION
Charity Information

Company number	4464331
Charity number	1093739
Trustees	John Burn OBE David Vardy Lady Margaret Vardy Sir Peter Vardy (chairman) Richard Vardy
Secretary	Patricia Rowland
Auditors	Kinnair and Company Aston House Redburn Road Newcastle Upon Tyne NE5 1NB
Solicitors	Dickinson Dees St Ann's Wharf 112 Quayside Newcastle Upon Tyne NE99 1SB Eversheds LLP Central Square South Orchard Street Newcastle Upon Tyne NE1 3XX
Bankers	Barclays Bank plc 71 Grey Street Newcastle Upon Tyne NE99 1JA
Registered office	Aston House Redburn Road Newcastle Upon Tyne NE5 1NB

THE EMMANUEL SCHOOLS FOUNDATION

Chairman's Statement

It is my pleasure to provide an overview of the Emmanuel Schools Foundation Accounts for the year to 31 August 2005 but also an update on the significant achievements that have been made by each of the schools to date.

The financial statements themselves present a summary of Emmanuel College, Gateshead, The King's Academy, Middlesbrough and Trinity Academy, Doncaster as a Group within the Emmanuel Schools Foundation (ESF) for the year ended 31 August 2005. Emmanuel College was previously reported separately but ownership of the College was transferred during the year into ESF at net book value and the reserves of the College are reported as part of the unrestricted and restricted funds of the Group. This allows us to show all of the schools results and reserves in one company and has no other administrative affect on the school itself.

I am delighted that The Emmanuel Schools Foundation has such a strong reserves base to ensure that the future development of each of the three schools can be properly supported. Whilst £50,236,979 of our reserves are Restricted Fixed Assets Funds (ie monies already expended on fixed assets) and a further £867,824 is Restricted Income Funds (ie monies received in advance of future capital expenditure), the balance of £873,109 is Unrestricted. The Unrestricted Fund is largely represented by an accumulation of reserves gleaned from prudent financial management over the life of Emmanuel College since it opened and in part from 3 years accumulation of the same at The King's Academy. These Funds allow us to operate in line with our Reserves Policy which seeks to provide 1% of our Annual Grant Income for the improvement of Capital Stock as well as the replacement of equipment and general contingency as appropriate in the future

We continue to recognise the ongoing support and commitment of The Vardy Foundation, the Charitable Foundation which I set up with my immediate family, a total of £2 million from which has been committed to the development of Trinity Academy. £899,669 of this was received during 2004, £600,331 in 2005 and a further £500,000 was received by us after the year end.

All three schools continue to make excellent progress in very different circumstances, each of which present particular challenges. The establishment of three individual Principals from 1st September 2005, working under the guidance of Nigel McQuoid as Director of Schools, has given added focus and impetus to the work of each school and has enabled further progress to be made in building leadership capacity across the Foundation at senior level.

Examination results in Emmanuel and The King's continue to exceed the value-add targets set by Government and the personal development and overall standards of behaviour and attitude amongst students remains high in all three schools. Emmanuel continues to enjoy a place amongst the very best Comprehensive Schools in the wide variety of National League Tables and we await the first academic results for Trinity in Summer 2006. The schools enjoy huge popularity amongst parents and within local communities in all three towns and this is more than enough to counter the bursts of negativity from critics who are resistant to the involvement of Charitable Trusts in state schools and/or reluctant to recognise the need for clear and strong disciplinary codes of conduct and sanctions within secondary education.

Staff interest in working within ESF schools continues to grow with little difficulty experienced in filling vacancies at any level and several talented colleagues making 'cold' applications for potential openings now or in the future with the Foundation.

THE EMMANUEL SCHOOLS FOUNDATION
Chairman's Statement

All of these indicators bode well for the future but also recognise the hard work and investment made by existing staff, many of whom have worked within ESF for over ten years. Moreover, Her Majesty's Inspector for Schools has inspected both Emmanuel and The King's in the past twelve months, awarding 'Outstanding' status to Emmanuel for the third successive inspection (previously in 1996 and 2000). The King's, in only its third year of operation, achieved the accolade of being recognised as a "good school with many excellent features".

In conclusion, I would re-iterate my personal commitment and that of ESF to the ongoing development of excellence within our schools and to welcome invitations from interested Local Authorities who would seek to work alongside us in the establishment of an ESF Academy in their locale.



