

# REGISTRAR OF COMPANIES

## Harris Federation

### Consolidated report and financial statements

Year to 31 August 2012

Company limited by guarantee  
registration number  
06228587 (England and Wales)

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## Reference and administrative information

<b>Directors</b>	Lord Harris of Peckham Lady Harris of Peckham Ms M P Atkinson Mr A P Bayon Mr K J Hoods Mr P Jacobs Ms B Johnston Mrs L J Manson-Smith Mr T D Moore Mr K Morley Sir Dan Moynihan Mr P J Saunders Mrs A M Smith Sir Cyril Taylor Ms R Wilton
<b>Secretary</b>	Mr M Antoniou
<b>Registered office</b>	4 <sup>th</sup> Floor Norfolk House Wellesley Road Croydon CR0 1LH
<b>Company registration number</b>	06228587 (England and Wales)
<b>Independent Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	National Westminster Bank plc 30 Tooting High Street London SW17 0XN
<b>Solicitors</b>	Memery Crystal LLP 44 Southampton Buildings London WC2A 1AP

## **Directors' report** Year to 31 August 2012

The directors of Harris Federation, who are also trustees for the purposes of the Charities Act 2011, present their report and the audited financial statements of the Harris Federation (the Federation) and its two subsidiary companies, Harris Academies Project Management Limited and HCTC Enterprises Limited, together 'the group' for the year to 31 August 2012

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and it is also the report of the directors for the purposes of the Companies Act 2006

The financial statements have been prepared in accordance with the accounting policies set out on pages 20 to 23 and comply with the company's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ('SORP 2005')

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

#### **Constitution and principal activities**

The Federation is a company limited by guarantee, incorporated under Company Number 06228587. The Federation's Memorandum and Articles of Association are the primary governing documents of the Federation.

As at 31 August 2012 the Federation was made up of fourteen Academies. During September 2012 four additional academies joined the Federation, with one additional Academy to join at the start of 2013.

The Federation was incorporated on 26 April 2007. These financial statements for the Federation, which cover the year to 31 August 2012, aggregate the activities of the fourteen member academies.

The principal activity of the Federation is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on, managing and developing schools offering a broad curriculum with a strong emphasis on, but in no way limited to one or a combination of specialisms.

#### **Members**

The members of the company are the Principal Sponsor, two persons nominated by the Principal Sponsor and an individual nominated by the Secretary of State for Education.

Every member of the company undertakes to contribute such amount as may be required (not exceeding £10) to the company's assets if it should be wound up while he or she is a member or within one year after he or she ceases to be a member, for payment of the company's debts and liabilities arising before he or she ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of rights of the contributories among themselves.

## **Directors' report** Year to 31 August 2012

### **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

#### **Directors**

The articles of association require the appointment of at least three directors (unless otherwise determined by ordinary resolution) The directors of the company are also trustees of the charity The directors delegate a number of functions to the local governing body ("LGB") of each Academy

The Principal Sponsor may by notice in writing to the Federation delivered to the registered office appoint up to 12 directors

In the majority of cases, the Chairman of each LGB, for as long as he remains in office as such, shall be an Academy director ex officio provided that the total number of Academy directors shall not exceed twenty

The term of office for any director (other than the Principal Sponsor) shall be three years Any director may be re-appointed

The training and induction provided for new directors depends on their existing experience Where necessary induction provides training on charity and educational legal and financial matters All directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as directors

The following directors were in office at 31 August 2012 and served throughout the period except as stated

<b>Director</b>	<b>Appointed/Resigned</b>
Lord Harris of Peckham	
Lady Harris of Peckham	
Ms M P Atkinson	
Mr A P Bayon	
Mr P Clifford	Resigned 1 September 2011
Ms V Gough	Resigned 1 September 2011
Mr K J Hoods	Appointed 1 September 2011
Mr P Jacobs	
Ms B Johnston	
Mrs L J Manson-Smith	Appointed 26 March 2012
Mr T D Moore	Appointed 1 September 2011
Mr K Morley	
Sir Dan Moynihan	
Mr P J Saunders	
Mrs A M Smith	Appointed 2 November 2012
Sir Cyril Taylor	
Ms R Wilton	Appointed 1 September 2011

During the period under review the directors held three meetings

**STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

**Subsidiary companies**

Harris Academies Project Management Limited was incorporated in 2007 and began trading on 21 May 2007. It is a wholly owned subsidiary of the Federation.

HCTC Enterprises Limited was incorporated in 1994 and is a wholly owned subsidiary of the Federation.

**Management**

The directors of the Federation are appointed by the members of the company. The Chairman of each local governing body is appointed as a director of the Federation *ex officio*. The board of directors of the Federation is responsible for setting general policy, adopting an annual plan and budget, and monitoring the Federation by use of budgets and making major decisions about the direction of the Federation, capital expenditure and senior staff appointments.

Each Academy has its own local governing body with the Chairman of that Academy being a director of the Federation in the majority of cases. Each local governing body has responsibility for setting policy, annual plans and budgets at the Academy and recommending these to the Federation Board of directors.

The directors delegate the day to day responsibility of running the Federation to Sir Dan Moynihan (CEO). The day to day running of individual Academies is delegated by each local governing body to the senior management team, which includes the Principal.

**Risk management**

The directors are responsible for identifying risks faced by the Federation, establishing procedures to mitigate these risks, and ensuring that employees are aware of these procedures and of the implications of failing to implement them. They are satisfied that these procedures are consistent with guidelines issued by the Charity Commission.

The directors acknowledge they have overall responsibility for ensuring that the Federation has an effective and appropriate system of controls, financial and otherwise. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Federation and enable them to ensure the financial statements comply with the Companies Act. The directors also acknowledge responsibility for safeguarding the assets of the Federation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that

- ◆ the Federation is operating efficiently and effectively,
- ◆ its assets are safeguarded against unauthorised use or disposition,

## **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

### **Risk management** (continued)

- ◆ proper records are maintained and financial information used within the Federation or for its publication is reliable, and
- ◆ the Federation complies with relevant laws and regulations

## **OBJECTIVES AND ACTIVITIES**

### **Objects, aims and objectives**

The aim of the Federation is to operate as a group of collaborating Academies for the benefit of young people. Academies are geographically close which gives the Federation the opportunity to build a joint purpose, encourage healthy competition and share the best ideas.

The Sponsor's vision is that, rather than working in isolation, the Harris Academies will work together as a federation. This will enable the schools to use their combined resources and collective expertise in order to assist each other and so raise standards faster than would be the case with schools working in isolation.

