

THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2012

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COMPANIES HOUSE

McCabe Ford Williams
Statutory Auditors &
Chartered Accountants
Bank Chambers
1 Central Avenue
SITTINGBOURNE
Kent
ME10 4AE

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FOR THE YEAR ENDED 31 AUGUST 2012

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THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2012

Registered Company number
06202969 (England and Wales)

Registered office
16 St John's Lane
LONDON
EC1M 4BS

Governors (Trustees)	Mr R J Alston CMG QSO DL (Chairman)	
	Mr N V Brotherton (Vice Chairman)*	
	Mr G M Badman CBE MA *	- Resigned 14 09 2011
	Mr T H P Haynes BA	
	Mr W A Holliwel*	
	Mrs B Wimble*	- Resigned 18 09 2012
	Mrs P S Rolfe*	
	Mrs E Howard*	- Resigned 18 09 2012
	Mr S J Daws (Parent Governor)	- Resigned 14 03 2012
	Mrs T Luke (Executive Principal)*	
	Mrs S M Thorne (FSG Link)*	- Resigned 09 10 2012
	Mrs V J Soutar (Responsible Officer)	
	Mr L B Ridings*	
	Mr A Moore*	
	Mrs S Daly (Parent Governor)	- Appointed 18 04 2012 - Resigned 05 11 2012
	Mr J Underhill	- Appointed 28 03 2012

* Members of the Personnel and Finance committee

Clerk to the Governor Mrs N Petre

Company Secretary SK Secretary Limited

Senior Leadership Team	Executive Principal	Mrs T Luke
	Head of School	Mrs M Emptage
	Vice Principal	Mrs L Burrows
	Vice Principal	Mr S Simmons
	Assistant Principal	Mr R Robinson
	Assistant Principal	Mr R Bristow
	Assistant Principal	Mr L Magee
	Senior Administrator	Mrs M Clayson
	Director of Finance and	Mr K W Norman
	Resources	

Auditors

Clair Rayner ACA DChA (Senior Statutory Auditor)
McCabe Ford Williams
Statutory Auditors and
Chartered Accountants
Bank Chambers
1 Central Avenue
Sittingbourne
Kent
ME10 4AE

Bankers

Barclays Bank PLC, Level 27, 1 Churchill Place, LONDON, E14 5HP

THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2012

The Governors present their annual report together with the financial statements and auditors' reports of the academy for the year ended 31 August 2012

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy is a company limited by guarantee and an exempt charity. The company's Memorandum and Articles of Association are the primary governing documents of the Academy.

The sponsors of the Academy are Kent County Council, Microsoft and Tonbridge School.

The Members of the Trust comprise -

- Kent County Council
- Microsoft
- Tonbridge School
- One person appointed by the Secretary of State
- The chairman of the Governing Body
- Any persons appointed by the Members under article 6

The articles of association require the Members of the Company to appoint at least three Governors to be responsible for the statutory and constitutional affairs of the Company and the management of the Academy.

The Governors act as the Trustees for the activities of The Marsh Academy and are also the Directors of the company for the purposes of company law.

Details of the Governors who served throughout the period except as noted are included in the Reference and Administrative Details on page 1.

Members' Liability

Each member of the company undertakes to contribute to the assets of the 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

Subject to the provisions of the Companies Act 2006, every Governor, officer or auditor of the Academy shall be indemnified out of the assets of the Academy against any liability incurred by them in that capacity in defending any proceedings, whether civil or criminal, in which judgement is given in favour or in which they are acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Academy.

Principal Activities

To advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad curriculum with a strong emphasis on, but in no way limited to business and enterprise ("the Academy"), and to provide or assist in the provision, in the interests of social welfare, of opportunities for recreation or other leisure time occupation with people who have need for such opportunities with the aim of improving the conditions of life of such persons.

Method of Recruitment and Appointment or Election of Governors

There should always be a minimum of three governors appointed by the Members of the Trust.

The Members of the Trust may appoint up to twelve Sponsor Governors.

The Executive Principal shall be treated for all purposes as being an ex officio Governor.

There must also be at least one Parent Governor.

REPORT OF THE GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2012

STRUCTURE, GOVERNANCE AND MANAGEMENT - continued

Method of Recruitment and Appointment or Election of Governors – continued

The Parent Governor shall be elected by parents of registered pupils at the Academy. A Parent Governor must be a parent of a pupil at the Academy at the time of their election. The Governing Body shall make all necessary arrangements form and determine all other matters relating to, an election of Parent Governors, including any question of whether a person is a parent of a registered pupil at the Academy. Any election of Parent Governors which is contested shall be held by secret ballot.

Where a vacancy for a Parent Governor is required to be filled by election, the Governing Body shall take such steps as are reasonably practical to secure that every person who is known to them to be a parent of a registered pupil at the Academy is informed of the vacancy and that it is required to be filled by election, informed that he is entitled to stand as candidate, and vote at the election, and given an opportunity to do so.

In appointing a Parent Governor, the Governing Body shall appoint a person who is the parent of a registered pupil at the Academy, or where it is not reasonably practical to do so, a person who is the parent of a child of compulsory school age.

The Governing Body may appoint co-opted Governors. A Co-opted governor means a person who is appointed to be a governor by being co-opted by governors who have not themselves been so appointed.

The Secretary of State may appoint Additional Governors as he thinks fit if a warning notice has been given to the Governing Body because the standards of performance are unacceptably low, there is a serious breakdown in the way the Academy is managed and the safety of staff and pupils is threatened and following this, the Governors have failed to comply, or secure compliance, with the notice to the Secretary of State's satisfaction within the compliance period.

The Secretary of State may also appoint Additional Governors following an inspection by the Chief Inspector in accordance with the Education Act 2005 the Academy Trust receives an Ofsted grading which amounts to a drop, either from one inspection to the next inspection or between any two inspections carried out within a five year period.

The Secretary of State may also appoint Further Governors as he thinks fit if a Special Measures Termination Event occurs.

The term of office for any governor shall be 4 years, save that this time limit shall not apply to the Executive Principal. Subject to remaining eligible to be a particular type of governor the governor may be re-appointed or re-elected.

Policies and Procedures Adopted for the Induction and Training of Governors

The induction provided for new Governors is tailored to their existing experience, with training provided on charity, educational, legal and financial matters as necessary. Copies of the policies, procedures, minutes, accounts, budget, plans and any other necessary documents that they will need to undertake their role as a Governor will be made available.

As there are normally only one or two new Governors a year, induction tends to be done informally and is tailored specifically to the individual.

Organisational Structure

From the outset a unified management structure was introduced to ensure the effective and efficient running of the Academy. This structure has been modified over time and now consists of three levels: the Governors, the Senior Leadership Team and the Middle Leadership Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making major decisions about the strategic direction of the Academy, capital expenditure and the most senior staff appointments in consultation with the Executive Principal.