.....
Sir Peter Vardy

Dated ... 27 June 2006

THE EMMANUEL SCHOOLS FOUNDATION

Trustees' Report

The trustees, who act as directors for the purposes of company law, present their report and accounts for the year ended 31 August 2005. These are prepared in accordance with applicable accounting standards, the recommendations of Statement of Recommended Practice: Accounting and Reporting by Charities, and the Companies Act 1985.

Objectives and principal activity

The overall objective of The Emmanuel Schools Foundation (the Foundation, the group, the charity) is the advancement for the public benefit of education in the United Kingdom. In particular this is to be achieved with the development of Academy schools, that, whilst offering a broad curriculum, will be based around a Christian ethos.

The Foundation acts as an "umbrella" organisation for schools that have been (and will be) set up by the members. With the addition of Emmanuel College during the year, there are now three schools: Emmanuel College in Gateshead, The King's Academy in Middlesbrough and Trinity Academy in Doncaster.

The charity also holds one share (giving 100% ownership) in EC Educational Services Limited a trading company that provides design and building services and educational consultancy during the initial development of the academies

Legal status

The Emmanuel Schools Foundation is a company limited by guarantee (registered number 4464331) and a registered charity.

As a company limited by guarantee, the Foundation does not have share capital. Every member of the 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 Foundation is registered with the Charity Commission as a main charity (registered number 1093739) with three registered subsidiary charities, Emmanuel College, The King's Academy and Trinity Academy. The registered office of the charity is shown on page 1.

Structure and decision making

The governing body of the charity is the board of trustees, which currently comprises 5 members. The trustees who acted during the year and up to the date of this report are shown on page 1.

Trustees are initially appointed by the board of The Vardy Foundation and may serve for four years. Retiring trustees are eligible for re-election at the meeting at which they retire.

Each of the charity's subsidiaries appoints a board of directors or trustees in accordance with its own governing document.

THE EMMANUEL SCHOOLS FOUNDATION

Trustees' Report

Statement of trustees' responsibilities

The trustees are required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit for that period. In preparing those accounts, the trustees are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the accounts comply with statutory requirements and with the charity's constitution and rules. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trustees' powers of investment

The trustees have the power to invest moneys of the charity, not immediately required for the furtherance of its objects, as they see fit.

Consolidation

The consolidated accounts reflect the combined financial activities and balances of The Emmanuel Schools Foundation, Emmanuel College, The King's Academy, Trinity Academy and EC Educational Services Limited.

Reserves

Surplus funds within the main charity may be retained for the benefit of current and future schools within the group. Each of the Foundation's charitable subsidiaries has its own policy for reserves which is stated in the annual report of the subsidiary.

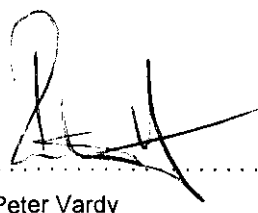
Risks

As part of the charity's strategy for managing risk, the trustees have considered the guidance for directors of public listed companies contained within the Turnbull Report. They believe that although it is not mandatory for the charity it should, as the parent of publicly funded bodies, adopt these guidelines as best practice. Accordingly they have set policies on internal controls which cover the identification of major risks and appropriate actions to mitigate those risks.

Review of the year

The trustees are satisfied with the result for the year and the state of affairs at the balance sheet date.

This report was approved by the board on 27 June 2006



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Sir Peter Vardy

THE EMMANUEL SCHOOLS FOUNDATION

Independent auditors' report to the members of THE EMMANUEL SCHOOLS FOUNDATION

We have audited the accounts for the year ended 31 August 2005 which comprise pages 7 to 20.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees, who are also the directors of the company for the purposes of company law, for preparing the annual report and accounts in accordance with applicable law and United Kingdom accounting standards are set out in the statement of trustees' responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees' report is not consistent with the accounts, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustee remuneration and transactions with the charity is not disclosed.

We read the trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it.