### **Public Benefit**

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

### **Equal opportunities policy**

The directors recognise that equal opportunities should be an integral part of good practice within the workplace. The Federation has established 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 have been installed and door widths have been enlarged to enable wheelchair access to all the main areas of the academies. The policy of the Federation is to support the employment of disabled persons both in recruitment and by retention of employees who become disabled whilst in the employment of the academies, as well as generally through training and career development.

## **ACHIEVEMENTS AND PERFORMANCE**

During 2012, the Harris Federation produced an improvement of 3% in 5A\*-C GCSE's including English and Maths at a time when results were very unpredictable with the national issues with GCSE English. This maintains a rising trend over five years for the Harris Federation.

## **Directors' report** Year to 31 August 2012

### **ACHIEVEMENTS AND PERFORMANCE** (continued)

Ten of the twelve Harris Secondary Academies now have 90% or more students gaining five good passes, with five at 100%. These results in all but one of our Academies were achieved with the students of the predecessor schools. Positive comments about the examination performance at the Harris Federation have been made by the Prime Minister in his conference speech, Secretary of State for Education in a range of contexts and a range of other media.

Post 16 results improved with a larger number of candidates in the Federated Post 16 achieving an average of AAB. Large numbers of Harris students progressed to a wide range of universities including those in the Russell Group.

Nine out of ten Harris Academies open for longer than a year are now judged to be Outstanding by Ofsted. This compares very favourably with a national average for Outstanding schools of just 20%. No other Academy provider matches this.

Our Academies remain on average very oversubscribed with an average of 5 applications for each place. The Harris Federation Post 16 has over 1,200 students on roll.

The two new secondary school joiners, Harris Academy Beckenham and Harris Academy Bromley, both achieved very large improvements of 17% and 15% respectively on the predecessor schools results.

Harris Teaching School was awarded one of four licenses to offer the Headteachers Qualification, the National Professional Qualification for Headteachers or NPQH, in London.

Three new primary Academies joined the group, Harris Primary Academy Coleraine Park and Harris Primary Academy Philip Lane along with Harris Primary Academy Chafford Hundred. In addition Harris Primary Free School Peckham opened on the site of Harris Academy Peckham and admitted 60 nursery age children. Along with Harris Primary Academy Peckham Park, Harris Federation opened five primary schools by September 2012, making a total of eighteen Harris Academies in the group by the start of 2012/13.

### **Going concern**

After making appropriate enquiries, the directors have a reasonable expectation that the Federation 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 Principal Accounting Policies.



## **Directors' report** Year to 31 August 2012

### **FINANCIAL REVIEW**

#### **Financial report for the period**

Most of the company's income comes from the Education Funding Agency (EFA), formerly the Young People's Learning Agency (YPLA), in the form of recurrent grants for particular purposes. These grants and the associated expenditure are shown as restricted funds in the consolidated statement of financial activities.

The company also receives grants for fixed assets from the Department for Education (DfE). In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), these grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the year ended 31 August 2012, total expenditure (excluding depreciation) of £81,544,000 (2011 - £62,759,000) was more than covered by grant funding from the EFA and other income. The excess of income over expenditure for the period (excluding restricted fixed asset funds and before transfers and the pension scheme actuarial movement) was £1,659,000 (2011 - £2,991,000).

At 31 August 2012 the net book value of fixed assets was £201,628,000 (2011 - £137,361,000). These assets were used exclusively for providing education to the Federation's pupils and related support services.

#### **Financial position and reserves policy**

The Federation held fund balances at 31 August 2012 of £204,402,000 (2011 - £144,340,000) comprising £200,831,000 (2011 - £141,604,000) of restricted funds including a pension reserve deficit of £10,733,000 (2011 - £3,741,000) and £3,571,000 (2011 - £2,736,000) of unrestricted general funds.

Total revenue reserves, which exclude the fixed asset fund of £201,628,000 and the pension reserve deficit of £10,733,000 (2011 - £3,741,000), were £13,507,000 as at 31 August 2012 (£10,720,000 as at 31 August 2011). This is equal to approximately two months' revenue expenditure and the directors consider that this is sufficient for the working capital and operational needs of the Federation based on historic levels of activity.

Given the current expansion of the Federation, these requirements are not fixed. The directors plan for to retain between 3% and 5% of recurrent income each year. The directors will keep the level of reserves under review.

## **Directors' report** Year to 31 August 2012

### **PLANS FOR FUTURE PERIODS**

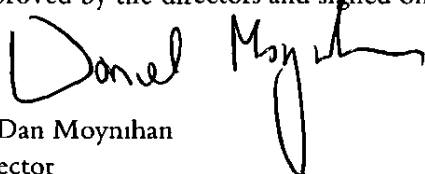
Harris Federation has secured approval to open one of the first Free School Pupil Referral Units, Harris Aspire, for children at risk of exclusion from September 2013. During this year much work has gone on to prepare for the opening of the prestigious all through school, the Chobham Academy in East Village (Olympic Park) and work has progressed with a number of Free School Groups. Harris Federation is likely to comprise at least 25 Academies by September 2013.

### **AUDITOR**

In so far as the directors are aware

- ♦ There is no relevant audit information of which the charitable company's auditor is unaware, and
- ♦ The directors 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.

Approved by the directors and signed on their behalf by



Sir Dan Moynihan  
Director

Approved by the directors on 20 December 2012

## **Governance statement** Year to 31 August 2012

### **Scope of responsibility**

As directors, we acknowledge we have overall responsibility for ensuring that the Harris Federation 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 board of directors has delegated the day-to-day responsibility to the Chief Executive Officer, 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 Federation and the Secretary of State for Education. The Chief Executive Officer is also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

### **Governance**

The information on governance included here supplements that described in the directors' report and in the statement of directors' responsibilities. The board of directors has formally met three times during the year. Attendance during the year at meetings of the board of directors was as follows:

<b>Director</b>	<b>Number of meetings attended</b>	<b>Out of a possible</b>
Lord Harris of Peckham	3	3
Lady Harris of Peckham	3	3
Ms M P Atkinson	3	3
Mr A P Bayon	3	3
Mr K J Hoods	2	3
Mr P Jacobs	3	3
Ms B Johnston	3	3
Mrs L J Manson-Smith	1	2
Mr T D Moore	3	3
Mr K Morley	2	3
Sir Dan Moynihan	3	3
Mr P J Saunders	3	3
Sir Cyril Taylor	2	3
Ms R Wilton	3	3

As described in the directors' report, the directors delegate a number of functions to the local governing body (LGB) of each academy. These LGBs meet as appropriate throughout the year in order to govern the affairs of the individual academies.