THE MARSH ACADEMY
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REPORT OF THE GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2012

STRUCTURE, GOVERNANCE AND MANAGEMENT- continued

Organisational Structure- continued

The Senior Leadership Team is led by the Executive Principal and comprises the Head of School, two Vice- Principals, three Assistant Principals, the Director of Finance and Resources and the Senior Administrator. These senior leaders manage the Academy at an executive level implementing the policies agreed by the Governors and reporting back to them on progress. The Executive Principal and other key senior leaders are responsible for the authorisation of spending within agreed budgets and the appointment of staff, though appointment boards for posts in the Senior Leadership Team always contain a Governor. Some spending control is devolved to members of the Middle Leadership Team, with limits above which a Senior Leader must countersign.

The wider Management Team includes the Senior Leadership Team, the Directors' of Learning and Mini School Leaders. These middle managers are responsible for the day to day operation of the Academy, in particular organising the teaching staff, facilities and students. The Leisure Centre has its own manager and staffing structure.

Endowment Fund

The Academy has an Endowment Fund that has benefited from donations from Kent County Council and The De Haan Charitable Trust. Further details regarding the Endowment Fund are given in note 19 to the financial statements.

Risk Management

The Governors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The Governors have implemented a number of systems to assess risks that the school faces, especially in the operational area (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls in order to minimize risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls and this is explained in more detail in the statement of internal controls.

Connected Organisations, including Related Party Relationships

Kent County Council, Microsoft PLC and Tonbridge School are sponsors to The Marsh Academy and since the Academy's founding have donated £2,348,302 (2011 £2,309,970) to assist the Academy in achieving its objectives.

The School has no subsidiaries. The school does have a close working relationship with the Folkestone School for Girls Academy Trust. During the year under review Tracy Luke was the Executive Principal of both academies and Keith Norman was the Director of Finance of both academies. Mrs Sarah Thorne, a Governor is also a Governor of the Folkestone School for Girls Academy Trust.

OBJECTIVES AND ACTIVITIES

Objects and Aims

The principal objects and activity of the Company is the operation of The Marsh Academy to provide an appropriate education for students of different abilities between the ages of 11 and 19. The Academy's specialism is business and enterprise and the Academy additionally aims to share its recreation and leisure facilities with the local community. In setting the objectives and planning the activities the Governors have given careful consideration to the Companies Act 2006 general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education.

In accordance with the articles of association The Marsh Academy has adopted a "Scheme of Government" approved by the Secretary of State for Education and Skills. The Scheme of Government specifies, amongst other things, the basis for admitting students to the Academy, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum. The catchment area for our students includes the Romney Marsh and an area eastwards towards Hythe. The Academy welcomes pupils from all backgrounds.

REPORT OF THE GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2012

OBJECTIVES AND ACTIVITIES – continued

Objectives, Strategies and Activities

The main objectives of the Academy during the year ended 31 August 2012 are summarised below

- to deliver high quality education and care to all pupils within the Academy,
- to raise standards and achievement,
- to improve the effectiveness of the Academy by keeping the curriculum and organisational structure under continual review,
- to provide value for money for the funds expended,
- to comply with all appropriate statutory and curriculum requirements,
- to maintain close links with industry and commerce, and
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and openness

Strategies and Activities

The Academy's main strategy is encompassed in its mission statement which is 'WHERE LEARNING COMES FIRST'

The Academy produces an annual Academy Development Plan, which details how it intends to achieve the aims and objectives for the year. The activities provided include

- tuition and learning opportunities for all students to attain appropriate academic qualifications,
- training opportunities for all staff, and especially teaching staff,
- secondments and placing of students with industrial and commercial partners,
- a programme of sporting and after school leisure activities for all students,
- co-operation and sharing resources with local schools,
- a system of after school clubs to allow students to explore new areas in a practical and project oriented way, and
- a careers advisory programme to help students obtain employment or move on to higher education

Equal opportunities policy

The Governors recognise that equal opportunities should be an integral part of good practice within the workplace. The Academy aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

Disabled persons

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to the Theatre block building and the Leisure centre areas of the Academy. The new building which opened in February 2012 is fully compliant with all access legislation. The policy of the Academy is to support recruitment and retention of students and employees with disabilities. The Academy does this by adapting the physical environment, by making support resources available and through training and career development.

Public Benefit

The Governors confirm that they have complied with the duties in Section 4 of the Charities Act 2006 to have due regard to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education.

We have referred to the guidance in the Charity Commissions general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the Governors consider how planned activities will contribute to the aims and objectives they have set.

The public benefit of The Marsh Academy is the advancement of education within the local community.

ACHIEVEMENTS AND PERFORMANCE

Examination results for 2012 represented a marked improvement in A2 results with the overall pass rate increasing to 100%. The Academy also achieved its best ever GCSE results. The Marsh Academy achieved 82% 5A*-C at GCSE – up from 36% in 2007 and also a significant improvement to 51% on 5A*-C including English and Mathematics from 18% for the predecessor school.

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FOR THE YEAR ENDED 31 AUGUST 2012

ACHIEVEMENTS AND PERFORMANCE – continued

To ensure that standards are continually raised the Academy operates a programme of observation of lessons, is visited by inspectors, undertakes a comparison of results from entry to GCSE and from GCSE to A level to assess the added value. The Academy also has a rigorous system of monitoring progress against challenging targets and for managing the performance of staff.

As a former Business and Enterprise specialist school sponsored by Microsoft PLC we have made a considerable early investment in ICT. Five year groups have been equipped with laptops and a massive programme of wireless connectivity has been undertaken. During the last 12 months there has been extensive investment in ICT within the new building.

Since January 2008 The Marsh Academy has established close links with The Folkestone School for Girls Academy Trust, a high achieving grammar school, specialising in Mathematics and ICT. The two schools enjoy joint curriculum planning, mutual staff development and the sharing of resources with the primary aim of driving up standards.

Going Concern

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

KEY FINANCIAL PERFORMANCE INDICATORS

Staff costs as a percentage of total income (excluding the Leisure Centre) for 2011/12

	Budget %	Target %	Actual %
Teaching Staff	54.7	54.0	53.3
Educational Support	12.3	12.0	11.8
Other Academy Support Staff	16.9	17.0	17.0
Total Staffing	<u>83.9</u>	<u>83.0</u>	<u>82.1</u>

<u>Catering Subsidy per pupil</u>	Budget	Target	Actual
2009/10	£12.19	£12.00	£17.42
2010/11	£15.43	£15.00	£9.63
2011/12	£5.38	£5.00	Surplus £5.08

<u>Leisure Centre Subsidy</u>	Budget	Target	Actual
2009/10	£50,155	£45,000	£50,366
2010/11	£36,400	£30,000	£16,300
2011/12	£36,400	£20,000	£10,514

FINANCIAL REVIEW

The Academy's accounting period covers the year to 31 August 2012.

The majority of the Academy's income is obtained from the EFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2012 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The Academy also received grants for fixed assets from the EFA and via the local authority. In accordance with the Charities Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed assets fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of assets concerned.

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REPORT OF THE GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2012

FINANCIAL REVIEW - continued

During the year ended 31 August 2012, total expenditure of £6,750,061 (2011 £6,442,822) was more than covered by recurrent grant funding from the DfE together with other incoming resources that amounted to £22,403,101 (2011 £6,770,829). The excess of income over expenditure for the year was £15,653,040 (2011 £328,007).