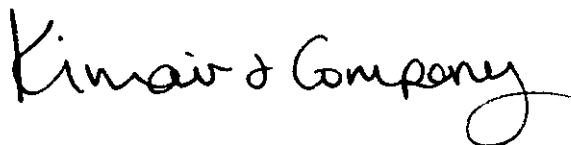
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 August 2005 and of the incoming resources and resources expended including the income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Kinnair and Company
Chartered Accountants & Registered Auditors
Newcastle Upon Tyne

28 June 2006

THE EMMANUEL SCHOOLS FOUNDATION
Consolidated Statement of Financial Activities
for the year ended 31 August 2005 (incorporating an Income and Expenditure Account)

	Notes	Unrestricted funds £	Restricted income funds £	Restricted fixed asset funds £	Total funds 2005 £	Total funds 2004 £
Incoming resources						
Donations	2	521,772	883,927	8,319,415	9,725,114	899,669
Activities in furtherance of charitable objectives:						
- Public sector funding	3	-	14,140,159	15,992,202	30,132,361	12,021,106
- Non-public sector funding	4	-	-	600,331	600,331	899,669
Activities for generating funds:						
- Trading income	5	16,705,054	-	-	16,705,054	5,134,364
- Other income	6	22,507	584,810	-	607,317	179,378
Investment income		91,386	-	-	91,386	36,829
Total Incoming Resources		17,340,719	15,608,896	24,911,948	57,861,563	19,171,015
Costs of generating funds						
- Costs of trading activities	7	16,367,030	756,129	-	17,123,159	5,487,821
Charitable expenditure						
Costs of activities in furtherance of charitable objectives:						
- Provision of education	8	-	11,324,962	696,779	12,021,741	5,486,931
- Support costs	9	-	1,210,923	194,812	1,405,735	1,029,494
- Charitable donations	10	26,435	600,331	-	626,766	899,669
Management and administration	11	23,325	1,329,144	336,788	1,689,257	956,321
Total resources expended		16,416,790	15,221,489	1,228,379	32,866,658	13,860,236
Net incoming resources before transfers		923,929	387,407	23,683,569	24,994,905	5,310,779
Transfer between funds		(111,365)	(60,732)	172,097	-	-
Net incoming resources for the year		812,564	326,675	23,855,666	24,994,905	5,310,779
Taxation on profits from trading activities		-	-	-	-	-
Net movement in Funds		812,564	326,675	23,855,666	24,994,905	5,310,779
Funds brought forward		60,545	541,149	26,381,313	26,983,007	21,672,228
Funds carried forward		873,109	867,824	50,236,979	51,977,912	26,983,007

Incoming resources and the amount of contribution to net incoming resources from activities acquired during the year were £6,363,679 and £93,544 respectively (2004 - £5,579,456 and £5,381,801). No activities were discontinued.

The charity has no gains or losses other than those recognised in the Statement of Financial Activities.

THE EMMANUEL SCHOOLS FOUNDATION
Main Charity's Statement of Financial Activities
for the year ended 31 August 2005 (incorporating an Income and Expenditure Account)

	Notes	Unrestricted funds £	Restricted income funds £	Total funds 2005 £	Total funds 2004 £
Incoming resources					
Donations	2	278,000	600,331	878,331	899,669
Investment income		1,470	-	1,470	-
Total Incoming Resources		279,470	600,331	879,801	899,669
Resources expended					
Charitable expenditure					
Costs of activities in furtherance of charitable objectives:					
- Charitable donations	10	-	600,331	600,331	899,669
Management and administration	11	5,372	-	5,372	3,000
Total resources expended		5,372	600,331	605,703	902,669
Net incoming/(outgoing) resources for the year		274,098	-	274,098	(3,000)
Net movement in Funds		274,098	-	274,098	(3,000)
Funds brought forward		(2,999)	-	(2,999)	1
Funds carried forward		271,099	-	271,099	(2,999)

The charity has no gains or losses other than those recognised in the Statement of Financial Activities.