The directors have reviewed the guidance provided within the Academies Financial Handbook (September 2012) regarding independent checking of financial controls and the role of a committee that monitors this. The Federation has reviewed its structures for monitoring financial controls in the context of this guidance and has established a sub-committee of governors to fulfil this purpose. These arrangements will be formalised in due course.

## **Governance statement** Year to 31 August 2012

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Federation's 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 at the Federation 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 board of directors has reviewed the key risks to which the Federation is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of directors is of the view that there is an ongoing process for identifying, evaluating and managing the Federation'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 board of directors.

### **The risk and control framework**

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

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

The directors have considered the need for a specific internal audit function and have decided not to appoint an internal auditor. However, the board have appointed Sir Dan Moynihan, a director as Responsible Officer ('RO') for the Federation. The RO's role includes giving advice on financial matters and performing a range of checks on the Federation's financial systems. As permitted by the Financial Handbook of Academies, this task has been outsourced to the external auditors. On a periodic basis, the external auditors will report to the RO on the operation of the systems of control and on the discharge of the RO's financial responsibilities.

The RO function for the year has been fully delivered in line with the requirements of the Financial Handbook.

## **Governance statement** Year to 31 August 2012

### **Review of effectiveness**

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

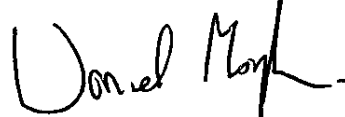
- ◆ the work of the responsible officer,
- ◆ the work of the external auditor,
- ◆ the financial management and governance self assessment process, and
- ◆ the work of the Senior Leadership Team within the Federation who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has advised the finance committee of the implications of his review of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place

Approved by order of the members of the board of directors on <sup>26 December</sup> 2012 and signed on its behalf by



Mr P J Saunders  
Director



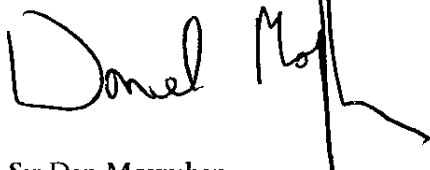
Sir Dan Moynihan  
Accounting Officer

**Statement on regularity, propriety and compliance** 31 August 2012

As Accounting Officer of Harris Federation, I have considered my responsibility to notify the Federation board of directors and the EFA of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Federation 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 Federation board of directors are able to identify any material irregular or improper use of funds by the Federation, or material non-compliance with the terms and conditions of funding under the Federation's funding agreement and the Academies Financial Handbook.

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

A handwritten signature in black ink, appearing to read 'Dan Moynihan', with a long horizontal stroke extending to the right.

Sir Dan Moynihan  
Accounting Officer

## Statement of directors' responsibilities 31 August 2012

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

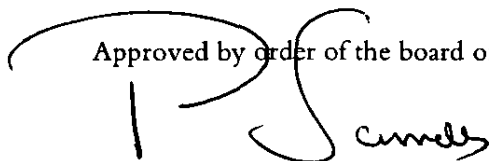
Company law requires the directors to prepare financial statements for each financial year. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the directors are required to

- ◆ select suitable accounting policies and then apply them consistently,
- ◆ observe the methods and principles in the Charities' Statement of Recommended Practice (the Charities' SORP),
- ◆ make judgments and estimates that are reasonable and prudent,
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Academy will continue in operation

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

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

Approved by order of the board of directors on 20 December 2012 and signed on its behalf by



Mr P J Saunders  
Director

## **Independent auditor's reports 31 August 2012**

### **Independent auditor's report to the members of the Harris Federation**

We have audited the financial statements of the Harris Federation and group for the year ended 31 August 2012 which comprise the consolidated statement of financial activities, the group and company balance sheets, the consolidated cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

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

### **Respective responsibilities of directors and auditor**

The directors act as trustees for the charitable activities of Harris Federation and are also the directors of the charitable company for the purpose of company law.

As explained more fully in the statement of directors' responsibilities set out in the directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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



## **Independent auditor's reports** 31 August 2012

### **Opinion**

In our opinion

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

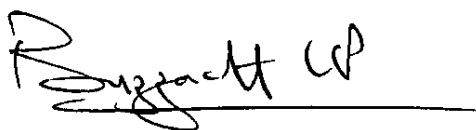
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

### **Matters on which we are required to report by exception**

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

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



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

21 December 2012

## **Independent auditor's reports 31 August 2012**

### **Independent auditor's report on regularity to the members of the Harris Federation and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 28 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 Federation during the period from 1 September 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the charitable company's members and the EFA. Our review work has been undertaken so that we might state to the charitable company's members 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 charitable company's members and the EFA, for our review work, for this report, or for the opinion we have formed.

### **Respective responsibilities of the board of directors and auditor**

The board of directors 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.

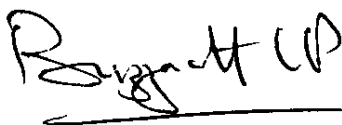
Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the EFA's Financial Handbook and Accounts Direction. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed or income received during the period from 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### **Basis of opinion**