At 31 August 2012 the net book value of fixed assets was £17,430,754 (2011 £1,867,693) and movements in tangible fixed assets are shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

Financial and Risk Management Objectives and Policies

The Governors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The Governors have implemented a number of systems to assess risks that the school faces, especially in the operational area (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls and this is explained in more detail in the statement of internal financial controls.

Principal Risks and Uncertainties

The Governors have considered the risks presented to the Academy and have implemented policies and systems to mitigate these risks. The Academy will continue to manage these risks, through a series of performance reviews, monitoring and efficiency evaluation, to ensure that any future annual deficit can be met by reserves. The Governors have deemed the following risks to be of most serious consequence to the Academy:

- 1 Failure to successfully recruit and retain pupils
- 2 Changes to Government policy on Education Funding
- 3 Changes to Education priorities by the Government
- 4 Loss of a key member of the Senior Leadership Team
- 5 Impact of an uncontrollable event eg fire or flood
- 6 Major injury or a health & safety issue or environmental incident
- 7 Changes to Pension policy or funding for the TPS and LGPS

Funds in Deficit

The Local Government Pension Scheme is stated in the accounts to be in deficit in the sum of £1,744,000 as at the balance sheet date. It should be noted however that this deficit will not crystallise within the foreseeable future and that the academy follows the advice of the pension scheme actuary and makes contributions in accordance with the rates advised. The advised level of contributions has been taken into account when preparing the academy's budgets for the year ended 31 August 2013.

Reserves Policy

The Governors review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The Governors have determined that the appropriate level of free reserves for recurrent costs should be equivalent to 4 weeks expenditure, approximately £400,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. In addition the Governors have set aside in restricted reserves £373,926 to cover the initial start up costs of the new buildings completed or due to be completed in 2012 and 2013. The Academy's current level of free reserves is £185,142 (2011 £149,990) and the Governors strategy to build free reserves up to £400,000 will be pursued in future years.

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REPORT OF THE GOVERNORS
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Investment Policy

Surplus Funds

Surplus funds held by The Marsh Academy will either be invested in the Barclays Treasury Deposit Account or placed with the money market on a fixed term basis

The decision to invest will have due regard to the liquidity requirements of the Academy and will depend on the amount, the return being offered and the associated risk

All funds invested on the money market will be agreed by the Personnel and Finance Governors Committee and will only be placed with banks and building societies with assets valued in excess of £1 billion, as these institutions carry lower risk

The Endowment Fund

The Marsh Academy is the Trustee for the Endowment Fund

Under the terms of the Deed of Gift dated 24th July 2007 the Trustee has powers of investment

The Trustee must invest the fund in a prudent manner and after taking appropriate professional advice

During 2010/11 the Marsh Academy invested £500,000 in the UK Equitrack Fund controlled by the Charities Aid Foundation and £350,000 in the Charbond fund controlled by M&G Securities Ltd

Plans for Future Periods

The Academy will continue striving to improve the levels of performance of its students at all levels and will continue its efforts to ensure its students find employment or a place in higher education once they leave

The last Ofsted inspection in June 2010 reported that

"The academy has made satisfactory progress in making improvements and good progress in demonstrating a better capacity for sustained improvement "

The Academy aims in the future to improve our links with the wider community. The Academy has already established many links with the local community through our Primary Liaison Programme. The aim is to establish ways to benefit the wider community and to offer direct access to the Academy's facilities, curricular materials and the expertise of Academy staff

The Marsh Academy is pleased to report that construction work on the new building project is approaching completion. The relocation of the hard court areas on to the playing fields was completed in January 2011. The new building was opened in February 2012 and by November 2012 the exterior Pupil Plaza and car parking areas will be completed.

The Marsh Academy is known in the community for its excellent Leisure Centre and Theatre Building, both of which will remain, and which will now be enhanced by the new building, which will offer outstanding provision for both practical and academic study.

The Governors are pleased to announce that construction has started on the Inclusion and Family Centre building. The Colyer-Fergusson Charitable Trust is providing the funding for this building on the Academy site. The Centre will serve both the Academy and the local community and is planned to open in the summer of 2013.

The Governors would like to express their sincere thanks to the Colyer-Fergusson Charitable Trust for the award of this grant.

Funds held as Custodian Trustee on behalf of others

The Marsh Academy holds the capital (£850,000) of the Endowment Fund under the Deed of Gift dated 24th July 2007. See Investment Policy above.

The capital of £850,000 was donated by Kent County Council and The De Haan Charitable Trust.

THE MARSH ACADEMY
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REPORT OF THE GOVERNORS
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Auditors

In so far as the Governors are aware

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

Approved by order of the members of the Governing Body on 28 November 2012 and signed on its behalf by



R J Alston
Chair of Governors - Trustee

THE MARSH ACADEMY
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GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012

Scope of Responsibility

As Governors, we acknowledge we have overall responsibility for ensuring that The Marsh 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 Executive Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Marsh Academy and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

Governance

The information included on governance here supplements that described in the governors report and in the statement of governors responsibilities. The full Governing Body has formally met 4 times during the period. Attendance during the period at meetings of the governing body was as follows:

Governor	Meetings attended	Out of a possible
R J Alston	3	4
G M Badman	1	1
N V Brotherton	4	4
S Daly	2	2
S J Daws	2	2
T H P Haynes	4	4
W A Holliwel	4	4
E Howard	4	4
T Luke	4	4
A Moore	4	4
L B Ridings	2	4
P S Rolfe	3	4
V J Soutar	4	4
S M Thorne	3	4
J Underhill	2	2
B Wimble	3	4

The following Governors have resigned since the 31st August 2012 -

S Daly, E Howard, S M Thorne, B Wimble. There have been no new additions to the Governing Body.

The Personnel and Finance committee is a sub committee of the main Governing Body. Its purpose is to effectively plan and monitor the financial resources of the academy and to undertake the role of the Audit Committee. Attendance at meetings in the period under review is shown below:

Governors on Personnel and Finance Committee	Meetings attended	Out of a possible
N V Brotherton	3	3
W A Holliwel	3	3
E Howard	2	3
T Luke	3	3
A Moore	1	3
L B Ridings	3	3
P S Rolfe	1	2
S M Thorne	2	3
B Wimble	3	3

THE MARSH ACADEMY
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GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012

Personnel and Finance Committee Review

The following finance items were reviewed and agreed by the Personnel and Finance committee at the 3 meetings

- The Statutory Accounts for the Year ended 31st August 2011
- The Budget for the academy (September 2011 to August 2012)
- The Leisure Centre Annual Report
- The monthly accounts for 2011/12 comparing actual to budget performance
- The budget for the year to August 2013
- The 3 Year Budget Forecast
- Staff Reorganisation plans
- Whole Government Accounts
- The Reserves Policy
- The RO Reports
- The FMGE report to the DfE
- The Risk Register

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Marsh Academy for the year ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Governing Body has reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy's significant risks that has been in place for the year ended 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body,
- regular reviews by the Personnel and Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes,
- setting targets to measure financial and other performance,
- clearly defined purchasing (asset purchase or capital investment) guidelines,
- delegation of authority and segregation of duties,
- identification and management of risks

The Governing Body has considered the need for a specific internal audit function and has decided in partnership with Folkestone School for Girls Academy Trust to conduct audit visits. Pat Todd the Finance Manager of The Folkestone School for Girls Academy Trust conducts quarterly audit visits to The Marsh Academy, these visits include testing procedures on behalf of the Responsible Officer. The Governors have appointed Mrs V J Soutar as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a 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. The governing body confirms that the RO function has been fully delivered in line with the EFAs requirements and that no material control issues were identified during these visits.

GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012

Review of Effectiveness

As Accounting Officer, the Executive Principal has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by

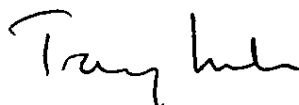
- the work of the Responsible Officer,
- the work of the external auditor,
- the financial management and governance self assessment process, and
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

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

Approved by order of the members of the Governing Body on 28 November 2012 and signed on its behalf by



R J Alston
Chair of Governors - Trustee



T Luke
Accounting Officer

THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE YEAR ENDED 31 AUGUST 2012

As accounting officer of The Marsh Academy I have considered my responsibility to notify the Academy Trust Governing Body and the Education Funding Agency (EFA) of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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



T Luke
Accounting Officer
Dated: 28 November 2012

STATEMENT OF GOVERNORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2012

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

Company law requires the Governors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Academy and of the incoming resources and application of resources, including the income and expenditure, of the Academy for the year. In preparing these financial statements, the Governors are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

The Governors are responsible for ensuring that in its conduct and operation the Academy applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the Young People's Learning Agency, Education Funding Agency and Department for Education have been applied for the purposes intended

In so far as the Governors are aware

- there is no relevant audit information of which the Academy'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 Governors are responsible for the maintenance and integrity of the corporate and financial information included on the Academy's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Approved by order of the members of the Governing Body on 28 November 2012 and signed on its behalf by



R J Alston
Chair of Governors - Trustee

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

We have audited the financial statements of The Marsh Academy for the year ended 31 August 2012 on pages eighteen to forty two. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

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

Respective responsibilities of Trustees and Auditors

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 August 2012 and of its surplus for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006, and
- 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 Report of the Governors for the financial period for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

Matters on which we are required to report by exception

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

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

Clair Rayner ACA DChA (Senior Statutory Auditor)
for and on behalf of McCabe Ford Williams
Statutory Auditors and Chartered Accountants
Bank Chambers
1 Central Avenue
Sittingbourne
Kent
ME10 4AE



Date 28 November 2012

**INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE GOVERNING BODY
OF THE MARSH ACADEMY AND THE EDUCATION FUNDING AGENCY**

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

This report is made solely to the governing body and the EFA. Our review work has been undertaken so that we might state to the Governing Body and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body and the EFA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the governing body and Auditors

The Governing Body is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the EFA's Financial Handbook and Accounts Direction. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed and income received during the year ended 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis of opinion

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

Opinion

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

Clair Rayner ACA DChA (Senior Statutory Auditor)
for and on behalf of McCabe Ford Williams
Statutory Auditors and Chartered Accountants
Bank Chambers
1 Central Avenue
Sittingbourne
Kent
ME10 4AE



Date 28 November 2012

STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT AND
A STATEMENT OF RECOGNISED GAINS AND LOSSES)
FOR THE YEAR ENDED 31 AUGUST 2012

Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Endowment Funds £	31 08 12 Total Funds £	31 08 11 Total Funds £
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	517	38,332	16,772,060	-	16,810,909	19,925
Activities for generating funds	163,307	-	-	-	163,307	302,135
Investment income	26,840	-	-	-	26,840	38,549
Incoming resources from charitable activities						
Funding for the Academy's educational operations	3,275	5,093,615	18,749	-	5,115,639	6,129,557
Leisure and recreation	286,406	-	-	-	286,406	280,663
Other incoming resources	-	-	-	-	-	-
Total incoming resources	480,345	5,131,947	16,790,809	-	22,403,101	6,770,829
RESOURCES EXPENDED						
Cost of generating funds						
Cost of generating voluntary income	-	38,332	-	-	38,332	19,925
Fundraising trading	55,589	99,596	-	-	155,185	214,329
Charitable activities						
Academy's educational operations	125,603	5,314,227	844,088	-	6,283,918	5,909,440
Leisure and recreation	264,001	-	-	-	264,001	287,211
Governance costs	-	8,625	-	-	8,625	11,917
Total resources expended	445,193	5,460,780	844,088	-	6,750,061	6,442,822
Net incoming resources before transfers	35,152	(328,833)	15,946,721	-	15,653,040	328,007
Gross transfers between funds	-	(26,375)	26,375	-	-	-
Net income/(expenditure) for the year before other recognised gains and losses – carried forward	35,152	(355,208)	15,973,096	-	15,653,040	328,007

The notes form part of these financial statements
Page 18

STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT AND
A STATEMENT OF RECOGNISED GAINS AND LOSSES)
FOR THE YEAR ENDED 31 AUGUST 2012

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Endowment Funds £	31 08 12 Total Funds £	31 08 11 Total Funds £
Net income/(expenditure) for the year before other recognised gains and losses – brought forward		35,152	(355,208)	15,973,096	-	15,653,040	328,007
Other recognised gains/losses							
Gains/(losses) on investment assets	19	-	-	-	72,068	72,068	(37,325)
Actuarial gains/(losses) on defined benefit pension schemes	19 & 24	-	(702,000)	-	-	(702,000)	293,000
Net movement in funds		35,152	(1,057,208)	15,973,096	72,068	15,023,108	583,682
RECONCILIATION OF FUNDS							
Total funds brought forward		149,990	149,199	2,117,888	812,675	3,229,752	2,646,070
TOTAL FUNDS CARRIED FORWARD		185,142	(908,009)	18,090,984	884,743	18,252,860	3,229,752

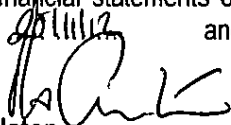
All of the Academy's activities derive from continuing operations during the above two financial periods

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities

THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

BALANCE SHEET
AS AT 31 AUGUST 2012

		31 08 12 £	31 08 12 £	31 08 11 £	31 08 11 £
	Notes				
FIXED ASSETS					
Tangible assets	13		17,430,754		1,867,693
Investments	14		<u>884,743</u>		<u>812,675</u>
			18,315,497		2,680,368
CURRENT ASSETS					
Stocks	15	15,756		23,354	
Debtors amounts falling due within one year	16	145,028		198,031	
Cash at bank and in hand		<u>1,873,923</u>		<u>1,934,129</u>	
		2,034,707		2,155,514	
CREDITORS					
Amounts falling due within one year	17	<u>(353,344)</u>		<u>(623,130)</u>	
NET CURRENT ASSETS			<u>1,681,363</u>		<u>1,532,384</u>
TOTAL ASSETS LESS CURRENT LIABILITIES (EXCLUDING PENSION LIABILITY)			19,996,860		4,212,752
Pension scheme liability	24		<u>(1,744,000)</u>		<u>(983,000)</u>
NET ASSETS INCLUDING PENSION LIABILITY			<u>18,252,860</u>		<u>3,229,752</u>
FUNDS OF THE ACADEMY:					
ENDOWMENT FUNDS	19	<u>884,743</u>		<u>812,675</u>	
			884,743		812,675
RESTRICTED FUNDS					
Fixed asset funds	19	18,090,984		2,117,888	
General funds	19	835,991		1,132,199	
Pension fund	19	<u>(1,744,000)</u>		<u>(983,000)</u>	
TOTAL RESTRICTED FUNDS			17,182,975		2,267,087
UNRESTRICTED FUNDS					
General funds	19	137,496		102,241	
Designated Funds	19	<u>47,646</u>		<u>47,749</u>	
TOTAL UNRESTRICTED FUNDS			<u>185,142</u>		<u>149,990</u>
TOTAL FUNDS			<u>18,252,860</u>		<u>3,229,752</u>