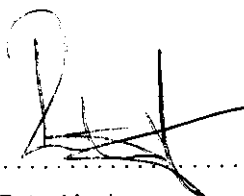
THE EMMANUEL SCHOOLS FOUNDATION

Balance Sheets

as at 31 August 2005

	Notes	Group 2005 £	Group 2004 £	Charity 2005 £	Charity 2004 £
Fixed assets					
Tangible assets	14	50,008,863	25,044,131	-	-
Investments	15	-	-	1	1
		<u>50,008,863</u>	<u>25,044,131</u>	<u>1</u>	<u>1</u>
Current assets					
Debtors	16	695,262	1,624,709	78,000	99,669
Cash at bank and in hand		3,371,123	2,656,586	201,470	-
		<u>4,066,385</u>	<u>4,281,295</u>	<u>279,470</u>	<u>99,669</u>
Creditors: amounts falling due within one year	17	(2,097,336)	(2,342,419)	(8,372)	(102,669)
Net current assets/(liabilities)		<u>1,969,049</u>	<u>1,938,876</u>	<u>271,098</u>	<u>(3,000)</u>
Net Assets		<u>51,977,912</u>	<u>26,983,007</u>	<u>271,099</u>	<u>(2,999)</u>
Funds					
Unrestricted funds	18	873,109	60,545	271,099	(2,999)
Restricted income funds	18	867,824	541,149	-	-
Restricted fixed asset funds	18	50,236,979	26,381,313	-	-
		<u>51,977,912</u>	<u>26,983,007</u>	<u>271,099</u>	<u>(2,999)</u>

These accounts were approved by the board on 27 June 2006



Sir Peter Vardy

THE EMMANUEL SCHOOLS FOUNDATION
Consolidated Cash Flow Statement
for the year ended 31 August 2005

	Notes	2005 £	2004 £
Net cash inflow from operating activities	20	18,505,887	6,798,871
Returns on investments and servicing of finance			
Interest received		91,386	36,829
Interest paid		(9,040)	-
		<u>18,588,233</u>	<u>6,835,700</u>
Capital expenditure			
Payments to acquire tangible fixed assets		(17,873,696)	(5,087,423)
Increase in cash	21	<u>714,537</u>	<u>1,748,277</u>

THE EMMANUEL SCHOOLS FOUNDATION
Notes to the Accounts
for the year ended 31 August 2005

1 Accounting policies

Accounting conventions

These accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, the recommendations of Statement of Recommended Practice: Accounting and Reporting by Charities, and the Companies Act 1985.

Basis of consolidation

The consolidated financial statements include the results, assets and liabilities of the charity, The King's Academy, Emmanuel College and Trinity Academy (all subsidiary charities of The Emmanuel Schools Foundation), and EC Educational Services Limited (a wholly owned subsidiary company). The results of the subsidiaries are consolidated on a line-by-line basis.

Income

Fixed asset grants are included in the financial statements on a receivable basis. The balance of income received for a specific purpose but not matched to relevant expenditure during the period is carried forward within restricted funds on the balance sheet. The annual recurrent grant from the DfES is credited direct to the statement of financial activities.

Donations are included in the statement of financial activities on a cash received basis or on an accruals basis where they can be assured with reasonable certainty.

Expenditure

The costs of activities in furtherance of charitable objectives includes all expenditure attributable to those activities. They are included in the accounts on an accruals basis.

Support costs primarily relate to premises costs and the cost of support staff and is included on an accruals basis.

Management and administration costs include all the expenditure of administration of the charitable group and compliance with constitutional and statutory requirements and an appropriate apportionment of indirect costs.

Where costs cannot be directly attributable to particular headings they have been allocated on a basis consistent with the use of resources or on the basis of staff headcount.

Fixed assets

Fixed asset investments are stated at open market valuation at the year end. Actual gains or losses on sales of investments, plus unrealised gains or losses arising from movements in market value, are included in the statement of financial activities.

All tangible fixed assets are initially recorded at cost. 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 useful economic life. The related grants are credited to a specific restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet) and are released over the expected useful economic life of the asset on a basis consistent with the depreciation policy. The charity has not excluded any historic or inalienable assets from these accounts.

THE EMMANUEL SCHOOLS FOUNDATION

Notes to the Accounts

for the year ended 31 August 2005

1 Accounting policies (continued)

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Long leasehold properties - 50 years straight line;

Plant and equipment - 5 years straight line.

Fund accounting

The charity operates restricted and unrestricted funds. Restricted funds relate to amounts received which have been specified for a particular use by the donor. All other funds are unrestricted funds which the charity may use for its charitable purposes at its discretion. Within unrestricted funds, the charity may designate certain funds for specific purposes.

Pensions

Full and part-time teaching staff employed under a contract of service are eligible to contribute to the teachers' pension scheme which is a statutory, contributory, final salary scheme administered by Capita Teachers' Pensions (CTP) on behalf of the DfES.