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

### **Opinion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

20 December 2012

## Consolidated statement of financial activities Year to 31 August 2012

(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Notes	Unrestricted general fund £'000	Restricted funds			2012 Total Funds £'000	2011 Total Funds £'000
			General £'000	Other £'000	Fixed assets £'000		
<b>Incoming resources</b>							
Income from generated funds							
Voluntary income	2	29	—	—	14,428	<b>14,457</b>	54
Activities for generating funds	3	655	—	176	—	<b>831</b>	438
Interest receivable		148	—	—	—	<b>148</b>	74
Transfer from Local Authority on conversion	30	371	(3,107)	—	49,719	<b>46,983</b>	—
Incoming resources from charitable activities							
Funding for Harris Federation's educational operations	4	—	81,641	1,854	5,575	<b>89,070</b>	80,791
Other incoming resources	5	—	—	1,436	—	<b>1,436</b>	748
<b>Total incoming resources</b>		<b>1,203</b>	<b>78,534</b>	<b>3,466</b>	<b>69,722</b>	<b>152,925</b>	<b>82,105</b>
<b>Resources expended</b>							
Charitable activities							
Harris Federation's educational operations	7	368	77,787	3,167	7,906	<b>89,228</b>	69,598
Governance costs	8	—	222	—	—	<b>222</b>	209
<b>Total resources expended</b>	6	<b>368</b>	<b>78,009</b>	<b>3,167</b>	<b>7,906</b>	<b>89,450</b>	<b>69,807</b>
<b>Net incoming resources before transfers</b>		<b>835</b>	<b>525</b>	<b>299</b>	<b>61,816</b>	<b>63,475</b>	<b>12,298</b>
Gross transfers between funds	18	—	(2,451)	—	2,451	—	—
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>		<b>835</b>	<b>(1,926)</b>	<b>299</b>	<b>64,267</b>	<b>63,475</b>	<b>12,298</b>
<b>Other recognised gains and losses</b>							
Actuarial (loss)/gain on defined benefit pension scheme	21	—	(3,413)	—	—	<b>(3,413)</b>	1,865
<b>Net movement in funds</b>		<b>835</b>	<b>(5,339)</b>	<b>299</b>	<b>64,267</b>	<b>60,062</b>	<b>14,163</b>
Fund balances brought forward at 1 September 2011		<b>2,736</b>	<b>3,566</b>	<b>677</b>	<b>137,361</b>	<b>144,340</b>	<b>130,177</b>
<b>Fund balance carried forward at 31 August 2012</b>		<b>3,571</b>	<b>(1,773)</b>	<b>976</b>	<b>201,628</b>	<b>204,402</b>	<b>144,340</b>

All of the group's activities derived from continuing operations during the above financial periods. There is no difference between the net movement in funds stated above, and its historical cost equivalent.

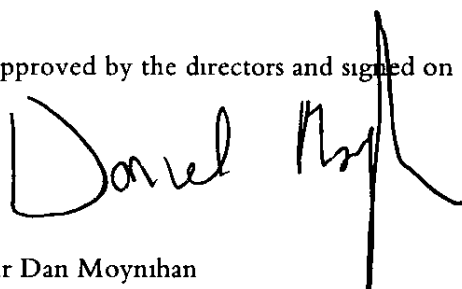
The results of Harris Academies Project Management Limited and HCTC Enterprises Limited have been consolidated within the financial statements of Harris Federation.

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

## Balance sheets 31 August 2012

	Notes	2012		2011	
		Group £'000	Company £'000	Group £'000	Company £'000
<b>Fixed assets</b>					
Tangible assets	12	201,628	201,626	137,361	137,357
<b>Current assets</b>					
Debtors	15	3,644	3,797	3,097	2,327
Cash at bank and in hand	16	21,777	21,002	19,797	18,535
		25,421	24,799	22,894	20,862
<b>Creditors</b> amounts falling due within one year	17	(11,914)	(11,401)	(12,174)	(10,219)
<b>Net current assets</b>		13,507	13,398	10,720	10,643
<b>Net assets excluding pension liability</b>		215,135	215,024	148,081	148,000
Pension scheme liability	21	(10,733)	(10,733)	(3,741)	(3,741)
<b>Net assets including pension liability</b>		204,402	204,291	144,340	144,259
<b>Represented by</b>					
<b>Funds and reserves</b>					
<b>Income funds</b>					
Restricted funds	18				
EFA revenue funding		8,960	8,960	7,307	7,307
Pension reserve		(10,733)	(10,733)	(3,741)	(3,741)
		(1,773)	(1,773)	3,566	3,566
Fixed assets		201,628	201,626	137,361	137,357
Other restricted funds		976	976	677	677
		200,831	200,829	141,604	141,600
Unrestricted funds					
General fund		3,571	3,462	2,736	2,659
		204,402	204,291	144,340	144,259

Approved by the directors and signed on their behalf by



Sir Dan Moynihan  
Director

Approved on 20 December 2012

## Consolidated cash flow statement Year to 31 August 2012

	Notes	2012 £	2011 £
<b>Net cash inflow from operating activities</b>	26	<b>6,767</b>	6,504
Cash transferred on Academies joining the Federation	26	<b>371</b>	—
Returns on investment and servicing of finance	27	<b>148</b>	74
Capital expenditure	28	<b>(5,306)</b>	(3,234)
<b>Increase in cash in the year</b>	29	<b>1,980</b>	3,344
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September 2011		<b>19,797</b>	16,453
<b>Net funds at 31 August 2012</b>		<b>21,777</b>	19,797

### Analysis of changes in net funds

#### Group

	At 1 September 2011 £'000	Cash flows £'000	At 31 August 2012 £'000
Cash at bank and in hand	19,797	(4,420)	<b>15,377</b>
Cash on deposit	—	6,400	<b>6,400</b>
	<b>19,797</b>	<b>1,980</b>	<b>21,777</b>

## **Principal accounting policies** 31 August 2012

### **Format of financial statements**

The statutory format for the financial statements as required by the Companies Act 2006 Part 15 Chapter 4 has been adapted to provide more appropriate information that complies with the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005 ('Charities SORP 2005') and reflects the activities of the company

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the requirements of the Companies Act 2006. Applicable accounting standards, the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) and the Academies Accounts Direction issued by the EFA have been followed in these financial statements

### **Basis of consolidation**

The consolidated statement of financial activities and group balance sheet consolidate the financial statements of the company and those of its subsidiaries made up at the balance sheet date

No separate statement of financial activities has been presented for Harris Federation alone, as permitted by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005

### **Going concern**

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

### **Incoming resources**

#### *Grants receivable*

Grants are included in the statement of financial activities on an accruals basis. The balance of income received for specific purposes but not matched to relevant expenditure during the period is shown in the restricted income fund on the balance sheet

#### *Gifts in kind*

Gifts in kind provided to the group are recognised in the statement of financial activities at their value to the group, as determined by the directors, in the period in which they are receivable, and where the benefit is both quantifiable and material

#### *Sponsorship*

Sponsorship provided to the group is recognised in the statement of financial activities in the period in which it is receivable

## **Principal accounting policies 31 August 2012**

### **Incoming resources (continued)**

#### *Donations*

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

#### *Interest receivable*

Interest receivable is included within the statement of financial activities on an accruals basis

### **Resources expended and the basis of apportioning costs**

#### *Resources expended*

Resources expended are recognised in the period in which they are incurred and include irrecoverable VAT. They have been classified under headings that aggregate all costs relating to that activity

#### *Allocation of costs*

In accordance with the Charities SORP, expenditure has been analysed between the group's charitable activities and governance. Items of expenditure which involve more than one cost category have been apportioned on a reasonable, justifiable and consistent basis for the cost category concerned

#### *Governance costs*

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

### **Tangible fixed assets**

All IT equipment costing more than £500 and all other assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised

Depreciation is charged on a straight line basis beginning in the year in which the asset is brought into use at the following annual rates

- |                                     |         |
|-------------------------------------|---------|
| ♦ Furniture and equipment           | 25% p a |
| ♦ Computer equipment                | 33% p a |
| ♦ Long leasehold land and buildings | 2% p a  |
| ♦ Motor vehicles                    | 25% p a |

## **Principal accounting policies 31 August 2012**

### **Tangible fixed assets** (continued)

Where fixed assets have been acquired with the aid of specific grants, they are included in the balance sheet at cost and are depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (on the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Grants provided to acquire fixed assets may be paid either to the Federation or directly to meet the cost of the fixed asset. Where costs have been paid directly and are part of the capital project, they have been recognised as restricted fixed asset funding.