The financial statements on pages eighteen to forty two were approved by the Governors, and authorised for issue on  and signed on their behalf by

R J Alston
Chair of Governors - Trustee

Company Registered Number 06202969

THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012

		31 08 12	31 08 11
	Notes	£	£
Net cash (outflow)/inflow from operating activities	1	(470,708)	976,729
Returns on investments and servicing of finance	2	8,336	31,103
Capital expenditure and financial investment	2	383,662	(1,787,181)
Financing	2	18,504	7,446
		<hr/>	<hr/>
Decrease in cash in the period		<u>(60,206)</u>	<u>(771,903)</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds/debt	3		
Decrease in cash in the period		<u>(60,206)</u>	<u>(771,903)</u>
Change in net debt resulting from cash flows		<u>(60,206)</u>	<u>(771,903)</u>
Movement in net debt in the period		(60,206)	(771,903)
Net debt at 1 September 2011		<u>1,934,129</u>	<u>2,706,032</u>
Net debt at 31 August 2012		<u>1,873,923</u>	<u>1,934,129</u>

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012

1. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 08 12	31 08 11
	£	£
Net incoming resources	15,653,040	328,007
Other donated fixed assets included within donations	(14,921,947)	-
Depreciation charges (note 13)	840,226	320,996
Loss on disposal of fixed assets	3,862	9,633
Capital grants from DfE and other capital income	(1,868,862)	-
Interest received (note 5)	(8,336)	(31,103)
Interest attributable to endowment	(18,504)	(7,446)
FRS 17 pension cost less contributions payable (note 24)	24,000	50,000
FRS 17 pension finance costs (note 24)	35,000	32,000
Decrease in stocks	7,598	10,247
Decrease in debtors	53,003	19,814
(Decrease)/increase in creditors	(269,788)	244,581
Net cash (outflow)/inflow from operating activities	(470,708)	976,729

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31 08 12	31 08 11
		£
Returns on investments and servicing of finance		
Interest received	8,336	31,103
Net cash inflow for returns on investments and servicing of finance	8,336	31,103
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(16,410,677)	(937,181)
Purchase of fixed asset investments	-	(850,000)
Capital grants	1,868,862	-
Receipts from sale of tangible fixed assets	3,530	-
Donated assets	14,921,947	-
Net cash inflow/(outflow) for capital expenditure and financial investment	383,662	(1,787,181)
Financing		
Income attributable to endowment	18,504	7,446
Net cash inflow for returns on investments and servicing of finance	18,504	7,446

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 01 09 11	Cash flow	At 31 08 12
	£	£	£
Net cash			
Cash at bank and in hand	1,934,129	(60,204)	1,873,925
Total	1,934,129	(60,204)	1,873,925

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

1 ACCOUNTING POLICIES

Basis of preparation

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

Going concern

The Governors and Senior Leadership Team have identified that falling roll numbers represent a significant threat to the Academy. Accordingly budgets and forecasts for the next three years have been prepared with prudent estimates of future roll numbers. Income estimates have therefore been prepared on a prudent basis as has the level of anticipated expenditure. A number of cost reduction plans have already been implemented in the financial year under review and the impact of these measures will be seen in the current year. The Governors and Senior Leadership Team review financial results on a regular basis and continue to control costs. For this reason the Governors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Incoming resources

All incoming resources are recognised when the Academy has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued. Details of specific grants received can be found in note 19.

Donations

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

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.

Donated services and gifts in kind

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

Leasehold property donated

The land and buildings from which the academy operates are leased from Kent County Council for a period of 125 years. Rentals payable in respect of this lease are one peppercorn per annum. Under the terms of the lease the risks and rewards of ownership have been substantially transferred to The Marsh Academy and accordingly to reflect its use, the value of the property has been included in fixed assets with an appropriate credit to voluntary income within the Statement of Financial Activities. The cost of the new building was £15,128,000 however, due to the specialist nature of the property it has been valued in accordance with accounting standards at depreciated replacement value.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES - continued

Resources expended

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

Costs of generating funds

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

Charitable activities

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

Governance costs

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

All resources expended are inclusive of irrecoverable VAT.

Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

Freehold land and buildings	- straight line over 50 years
Leasehold land and buildings	- straight line over 50 years or length of lease if shorter
Leasehold improvements	- straight line over 50 years
Plant and machinery	- straight line over 6 - 7 years
Fixtures and fittings	- straight line over 4 years
Motor vehicles	- straight line over 4 years
Computer equipment	- straight line over 3 years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES - continued

Leased assets

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term

Stock

Unsold uniforms and catering stocks are valued at the lower of cost and net realisable value, on a first in first out basis, after making due allowance for obsolete and slow moving items

Taxation

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

Pensions benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective benefit method. As stated in note 24, the TPS is a multi employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year

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

Fund Accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency/Young People's Learning Agency and Kent County Council

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

2. GENERAL ANNUAL GRANT (GAG)

a Results and carry forward for the Year

	31 08 12	31 08 11
	£	£
GAG brought forward from previous year	432,199	373,817
Add GAG allocation for current year	4,938,960	4,766,479
Less Movement on grant claw back	(18,788)	(285,000)
	4,920,172	4,481,479
Total GAG available to spend	5,352,371	5,140,296
Less Recurrent expenditure from GAG	(4,863,931)	(4,458,003)
Add Start up grant A and B expenditure (from 2012 in separate fund)	-	201,405
Less Capital expenditure from GAG	(26,375)	(166,499)
GAG carried forward to next year	462,065	432,199
Less Maximum permitted GAG carried forward at end of current year (12% of allocation of current year)	(592,675)	(571,977)
GAG to surrender to DfE (12% rule breached if rule is positive)	(130,610)	(139,778)
	no breach	no breach

The estimated number of pupils used to calculate the GAG income for the year ended to 31 August 2012 was 896. Actual pupil numbers at 31 January 2012 were 854. The EFA has carried out a rebasing exercise to adjust the funding received to take account of the January census. This has resulted in a rebasing adjustment of £61,000 which will be deducted in 3 equal instalments from the November 2012 to January 2013 GAG payments.