Costs may include normal and supplementary contributions. The regular cost is the normal contribution and is calculated as a fixed percentage (set by CTP) of a salary. Variations from the pension cost are met by a supplementary contribution. This occurs if, as a result of an actuarial valuation, it is found that the accumulated liabilities for benefits to past and present teachers are not fully covered by the normal contributions to be paid in the future and from the fund built up from past contributions. The normal and supplementary contributions are charged to the income and expenditure account in the period.

Non-teaching members of staff are offered membership of a defined contribution scheme administered by Norwich Union. The amount charged to the statement of financial activities represents the contributions payable in the year.

2 Donations

	2005 £	2004 £
Acquisition of Emmanuel College	9,113,447	-
Donations to The Emmanuel Schools Foundation	600,331	899,669
Donations to Emmanuel College	11,336	-
	<u>9,725,114</u>	<u>899,669</u>

Ownership of Emmanuel College was transferred during the year into The Emmanuel Schools Foundation at net book value. The figure transferred represented the net assets of Emmanuel College at 1 September 2004 which were made up of £521,772 unrestricted funds, £272,260 restricted income funds and £8,319,415 restricted fixed asset funds.

Donations to The Emmanuel Schools Foundation is from The Vardy Foundation, which is the personal charitable foundation of trustee Sir Peter Vardy and his family. Over the period of development, a total of £2 million will be donated by the Vardy Foundation to The Emmanuel Schools Foundation for the construction of Trinity Academy. A further £500,000 was received after the year end.

THE EMMANUEL SCHOOLS FOUNDATION
Notes to the Accounts
for the year ended 31 August 2005

3 Public sector funding	2005 £	2004 £
Annual per capita grants and LEA funding	13,649,693	7,051,409
Feasibility and capital grants	15,992,202	4,568,996
Implementation and other grants	490,466	400,701
	<u>30,132,361</u>	<u>12,021,106</u>

All of the above income is restricted. Feasibility and capital grants are included within the restricted fixed asset funds of the charity. All other grants are included within restricted income funds.

4 Non-public sector funding	2005 £	2004 £
Funding for Trinity Academy	600,331	899,669
	<u>600,331</u>	<u>899,669</u>

The funding for Trinity Academy was provided by The Emmanuel Schools Foundation using funds donated by The Vardy Foundation for that purpose.

5 Trading income	2005 £	2004 £
Building, construction and project management	16,687,089	5,113,429
Facilities hire and other income (restricted)	17,965	20,935
	<u>16,705,054</u>	<u>5,134,364</u>

Building and construction income represents the charges made by EC Educational Services Limited (ECES) to Trinity Academy (TA) for the ongoing construction of the school building and project management, and is unrestricted.

6 Other income	2005 £	2004 £
Meal income	584,810	177,425
Other income	22,507	1,953
	<u>607,317</u>	<u>179,378</u>

THE EMMANUEL SCHOOLS FOUNDATION
Notes to the Accounts
for the year ended 31 August 2005

7 Costs of trading activities	2005	2004
	£	£
Costs of school design and build projects	16,367,030	5,101,110
Provision of school meals	756,129	386,711
	<u>17,123,159</u>	<u>5,487,821</u>

8 Provision of education	2005	2004
	£	£
Staff costs	8,960,221	4,054,451
Premises costs	445,224	117,229
Technology costs	121,495	150,185
Educational expenses	818,619	670,548
Exceptional item	979,403	-
Depreciation	696,779	494,518
	<u>12,021,741</u>	<u>5,486,931</u>

At the end of the academic year a number of staff took early retirement from The King's Academy. £979,403 represents the pension contributions required by their actuarial valuations.

9 Support costs	2005	2004
	£	£
Staff costs	1,038,852	725,539
Premises costs	113,182	48,296
Technology costs	32,743	59,556
Other support costs	26,146	-
Depreciation	194,812	196,103
	<u>1,405,735</u>	<u>1,029,494</u>

10 Charitable donations

Donations receivable from the Vardy Foundation in the year, £600,331 (2004 - £899,699), were passed on in full to Trinity Academy. Other donations totalled £26,435 (2004 - £nil).