The cost of buildings constructed under the UK Government's Building Schools for the Future programme as funded by Local Authorities, are recognised in the statement of financial activities as voluntary income in the period in which the Federation takes ownership of these buildings. No value is brought into the financial statements before this time.

The cost of buildings that were not previously capitalised as part of capital projects at the Academies are introduced at an amount valued by the EFA.

### **Investments**

The company's share holding in its wholly owned subsidiaries, Harris Academies Project Management Limited and HCTC Enterprises Limited, are included in the company's balance sheet at the cost of the share capital owned. There is no readily available market value and the cost of valuation exceeds the benefit derived.

### **Fund accounting**

The unrestricted general fund represents monies which may be applied for any purpose within the company's objects at the discretion of the directors.

Restricted funds are grants from the DfE and other donors which are to be used for specific purposes.

### **Leased assets**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight line basis over the lease term.

### **Taxation**

The Federation 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 Federation 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**

Some group staff are members of one of two multi-employer defined benefit pension schemes. More details of the schemes are given in note 21.

#### **Defined Benefit Schemes**

##### *Teachers' Pension Scheme*

Full-time and part-time teaching staff employed under a contract of service are eligible to contribute to the Teachers' Pension Scheme (TPS). The TPS, a statutory, contributory, final salary scheme is administered by Capita Teachers' Pensions on behalf of the Education Funding Agency. As the group is unable to identify its share of the underlying (notional) assets and liabilities of the scheme, the group has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the group in the year.

##### *Local Government Pension Scheme*

Non-teaching members of staff are offered membership of the Local Government Pension Schemes (LGPS), which are managed by the London Boroughs of Southwark, Croydon, Bexley and Merton Pension Fund and Essex County Council Pension Fund. The LGPS is a defined benefit pension scheme and is able to identify the company's share of assets and liabilities and requirements of the FRS 17. Retirement Benefits, have been followed.

The group's share of the LGPS assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

### **Schools joining the Federation**

School's joining the Federation transfer identifiable assets and liabilities and the operation of the predecessor School for £nil consideration, which has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from the predecessor school to the Federation have been valued at their fair value being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the Federation. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 25 of the financial statements.

# Notes to the financial statements 31 August 2012

## 1 General Annual Grant (GAG)

	Harris Girls' Academy East Dulwich £'000	Harris Academy Bermondsey £'000	Harris Academy Peckham £'000	Harris Academy South Norwood £'000	Harris Academy Merton £'000	Harris City Academy Crystal Palace £'000	Harris Academy Falconwood £'000	Harris Academy Purley £'000
<b>Results and carry forward for the year</b>								
GAG brought forward from previous year	1	11	337	272	7	3	—	164
GAG allocation for current year	6,025	7,896	8,202	8,251	6,530	7,989	5,076	5,628
<b>Total GAG available to spend</b>	6,026	7,907	8,539	8,523	6,537	7,992	5,076	5,792
Recurrent expenditure from GAG	(5,690)	(6,944)	(7,488)	(7,181)	(6,387)	(7,964)	(5,044)	(5,726)
Fixed assets purchased from GAG	(130)	(304)	(254)	(927)	(106)	(29)	(30)	(12)
<b>Academies' GAG carried forward</b>	206	659	797	415	44	(1)	2	54
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	(723)	(948)	(984)	(990)	(784)	(959)	(609)	(675)
<b>GAG to surrender to EFA (breach if positive)</b>	(517)	(289)	(187)	(575)	(740)	(960)	(607)	(621)
	No breach	No breach	No breach	No breach	No breach	No breach	No breach	No breach

# Notes to the financial statements 31 August 2012

## 1 General Annual Grant (GAG) (continued)

	Harris Boys' Academy East Dulwich £'000	Harris Academy Bromley £'000	Harris Academy Beckenham £'000	Harris Academy Chafford Hundred £'000	Harris Primary Academy Chafford Hundred £'000	Harris Primary Academy Peckham Park £'000	2012 Total £'000	2011 Total £'000
<b>Results and carry forward for the year</b>								
GAG brought forward from previous year	10	—	—	—	—	—	805	672
GAG allocation for current year	3,939	6,157	4,480	5,043	400	2,212	77,828	58,166
<b>Total GAG available to spend</b>	3,949	6,157	4,480	5,043	400	2,212	78,633	58,838
Recurrent expenditure from GAG	(3,571)	(5,982)	(4,401)	(4,962)	(339)	(2,180)	(73,859)	(55,379)
Fixed assets purchased from GAG	(377)	(158)	(62)	(77)	(39)	(5)	(2,510)	(2,654)
<b>Academies' GAG carried forward</b>	1	17	17	4	22	27	2,264	805
GAG brought forward from previous year (other restricted GAG funds)							1,145	1,374
Income/(expenditure) in other restricted GAG funds							823	(229)
<b>Total GAG carried forward to next year</b>							4,232	1,950
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	(473)	(739)	(538)	(605)	(48)	(265)	(9,340)	(6,981)
<b>GAG to surrender to EFA (breach if positive)</b>	(472)	(722)	(521)	(601)	(26)	(238)	(7,076)	(6,176)
	No breach	No breach	No breach	No breach	No breach	No breach	No breach	No breach