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)

	31 08 12	31 08 11
	£	£
Recurrent expenditure from GAG in current year	4,863,931	4,458,003
GAG allocation for current year	(4,938,960)	(4,766,479)
GAG allocation for the previous year x 2%	(95,330)	(102,414)
GAG brought forward from previous year in excess of 2% used on recurrent expenditure in current year (2% rule breached if result is positive)	(170,359)	(410,890)
	no breach	no breach

THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

3. VOLUNTARY INCOME

	Unrestricted Funds £	Restricted Funds £	31 08 12 Total Funds £	31 08 11 Total Funds £
Capital donations	-	14,921,947	14,921,947	-
Capital reimbursements	-	1,850,113	1,850,113	-
Other donations – staff time and salary costs	-	38,332	38,332	19,925
Other donations	517	-	517	-
	<u>517</u>	<u>16,810,392</u>	<u>16,810,909</u>	<u>19,925</u>

4 ACTIVITIES FOR GENERATING FUNDS

	Unrestricted Funds £	Restricted Funds £	31 08 12 Total Funds £	31 08 11 Total Funds £
Shop income	916	-	916	1,795
Equipment hire	-	-	-	121
Fundraising events	4,404	-	4,404	2,323
Catering income	123,686	-	123,686	140,033
School trips income	17,942	-	17,942	18,937
School uniform sales	14,084	-	14,084	16,157
Miscellaneous school income	-	-	-	42,695
Training income	-	-	-	32,582
Azincourt income	2,275	-	2,275	47,492
	<u>163,307</u>	<u>-</u>	<u>163,307</u>	<u>302,135</u>

5. INVESTMENT INCOME

	Unrestricted Funds £	Restricted Funds £	31 08 12 Total Funds £	31 08 11 Total Funds £
Deposit account interest	8,336	-	8,336	31,103
The Marsh Academy endowment fund	18,504	-	18,504	7,446
	<u>26,840</u>	<u>-</u>	<u>26,840</u>	<u>38,549</u>

THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

6 FUNDING FOR THE ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £	Restricted Funds £	31 08 12 Total Funds £	31 08 11 Total Funds £
DfE/EFA CAPITAL GRANT				
DfE/EFA capital grant	-	18,749	18,749	57,864
Other donated funds - ICT	-	-	-	420,397
Other donated funds - CFT	-	-	-	300,718
	<u>-</u>	<u>18,749</u>	<u>18,749</u>	<u>778,979</u>
DfE/EFA/YPLA REVENUE GRANTS				
General Annual Grant (GAG) (note 2)	-	4,920,172	4,920,172	4,570,635
Other DfE/EFA/YPLA grants	-	105,015	105,015	312,709
	<u>-</u>	<u>5,025,187</u>	<u>5,025,187</u>	<u>4,883,344</u>
OTHER GOVERNMENT GRANTS				
School standards funds	-	-	-	423,234
Special educational projects	-	-	-	44,000
Other grant income	-	67,121	67,121	-
Other income	3,275	1,307	4,582	-
	<u>3,275</u>	<u>68,428</u>	<u>71,703</u>	<u>467,234</u>
Total education operations	<u>3,275</u>	<u>5,112,364</u>	<u>5,115,639</u>	<u>6,129,557</u>
LEISURE AND RECREATION				
Leisure centre income	286,406	-	286,406	280,663
	<u>289,681</u>	<u>5,112,364</u>	<u>5,402,045</u>	<u>6,410,220</u>

THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

7. RESOURCES EXPENDED

	Staff Costs £	Premises Costs £	Other Costs £	31 08 12 Total £	31 08 11 Total £
Costs of generating voluntary income	-	-	38,332	38,332	19,925
Costs of activities for generating funds	-	-	155,185	155,185	214,329
<i>Academy's educational operations</i>					
Direct costs	3,804,946	424,803	1,293,169	5,522,918	4,950,718
Allocated support costs	784,278	-	240,723	1,025,001	1,245,933
	<u>4,589,224</u>	<u>424,803</u>	<u>1,533,892</u>	<u>6,547,919</u>	<u>6,196,651</u>
Governance costs including allocated support costs	-	-	8,625	8,625	11,917
	<u>4,589,224</u>	<u>424,803</u>	<u>1,736,034</u>	<u>6,750,061</u>	<u>6,442,822</u>

Incoming/outgoing resources for the year include

	31 08 12 £	31 08 11 £
Auditors' remuneration	7,525	10,281
Auditors' remuneration for non-audit work	1,100	1,636
Depreciation – owned assets	840,226	320,996
Loss on disposal of fixed assets	<u>3,862</u>	<u>9,633</u>

THE MARSH ACADEMY
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

8. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £	Restricted Funds £	31 08 12 Total £	31 08 11 Total £
Direct costs				
Teaching and educational support staff costs	323,030	3,481,916	3,804,946	4,070,242
Premises expenses	749	424,054	424,803	138,543
Depreciation	-	840,226	840,226	320,996
Loss on disposal of assets	-	3,862	3,862	9,633
Educational supplies	-	-	-	28,961
Equipment and IT purchases	6,797	64,733	71,530	48,641
Examination fees	-	125,440	125,440	141,649
Staff development	-	7,372	7,372	21,038
Recruitment and support	-	179	179	-
Educational consultancy	-	67,315	67,315	34,083
Other direct costs	(11,198)	188,443	177,245	136,932
	<u>319,378</u>	<u>5,203,540</u>	<u>5,522,918</u>	<u>4,950,718</u>
Allocated support costs				
Support staff costs	-	784,278	784,278	755,436
Recruitment and support	-	-	-	2,730
Maintenance of premises and equipment	34,558	18,305	52,863	19,757
Professional fees	190	3,765	3,955	75,733
Rent, rates and water	9,171	13,501	22,672	60,223
Insurance	-	11,342	11,342	56,322
Travel and subsistence	8,905	2,513	11,418	4,018
Light and heat	20,000	20,510	40,510	105,583
Bank interest and charges	2,171	3,002	5,173	5,161
FRS17 interest less expected return on assets	-	35,000	35,000	32,000
Other support costs	(4,769)	62,559	57,790	128,970
	<u>70,226</u>	<u>954,775</u>	<u>1,025,001</u>	<u>1,245,933</u>
	<u>389,604</u>	<u>6,158,315</u>	<u>6,547,919</u>	<u>6,196,651</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

9. GOVERNANCE COSTS

	Unrestricted Funds £	Restricted Funds £	31 08 12 Total £	31 08 11 Total £
Auditor's remuneration				
Audit of financial statements	-	7,525	7,525	10,281
Accounts preparation	-	1,100	1,100	1,636
	<u>-</u>	<u>8,625</u>	<u>8,625</u>	<u>11,917</u>

10. STAFF COSTS

Staff costs during the year were

	31 08 12 £	31 08 11 £
Wages and salaries	3,790,947	3,946,234
Social security costs	292,587	304,753
Pension costs	491,643	503,103
	<u>4,575,177</u>	<u>4,754,090</u>
Supply teacher costs	<u>14,047</u>	<u>21,585</u>
	<u>4,589,224</u>	<u>4,775,675</u>

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

	31 08 12	31 08 11
Charitable activities		
Teachers and educational support	100	106
Administration and support	52	60
Leisure and recreation	22	24
Management	<u>9</u>	<u>9</u>
	<u>183</u>	<u>199</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

10. STAFF COSTS - continued

The number of employees whose emoluments fell within the following bands (pro-rated) was

	31 08 12	31 08 11
£60,001 - £70,000	1	2
£70,001 - £80,000	1	1
£80,001 - £90,000	1	-
£140,001 - £150,000	<u>1</u>	<u>1</u>

Three of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2012, pension contributions for these staff amounted to £42,139 (2011 £41,667). One employee participated in the Local Government Pension scheme. During the year ended 31 August 2012, pension contributions for this member of staff amounted to £12,343 (2011 £11,499).