11 Management and administration	2005	2004
	£	£
Staff costs	850,601	495,792
Premises costs	137,835	36,239
Technology costs	59,960	49,199
Administration costs	304,073	213,094
Depreciation	336,788	161,997
	<u>1,689,257</u>	<u>956,321</u>

THE EMMANUEL SCHOOLS FOUNDATION
Notes to the Accounts
for the year ended 31 August 2005

12 Net incoming resources for the year	2005 £	2004 £
This is stated after charging:		
Depreciation of owned fixed assets	1,228,379	852,618
Directors' remuneration (for EC Educational Services Limited)		
- Salaries	67,410	39,008
- Pensions	4,532	2,567
Auditors' remuneration		
- Audit fees	17,595	11,050
- Other fees	17,401	2,589
	<hr/>	<hr/>
13 Staff costs	2005 £	2004 £
Wages and salaries	9,026,907	4,500,583
Social security costs	750,872	312,662
Other pension costs	1,026,088	461,579
	<hr/>	<hr/>
	10,803,867	5,274,824
	<hr/>	<hr/>
Average number of employees during the year	Number	Number
Teaching	194	92
Administration	128	91
Management	16	-
	<hr/>	<hr/>
	338	183
	<hr/>	<hr/>
Number of staff who have earned:	Number	Number
£50,000 to £60,000	4	4
£60,000 to £70,000	4	-
£70,000 to £80,000	1	-
£110,000 to £120,000	1	-
£120,000 to £130,000	-	1
	<hr/>	<hr/>

THE EMMANUEL SCHOOLS FOUNDATION
Notes to the Accounts
for the year ended 31 August 2005

14 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Total £
Cost				
At 1 September 2004	-	23,480,619	2,416,130	25,896,749
Additions	8,125,145	17,547,771	520,195	26,193,111
Disposals	-	-	(8,595)	(8,595)
At 31 August 2005	<u>8,125,145</u>	<u>41,028,390</u>	<u>2,927,730</u>	<u>52,081,265</u>
Depreciation				
At 1 September 2004	-	371,257	481,361	852,618
Charge for the year	202,547	386,935	638,897	1,228,379
On disposals	-	-	(8,595)	(8,595)
At 31 August 2005	<u>202,547</u>	<u>758,192</u>	<u>1,111,663</u>	<u>2,072,402</u>
Net book value				
At 31 August 2005	<u>7,922,598</u>	<u>40,270,198</u>	<u>1,816,067</u>	<u>50,008,863</u>
At 31 August 2004	<u>-</u>	<u>23,109,362</u>	<u>1,934,769</u>	<u>25,044,131</u>

Leasehold land and buildings includes payments on account of £21,150,597 in respect of Trinity Academy's long-leasehold school building. No depreciation has been charged on this amount since the school was not opened until September 2005. The main charity holds no tangible fixed assets.

15 Investments

	Investments in subsidiary undertakings £
Cost	
At 1 September 2004	<u>1</u>
At 31 August 2005	<u>1</u>

The Foundation holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
EC Educational Services Limited	England and Wales	Ordinary	100

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16 Debtors	Group 2005 £	Group 2004 £	Charity 2005 £	Charity 2004 £
Trade debtors	20,767	1,075	-	-
Prepayments	126,413	76,686	-	-
Accrued income	115,341	1,306,342	78,000	99,669
Other debtors	432,741	240,606	-	-
	<u>695,262</u>	<u>1,624,709</u>	<u>78,000</u>	<u>99,669</u>

17 Creditors: amounts falling due within one year

	Group 2005 £	Group 2004 £	Charity 2005 £	Charity 2004 £
Bank loans and overdrafts	15,497	-	-	-
Trade creditors	360,467	1,380,454	-	-
Amounts owed to subsidiaries	-	-	-	99,669
Taxes and social security costs	305,297	108,854	-	-
Pension contributions payable	-	78,757	-	-
Accruals	1,078,331	35,725	8,372	3,000
Deferred income	208,014	738,358	-	-
Other creditors	129,730	271	-	-
	<u>2,097,336</u>	<u>2,342,419</u>	<u>8,372</u>	<u>102,669</u>