Harris Federation 25

**1 General Annual Grant (GAG) (continued)**

	Harris Girls' Academy East Dulwich £'000	Harris Academy Bermondsey £'000	Harris Academy Peckham £'000	Harris Academy South Norwood £'000	Harris Academy Merton £'000	Harris City Academy Crystal Palace £'000	Harris Academy Falconwood £'000	Harris Academy Purley £'000
<b>b Use of GAG brought forward from previous year for recurrent purposes</b> (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 be used for capital purposes)								
Recurrent expenditure from GAG in current year	5,690	6,944	7,488	7,181	6,387	7,964	5,044	5,726
GAG allocation for current year	(6,025)	(7,896)	(8,202)	(8,251)	(6,530)	(7,989)	(5,076)	(5,628)
GAG allocation for previous year x 2%	(125)	(162)	(178)	(160)	(123)	(163)	(92)	(104)
<b>GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year (breach if positive)</b>	(460)	(1,114)	(892)	(1,230)	(266)	(188)	(124)	(6)
	No breach	No breach	No breach	No breach	No breach	No breach	No breach	No breach

1 General Annual Grant (GAG) (continued)

	Harris Boys' Academy East Dulwich £'000	Harris Academy Bromley £'000	Harris Academy Beckenham £'000	Harris Academy Chafford Hundred £'000	Harris Primary Academy Chafford Hundred £'000	Harris Primary Academy Peckham Park £'000	2012 Total £'000	2011 Total £'000
<b>b Use of GAG brought forward from previous year for recurrent purposes</b> (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 be used for capital purposes)								
Recurrent expenditure from GAG in current year	3,571	5,982	4,401	4,962	339	2,180	73,859	55,379
GAG allocation for current year	(3,939)	(6,157)	(4,480)	(5,043)	(400)	(2,212)	(77,828)	(58,166)
GAG allocation for previous year x 2%	(57)	—	—	—	—	—	(1,164)	(1,102)
<b>GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year (breach if positive)</b>	(425)	(175)	(79)	(81)	(61)	(32)	(5,133)	(3,889)
	No breach	No breach	No breach	No breach	No breach	No breach	No breach	No breach

## Notes to the financial statements 31 August 2012

### 2 Voluntary income

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
Donations	29	—	29	54
Building inclusion at EFA valuation (note 12)	—	14,428	14,428	—
	29	14,428	14,457	54

### 3 Activities for generating funds

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
Lettings and other income	655	—	655	309
School uniform and book sales income	—	176	176	129
	655	176	831	438

**4 Funding for Harris Federation's educational operations**

	Harris Girls' Academy East Dulwich £'000	Harris Academy Bermondsey £'000	Harris Academy Peckham £'000	Harris Academy South Norwood £'000	Harris Academy Merton £'000	Harris City Academy Crystal Palace £'000	Harris Academy Falconwood £'000	Harris Academy Purley £'000
DiE capital grant								
Capital funding	376	20	22	205	525	45	17	17
EFA revenue grants								
General Annual Grant (GAG)	6,025	7,896	8,202	8,250	6,530	7,989	5,074	5,630
Start Up	—	—	—	30	32	—	159	61
Other EFA grants	181	317	332	290	187	105	88	194
	6,206	8,213	8,534	8,570	6,749	8,094	5,321	5,885
Other grants								
LEA and other grants	149	56	76	121	300	51	31	83
	6,731	8,289	8,632	8,896	7,574	8,190	5,369	5,985

**4 Funding for Harris Federation's educational operations (continued)**

	Harris Boys' Academy East Dulwich £'000	Harris Academy Bromley £'000	Harris Academy Beckenham £'000	Harris Academy Chafford Hundred £'000	Harris Primary Academy Chafford Hundred £'000	Harris Primary Academy Peckham Park £'000	<b>2012 Total £'000</b>	<b>2011 Total £'000</b>
DfE capital grant								
Capital funding	1,924	815	122	1,377	—	110	<b>5,575</b>	16,355
EFA revenue grants								
General Annual Grant (GAG)	3,939	6,157	4,480	5,043	400	2,212	<b>77,827</b>	58,166
Start Up	574	—	380	—	—	—	<b>1,236</b>	1,848
Other EFA grants	346	198	159	81	—	100	<b>2,578</b>	2,557
	4,859	6,355	5,019	5,124	400	2,312	<b>81,641</b>	62,571
Other grants								
LEA and other grants	87	122	245	321	—	212	<b>1,854</b>	1,865
	6,870	7,292	5,386	6,822	400	2,634	<b>89,070</b>	80,791



## Notes to the financial statements 31 August 2012

### 5 Other incoming resources

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
Academy trips	—	457	<b>457</b>	220
Sundry income	—	764	<b>764</b>	55
Rebates	—	65	<b>65</b>	473
National College for Learning grant	—	150	<b>150</b>	—
	—	1,436	<b>1,436</b>	748

### 6 Resources expended

	Staff costs £'000	Premises £'000	Other costs £'000	Total 2012 £'000	Total 2011 £'000
Academy's educational operations (note 7)					
Direct costs	45,853	4,071	4,300	<b>54,224</b>	41,715
Allocated support costs	18,163	9,150	6,099	<b>33,412</b>	24,245
Implementation costs	—	—	1,592	<b>1,592</b>	3,638
	<b>64,016</b>	<b>13,221</b>	<b>11,991</b>	<b>89,228</b>	69,598
Governance costs including allocated support costs (note 8)	—	—	222	<b>222</b>	209
	<b>64,016</b>	<b>13,221</b>	<b>12,213</b>	<b>89,450</b>	69,807

## Notes to the financial statements 31 August 2012

### 7 Harris Federation's educational operations

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
<b>Direct costs</b>				
Teaching and educational support staff costs	—	45,853	<b>45,853</b>	34,210
Depreciation	—	4,071	<b>4,071</b>	3,842
Education supplies	—	2,204	<b>2,204</b>	2,164
Examination fees	—	1,479	<b>1,479</b>	1,003
Staff development	—	246	<b>246</b>	126
Other direct costs	—	371	<b>371</b>	370
	—	54,224	<b>54,224</b>	41,715
<b>Educational support costs</b>				
Support staff costs	—	18,163	<b>18,163</b>	13,363
Depreciation	—	3,835	<b>3,835</b>	3,206
Pupil recruitment and support	—	977	<b>977</b>	953
Maintenance of premises and equipment	—	1,857	<b>1,857</b>	1,747
Occupancy costs	—	3,457	<b>3,457</b>	2,980
Catering	—	1,679	<b>1,679</b>	1,309
Technology costs	—	512	<b>512</b>	500
Other support and admin expenses	368	2,564	<b>2,932</b>	187
	368	33,044	<b>33,412</b>	24,245
<b>Implementation costs</b>	—	1,592	<b>1,592</b>	3,638
	368	88,860	<b>89,228</b>	69,598