11. GOVERNORS' REMUNERATION AND EXPENSES

The Executive Principal only received remuneration in respect of services they provide undertaking the role of Executive Principal and not in respect of their services as Governor. Other Governors did not receive any payments, other than expenses, from the Academy in respect of their role as Governors.

During the year ended 31 August 2012, travel and subsistence expenses totalling £133 (2011 £nil) were reimbursed to one Governor.

Related party transactions involving the Governors are set out in note 25.

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 £5,000,000 on any one claim. The cost of this insurance is included in the total insurance cost.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

13. TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Leasehold improvements £	Plant and machinery £
COST				
At 1 September 2011	650,000	749,623	-	53,637
Additions	-	14,406,290	23,511	-
Disposals	-	-	-	-
Reclassification	-	(553,079)	172,647	-
At 31 August 2012	<u>650,000</u>	<u>14,602,834</u>	<u>196,158</u>	<u>53,637</u>
DEPRECIATION				
At 1 September 2011	30,000	2,938	-	27,521
Charge for year	10,000	151,866	-	8,046
Eliminated on disposal	-	-	-	-
Reclassification/transfer	-	(12,287)	12,287	-
At 31 August 2012	<u>40,000</u>	<u>142,517</u>	<u>12,287</u>	<u>35,567</u>
NET BOOK VALUE				
At 31 August 2012	<u>610,000</u>	<u>14,460,317</u>	<u>183,871</u>	<u>18,070</u>
At 31 August 2011	<u>620,000</u>	<u>746,685</u>	<u>-</u>	<u>26,116</u>
	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 September 2011	130,597	27,284	1,012,422	2,623,563
Additions	792,778	-	1,188,098	16,410,677
Disposals	(9,012)	-	(171,865)	(180,877)
Reclassification	-	-	380,432	-
At 31 August 2012	<u>914,363</u>	<u>27,284</u>	<u>2,409,087</u>	<u>18,853,363</u>
DEPRECIATION				
At 1 September 2011	42,061	13,477	639,873	755,870
Charge for year	145,705	6,822	517,785	840,224
Eliminated on disposal	(5,886)	-	(167,599)	(173,485)
Reclassification/transfer	-	-	-	-
At 31 August 2012	<u>181,880</u>	<u>20,299</u>	<u>990,059</u>	<u>1,422,609</u>
NET BOOK VALUE				
At 31 August 2012	<u>732,483</u>	<u>6,985</u>	<u>1,419,028</u>	<u>17,430,754</u>
At 31 August 2011	<u>88,536</u>	<u>13,807</u>	<u>372,549</u>	<u>1,867,693</u>

Included in cost or valuation of land and buildings is land of £2,063,429 which is not depreciated

THE MARSH ACADEMY
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

14. FIXED ASSET INVESTMENTS

	Listed investments £
MARKET VALUE	
At 1 September 2011	812,675
Revaluations	34,743
Reversal of Impairments	<u>37,325</u>
At 31 August 2012	<u>884,743</u>
NET BOOK VALUE	
At 31 August 2012	<u>884,743</u>
At 31 August 2011	<u>812,675</u>

15. STOCKS

	31 08 12 £	31 08 11 £
Unsold uniforms	14,508	22,370
Catering	<u>1,248</u>	<u>984</u>
	<u>15,756</u>	<u>23,354</u>

16. DEBTORS

	31 08 12 £	31 08 11 £
Trade debtors	22,352	38,537
VAT	71,821	64,261
Prepayments and accrued income	<u>50,855</u>	<u>95,233</u>
	<u>145,028</u>	<u>198,031</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 08 12 £	31 08 11 £
Trade creditors	115,220	43,155
Accruals and deferred income (deferred income note 18)	<u>238,124</u>	<u>579,975</u>
	<u>353,344</u>	<u>623,130</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

18. DEFERRED INCOME

	31 08 12	31 08 11
		£
Deferred income at 1 September 2011	55,344	122,556
Resources deferred in the year	93,321	55,344
Amounts released from previous years	<u>(55,344)</u>	<u>(122,556)</u>
Deferred income at 31 August 2012	<u>93,321</u>	<u>55,344</u>

19. FUNDS

	Balance at 1 September 2011 £	Incoming Resources £	Resources Expended £	Gains, losses and transfers £	Balance at 31 August 2012 £
Restricted general funds					
General Annual Grant (GAG)	432,199	4,920,172	(4,863,931)	(26,375)	462,065
Start up grant A	700,000	-	(326,074)	-	373,926
Pension reserve	(983,000)	-	(59,000)	(702,000)	(1,744,000)
Other DfE/EFA grants	-	105,015	(105,015)	-	-
Other grant income	-	67,121	(67,121)	-	-
Other income	-	1,307	(1,307)	-	-
Donated services	-	38,332	(38,332)	-	-
	<u>149,199</u>	<u>5,131,947</u>	<u>(5,460,780)</u>	<u>(728,375)</u>	<u>(908,009)</u>
Restricted fixed asset funds					
DfE/EFA capital grants	416,520	18,749	(75,392)	-	359,877
Capital expenditure from GAG	360,253	-	(196,129)	26,375	190,499
Donated funds - Inclusion centre	300,718	550,000	-	-	850,718
Donated funds - ICT	420,397	1,300,113	(304,437)	-	1,416,073
Donated assets - Azincourt	620,000	-	(10,000)	-	610,000
Donated assets - New building	-	14,921,947	(258,130)	-	14,663,817
	<u>2,117,888</u>	<u>16,790,809</u>	<u>(844,088)</u>	<u>26,375</u>	<u>18,090,984</u>
Endowment fund					
The Marsh Academy endowment fund	812,675	-	-	72,068	884,743
Total restricted funds	<u>3,079,762</u>	<u>21,922,756</u>	<u>(6,304,868)</u>	<u>(629,932)</u>	<u>18,067,718</u>
Unrestricted funds					
Unrestricted funds	149,990	480,345	(445,193)	-	185,142
Total funds	<u>3,229,752</u>	<u>22,403,101</u>	<u>(6,750,061)</u>	<u>(629,932)</u>	<u>18,252,860</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

19. FUNDS - continued

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

General Annual Grant (GAG)

Funds must be used for the normal running costs of the Academy. The Academy is allowed to carry forward up to 12% of the current GAG to the next accounting period of which up to 2% can be used for recurrent expenditure, however the balance must be used for capital purposes.

Start Up Grant A must be used to meet the expenditure of providing basic stocks of teaching and learning materials.

Other restricted general funds

Funding is provided by Government grants in addition to the GAG which must be used for the provision of education for special needs purposes and other specified activities.

The pension liability has been charged to restricted reserves. This is because the obligation to fund the deficit is met from the General Annual Grant funding which is accounted for through restricted reserves and therefore it is more appropriate to charge the deficit to restricted reserves.