18 Statement of funds

	Balance at 1 Sep-04 £	Incoming resources £	Outgoing resources £	Balance at 31 Aug-05 £
Unrestricted funds	<u>60,545</u>	<u>17,340,719</u>	<u>(16,528,155)</u>	<u>873,109</u>
Restricted income funds:				
- The Kings Academy income fund	543,149	8,119,639	(8,199,514)	463,274
- Trinity Academy project fund	(2,000)	464,759	(446,916)	15,843
- Emmanuel College income fund	-	6,424,167	(6,035,460)	388,707
	<u>541,149</u>	<u>15,008,565</u>	<u>(14,681,890)</u>	<u>867,824</u>
Restricted fixed asset funds:				
- The Kings Academy building fund	20,997,512	433,370	(821,607)	20,609,275
- Trinity Academy building fund	5,383,801	15,994,912	-	21,378,713
- Emmanuel College building fund	-	8,483,666	(234,675)	8,248,991
	<u>26,381,313</u>	<u>24,911,948</u>	<u>(1,056,282)</u>	<u>50,236,979</u>
Total funds	<u>26,983,007</u>	<u>57,261,232</u>	<u>(32,266,327)</u>	<u>51,977,912</u>

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18 Statement of funds (continued)

The King's Academy and Emmanuel College income funds represent DfES and LEA funding including an annual per capita grant (APG) which must be used for the normal running costs of the schools including salaries and related costs, overheads, repairs and maintenance and insurance. The two schools are allowed to carry forward up to 12% of the current APG. Of the carried forward amount 2% of the APG can be used for a general purpose at the discretion of the Academy, but any balance above this must be for capital purchases

The Trinity Academy project fund deals with restricted incoming and outgoing resources during the development and implementation stages of Trinity Academy. The deficit in this fund arises from the accrual of audit fees.

The three building funds represent public and private sector income received to finance the capital cost of buildings, plant and equipment.

19 Analysis of net assets between funds

	Tangible fixed assets	Net current assets	Total
	£	£	£
Unrestricted funds	-	873,109	873,109
Restricted income funds	-	867,824	867,824
Restricted fixed asset funds	50,008,863	228,116	50,236,979
	<u>50,008,863</u>	<u>1,969,049</u>	<u>51,977,912</u>

20 Reconciliation of operating surplus to net cash inflow from operating activities

	2005 £	2004 £
Net incoming resources for the year	24,994,905	5,310,779
Interest receivable	(91,386)	(36,829)
Interest payable	9,040	-
Operating surplus	<u>24,912,559</u>	<u>5,273,950</u>
Capitalisation of assets transferred from Emmanuel College	(8,319,415)	-
Depreciation charges	1,228,379	852,618
Decrease/(increase) in debtors	929,447	(931,961)
(Decrease)/increase in creditors	(245,083)	1,604,264
Net cash inflow from operating activities	<u>18,505,887</u>	<u>6,798,871</u>

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21 Reconciliation of net cash flow to movement in net funds	2005 £	2004 £
Increase in cash in the period	714,537	1,748,277
Change in net debt	<u>714,537</u>	<u>1,748,277</u>
Net funds at 1 September 2004	2,656,586	908,309
Net funds at 31 August 2005	<u>3,371,123</u>	<u>2,656,586</u>

22 Analysis of changes in net debt	At 1 Sep 2004 £	Cash flows £	Non-cash changes £	At 31 Aug 2005 £
Cash at bank and in hand	2,656,586	714,537	-	3,371,123
Total	<u>2,656,586</u>	<u>714,537</u>	<u>-</u>	<u>3,371,123</u>

23 Capital commitments	2005 £	2004 £
Amounts contracted for but not provided in the accounts	<u>3,849,403</u>	<u>20,953,381</u>

24 Contingent liabilities

In the event, during the period of the funding agreement with the DfES, of the sale or disposal by other means, of any asset for which a capital grant was received, the receiving charity shall, if it does not re-invest the proceeds, repay to the DfES the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost that was met by the DfES.

Upon termination of the funding agreement, whether as a result of the Secretary of State for the DfES or the charity serving notice, the charity shall repay sums determined by reference to the value at the time of the Academy's site and premises and other assets held for the purpose of the Company, and the extent to which expenditure in providing those assets was met by the DfES.

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25 Related parties

The charity had the following transactions and with The Vardy Foundation, a related party:

Transaction / balance:	£
Donations receivable	600,331
Amount owed by the related party	<u>-</u>

The Vardy Foundation is the personal charitable foundation of trustee Sir Peter Vardy and his family. Over the period of development, a total of £2 million will be donated by the Vardy Foundation to The Emmanuel Schools Foundation for the construction of Trinity Academy.