### 8 Governance costs

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
Legal and professional fees	—	122	<b>122</b>	119
Auditor's remuneration				
Audit of group financial statements	—	75	<b>75</b>	63
Non statutory audit and other services	—	23	<b>23</b>	23
Taxation services	—	2	<b>2</b>	2
Governors' reimbursed expenses	—	—	—	2
	—	222	<b>222</b>	209

## Notes to the financial statements 31 August 2012

### 9 Staff costs

Staff costs during the year were as follows

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
Wages and salaries	—	50,381	50,381	36,901
Social security costs	—	4,252	4,252	3,131
Pension contributions	—	5,983	5,983	4,603
	—	60,616	60,616	44,635
Supply staff costs	—	2,329	2,329	1,990
Recruitment, and other costs	—	1,071	1,071	948
<b>Total staff costs</b>	—	64,016	64,016	47,573

The average number of persons employed by the company during the year ended 31 August 2012 was as follows

	2012 Number	2011 Number
<b>Activities</b>		
Teachers	772	551
Administration and support	838	533
Management	112	76
School sports partnership	6	7
	1,728	1,167

The average number expressed as full time equivalents was 1,482 (2011 – 1,045)

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows

	2012 Number	2011 Number
£60,001 - £70,000	34	33
£70,001 - £80,000	13	9
£80,001 - £90,000	8	7
£90,001 - £100,000	4	—
£100,001 - £110,000	1	2
£110,001 - £120,000	3	—
£120,001 - £130,000	—	2
£130,001 - £140,000	4	4
£140,001 - £150,000	2	3
£150,001 - £160,000	2	—
£170,001 - £180,000	1	—
£190,001 - £200,000	1	2
£290,001 - £300,000	1	—
£310,001 - £320,000	—	1
	74	63

All of the above employees earning more than £60,000 per annum participated in either the Teachers' Pension Scheme or the Local Government Pension Scheme. During the year ended 31 August 2012, pension contributions for these staff amounted to £871,935 (2011 – £729,916)

## Notes to the financial statements 31 August 2012

### 10 Directors' emoluments and expenses

Directors only receive remuneration in respect of services they provide undertaking the roles of members of staff and not in respect of their services as directors

One of the directors is an employee of the company That employee's remuneration for the year ended 31 August 2012 was £298,362 (2011 - £318,000) No other directors of the company received any payment or other emoluments from the Federation in the period

No directors received any payment for reimbursement of travel and subsistence expenses incurred in the course of their duties as directors in the period (2011 – none) No director has any beneficial interest in any contract with the company

Other related party transactions involving the directors are set out in note 22

### 11 Governors' and Officers' Insurance

In accordance with normal commercial practice the Federation has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Federation business The insurance provides cover up to £2 million on any one claim and the cost for the year ended 31 August 2012 was £15,407 (2011 - £6,325)

### 12 Tangible fixed assets (group and company)

	Long leasehold land and buildings £'000	Assets under construction £'000	Furniture and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 September 2011	142,136	4,645	8,184	12,919	240	<b>168,124</b>
Transfer upon conversion	49,719	—	—	—	—	<b>49,719</b>
Existing academies EFA valuation	14,428	—	—	—	—	<b>14,428</b>
Additions	6,374	—	634	986	34	<b>8,028</b>
Transfers	4,215	(4,215)	—	—	—	<b>—</b>
Disposals	—	—	(2)	—	—	<b>(2)</b>
At 31 August 2012	<u>216,872</u>	<u>430</u>	<u>8,816</u>	<u>13,905</u>	<u>274</u>	<b><u>240,297</u></b>
<b>Depreciation</b>						
At 1 September 2011	16,464	—	4,919	9,226	154	<b>30,763</b>
Charge for period	4,279	—	1,422	2,160	45	<b>7,906</b>
At 31 August 2012	<u>20,743</u>	<u>—</u>	<u>6,341</u>	<u>11,386</u>	<u>199</u>	<b><u>38,669</u></b>
<b>Net book values</b>						
At 31 August 2012	<u>196,129</u>	<u>430</u>	<u>2,475</u>	<u>2,519</u>	<u>75</u>	<b><u>201,628</u></b>
At 31 August 2011	<u>125,672</u>	<u>4,645</u>	<u>3,265</u>	<u>3,693</u>	<u>86</u>	<b><u>137,361</u></b>

The land on which the individual academies are sited are leased from the local London Boroughs at a peppercorn rent over various lease terms No value has been placed on this land in the financial statements due to the restrictive covenants on the asset

## Notes to the financial statements 31 August 2012

### 12 Tangible fixed assets (group and company) (continued)

#### Buildings Schools for the Future

Capital work is being completed at Harris Academy Purley and Harris Academy Falconwood. The DfE has awarded the Local Authority budgets of £23 million and £26.9 million to design and build the respective academy buildings. Of this total, £1.9 million relates to ICT in each academy. After completion of the projects, the buildings will be transferred to the Federation on a long lease. The cost of the building will be capitalised once the Federation takes ownership of the buildings.

#### Buildings transferred upon conversion

Five schools joined the Federation during 2011/12 and the value of the buildings transferred on conversion is included within tangible fixed assets. Further details of this transfer are included in note 30.

#### Existing Academies EFA valuation

Buildings at Harris Academy Bermondsey and Harris Academy Merton that were not previously capitalised as part of capital projects at the Academies have been introduced at a total EFA valuation of £14.4 million.

Assets under construction are Academy buildings that have been funded from DfE capital grants.

Tangible fixed assets with a net book value of £1,798 (2011 - £3,568) are held in HCTC Enterprises Ltd. There are no other differences between the assets of the group and company.

## Notes to the financial statements 31 August 2012

### 13 Investments – Harris Academies Project Management Limited

The issued share capital of Harris Academies Project Management Limited, a company registered in England and Wales (Company number 588735) was transferred to the company on 21 May 2007 and Harris Academies Project Management Limited began trading on that date. The company is used for construction work on a number of Harris Federation academy buildings.

The following is a summary of the financial statements of Harris Academies Project Management Limited which have been included in the consolidated financial statements.

	2012 £'000	2011 £'000
Turnover	2,247	15,028
Cost of sales	(2,237)	(15,003)
Gross profit	10	25
Interest received	5	10
Administrative expenses	(3)	(35)
Retained profit before charitable donation under Gift Aid at 31 August 2012	12	—
Charitable donation under Gift Aid	(12)	—
Retained profit after charitable donation after Gift Aid at 31 August 2012	—	—
Called up share capital	—	—
Net assets at 31 August 2012	—	—

The £1 issued share capital equalled the net assets of the company at 31 August 2012.