Restricted fixed asset funds

Funding is provided by way of Government grants or capital expenditure from the GAG in order to acquire specified fixed assets for use by the Academy in achieving its educational objectives.

Endowment fund

Kent County Council and The De Haan Chantable Trust have gifted certain monies for the benefit of The Marsh Academy. The Marsh Academy Endowment Fund was therefore established.

Unrestricted funds

Unrestricted funds can be used for any purpose at the discretion of the Academy.

Transfers between funds

The academy has, in accordance with its funding agreement, applied some of its GAG to purchase fixed assets during the period under review. Accordingly there has been a transfer between restricted GAG funds and restricted fixed asset funds to reflect this.

20 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds	Restricted general funds	Restricted fixed asset funds	Endowment funds	Total
	£	£	£	£	£
Tangible fixed assets	-	-	17,430,754	-	17,430,754
Investment	-	-	-	884,743	884,743
Current assets	203,176	1,171,301	660,230	-	2,034,707
Current liabilities	(18,034)	(335,310)	-	-	(353,344)
Pension scheme liability	-	(1,744,000)	-	-	(1,744,000)
	<u>185,142</u>	<u>(908,009)</u>	<u>18,090,984</u>	<u>884,743</u>	<u>18,252,860</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

21. CAPITAL COMMITMENTS

	31 08 12	31 08 11
	£	£
Contracted but not provided for in the financial statements	<u>NIL</u>	<u>962,993</u>

22. OPERATING LEASE COMMITMENTS

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

	31 08 12	31 08 11
	£	£
Land and buildings		
Expiring within one year	<u>-</u>	<u>1,000</u>
	<u>-</u>	<u>1,000</u>
Other		
Expiring within one year	4,478	-
Expiring within two and five years inclusive	<u>-</u>	<u>11,411</u>
	<u>4,478</u>	<u>11,411</u>

23 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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

24. 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 Kent County Council Both are defined-benefit schemes

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

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

Teachers' Pension Scheme

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

24. PENSION AND SIMILAR OBLIGATIONS - continued

Teachers' Pension Scheme - continued

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

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The 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 to 31 August 2012 was £254,991 (2011: £259,241), of which employer's contributions totalled £187,452 and employees' contributions totalled £67,539 (2011: £190,814 and £68,427).

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

	31 08 12	31 08 11
Discount rate	3.9%	5.4%
Price increases	1.9%	2.6%
Expected return on scheme assets	5.2%	6.4%
Future salary increases	4.1%	4.9%
Future pension increases	1.9%	2.6%
Commutation of pension to lump sums	50.0%	50.0%

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

	31 08 12	31 08 11
Retiring today		
Males	20.0	19.8
Females	24.0	23.9
Retiring in 20 years		
Males	22.0	21.9
Females	25.9	25.8

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

24. PENSION AND SIMILAR OBLIGATIONS - continued

Local Government Pension Scheme - continued

	£	£	£
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	3,960,000	4,090,000	4,225,000
Projected service cost	265,000	277,000	289,000
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	3,939,000	4,090,000	4,244,000
Projected service cost	264,000	277,000	290,000

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
		£		£
Equities	5.9%	1,643,000	6.9%	1,380,000
Gilts	2.8%	23,000	3.8%	19,000
Other bonds	3.9%	305,000	5.4%	265,000
Property	3.9%	235,000	4.9%	170,000
Cash	0.5%	70,000	3.0%	57,000
Target Return Portfolio	4.4%	70,000	0%	-
Total market value of assets		2,346,000		1,891,000
Present value of scheme liabilities				
-Funded		<u>(4,090,000)</u>		<u>(2,874,000)</u>
Deficit in the scheme		<u>(1,744,000)</u>		<u>(983,000)</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 (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on scheme assets was £228,000 (2011: £31,000).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

24. PENSION AND SIMILAR OBLIGATIONS - continued

Local Government Pension Scheme - continued

The amounts recognised in the Statement of Financial Activities are as follows

	Defined benefit pension plans 31 08 12 £	Defined benefit pension plans 31 08 11 £
Current service cost (net of employee contributions)	206,000	242,000
Total operating charge	<u>206,000</u>	<u>242,000</u>
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	127,000	109,000
Interest on pension liabilities	<u>(162,000)</u>	<u>(141,000)</u>
Pension finance income/(costs)	<u>(35,000)</u>	<u>(32,000)</u>

The actuarial gains and losses for the current year are recognised in the Statement of Financial Activities. The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities since the adoption of FRS 17 is a £1,157,000 loss (2011 £455,000 loss)

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

	Defined benefit pension plans 31 08 12 £	Defined benefit pension plans 31 08 11 £
Opening defined benefit obligation	2,874,000	2,780,000
Current service cost	206,000	242,000
Contributions by scheme participants	68,000	69,000
Interest cost	162,000	141,000
Actuarial losses/(gains)	801,000	(327,000)
Losses on curtailments	6,000	-
Estimated benefits paid net of transfers in	<u>(27,000)</u>	<u>(31,000)</u>
	<u>4,090,000</u>	<u>2,874,000</u>

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

	Defined benefit pension plans 31 08 12 £	Defined benefit pension plans 31 08 11 £
Opening fair value of scheme assets	1,891,000	1,586,000
Contributions by employer	188,000	192,000
Contributions by scheme participants	68,000	69,000
Expected return	127,000	109,000
Actuarial (losses)/gains	99,000	(34,000)
Estimated benefit paid net of transfers in and including unfunded	<u>(27,000)</u>	<u>(31,000)</u>
	<u>2,346,000</u>	<u>1,891,000</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2012

24. PENSION AND SIMILAR OBLIGATIONS - continued

Local Government Pension Scheme - continued

The estimated value of employer contributions for the year to 31 August 2013 is £191,000

Amounts for the current period are as follows

	31 08 12	31 08 11	31 08 10	31 08 09	31 08 08
Defined benefit pension plans					
Defined benefit obligation	(4,090,000)	(2,874,000)	(2,780,000)	(2,429,000)	(1,664,000)
Fair value of scheme assets	2,346,000	1,891,000	1,586,000	1,163,000	1,038,000
Surplus /(Deficit)	(1,744,000)	(983,000)	(1,194,000)	(1,266,000)	(626,000)
Experience adjustments on scheme assets	99,000	(34,000)	109,000	(189,000)	(123,000)
Experience adjustments on scheme liabilities	-	(220,000)	-	(153,000)	1,000

25 RELATED PARTY TRANSACTIONS

Owing to the nature of the Academy's operations and the composition of the board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures.

Purchases totalling £7,555 (2011 £1425) from W & E Rolfe & Son – a company which Mrs P Rolfe, a Governor, is related through marriage.

There were no amounts outstanding at 31 August 2012.

The Folkestone School for Girls Academy Trust – Tracy Luke is the Executive Principal for both The Marsh Academy and The Folkestone School for Girls Academy Trust.

Income totalling £138,085, relating to the cross charge of shared staff salaries. Expenses totalling £22,758 relating to the cross charge of shared staff salaries. There were amounts of £9,990 included in debtors outstanding at 31 August 2012.

No Staff Governors were reimbursed monies for travel expenses as Governors during the year.

Mrs P Rolfe, a Governor, was reimbursed travel expenses of £133 during the year.