### 14 Investments – HCTC Enterprises Limited

The issued share capital of HCTC Enterprises Limited, a company registered in England and Wales (Company number 2962551), was transferred to the company on 31 August 2007. The company is used to carry on business as a general commercial company for the benefit of Harris City Academy Crystal Palace. To this end, the company operates the Lewis Sports and Leisure Centre.

## Notes to the financial statements 31 August 2012

### 14 Investments – HCTC Enterprises Limited (continued)

The following is a summary of the financial statements of HCTC Enterprises Limited for the year to 31 August 2012, which have been included in the consolidated financial statements

	2012 £'000	2011 £'000
Turnover	71	54
Cost of sales	(45)	(52)
Gross profit	26	2
Administrative expenses	(8)	8
Retained profit before charitable donation under Gift Aid at 31 August 2012	18	10
Charitable donation under Gift Aid	(19)	(11)
Loss on ordinary activities after taxation	(1)	(1)
Retained profits brought forward at 1 September 2011	80	81
Retained profits carried forward at 31 August 2012	79	80
Called up share capital	—	—
Net assets at 31 August 2012	79	80

### 15 Debtors

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Trade debtors	246	229	253	252
Prepayments	167	167	195	195
Sundry debtors	1,001	917	184	184
Accrued grant income	79	79	—	—
Amount due from subsidiary undertakings	—	—	—	5
VAT recoverable	535	789	764	676
Grant and other income	1,616	1,616	1,701	1,015
	3,644	3,797	3,097	2,327

### 16 Cash at bank and in hand

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Cash in current account	15,377	14,602	19,797	18,535
Cash in deposit account	6,400	6,400	—	—
	21,777	21,002	19,797	18,535

## Notes to the financial statements 31 August 2012

### 17 Creditors: amounts falling due within one year

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Trade creditors	3,592	3,244	1,222	1,222
Taxation and social security	1,392	1,392	1,033	1,033
Other creditors	2,721	2,221	3,159	2,640
Capital project creditors	—	—	2,421	—
Accruals and deferred income	3,719	3,713	3,417	3,414
Retention building costs	490	490	922	922
Amounts due to subsidiary undertakings	—	341	—	988
	<b>11,914</b>	<b>11,401</b>	<b>12,174</b>	<b>10,219</b>

### 18 Restricted funds

The income funds of the group include restricted funds comprising the following unexpended balances of grants for specific purposes

	At 1 September 2011 £'000	Incoming resources £'000	Expended resources £'000	Gains, losses and transfers £'000	At 31 August 2012 £'000
<b>EFA revenue grant fund</b>					
General Annual Grant (GAG)	1,950	77,827	(73,094)	(2,451)	<b>4,232</b>
Start Up	2,629	1,236	(1,592)	—	<b>2,273</b>
Other EFA	2,728	2,578	(2,851)	—	<b>2,455</b>
	<b>7,307</b>	<b>81,641</b>	<b>(77,537)</b>	<b>(2,451)</b>	<b>8,960</b>
Pension reserve	(3,741)	(3,107)	(472)	(3,413)	<b>(10,733)</b>
	<b>3,566</b>	<b>78,534</b>	<b>(78,009)</b>	<b>(5,864)</b>	<b>(1,773)</b>
<b>Other</b>					
LEA and other grants	361	2,768	(2,546)	—	<b>583</b>
Other restricted	316	698	(621)	—	<b>393</b>
	<b>677</b>	<b>3,466</b>	<b>(3,167)</b>	<b>—</b>	<b>976</b>
<b>Fixed assets</b>					
Fixed asset fund	137,361	69,722	(7,906)	2,451	<b>201,628</b>
<b>Total restricted funds</b>	<b>141,604</b>	<b>151,722</b>	<b>(89,082)</b>	<b>(3,413)</b>	<b>200,831</b>

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

#### *General Annual Grant*

The General Annual Grant must be used for the normal running costs of the academies. The academies are allowed to carry forward up to 12% of the current grant, 2% of which may be used for general purposes at the discretion of each academy. Any balance in excess of 2% may only be used for capital purposes.

#### *Other funds*

Other grants include funding received from the DfE and Local Education Authorities for specific purposes.



## Notes to the financial statements 31 August 2012

### 18 Restricted funds (continued)

#### *Fixed asset fund*

The fixed asset fund includes grants received from the DfE and other sources to finance the development and building of the new academy and other tangible fixed assets

#### *Transfers between funds*

Transfers from the EFA General Annual Grant Fund and from general funds to the fixed asset fund relate to fixed assets purchases from these funds

### 19 Analysis of net assets between funds

Group	Restricted funds			Total 2012 £'000
	General fund £'000	General £'000	Fixed asset fund £'000	
Fund balances at 31 August 2012 are represented by				
Tangible fixed assets	—	—	201,628	201,628
Current assets	3,571	21,850	—	25,421
Current liabilities	—	(11,914)	—	(11,914)
Pension scheme liability	—	(10,733)	—	(10,733)
<b>Total net assets</b>	<b>3,571</b>	<b>(797)</b>	<b>201,628</b>	<b>204,402</b>

### 20 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

### 21 Pension commitments

Retirement benefits for employees are provided by five independently administered schemes, which are funded by contributions from the employers and employees

The total pension cost to the group during the period ended 31 August 2012 was £5,983,000 (2011 - £4,603,000) of which £4,259,000 (2011 - £3,298,000) relates to the Teachers' Pension Scheme and £1,724,000 (2011 - £1,305,000) to the Local Government Pension Schemes

#### a) Teachers

Teaching staff are members of the Teachers' Pension Scheme (TPS)

**21 Pension commitments (continued)**

**a) Teachers (continued)**

The TPS is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

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 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.

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

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

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

## Notes to the financial statements 31 August 2012

### 21 Pension commitments (continued)

#### a) Teachers (continued)

The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%. The 2006 interim actuarial review, published in June 2007, did not recommend any changes to the SCR and concluded, as at 31 March 2006, and using the above assumptions, that the Scheme's total liabilities amounted to £176,600 millions.

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

A copy of the GA's 2004 valuation report can be found on the TeacherNet website at [www.teachernet.gov.uk/pensions](http://www.teachernet.gov.uk/pensions)

#### b) Non-teachers

##### FRS 17

The Local Government Pension Scheme is a multi employer funded defined-benefit scheme, with the assets held in separate trustee-administered fund of which the charitable company is currently part of three different funds. The agreed contribution rates for the year ended 31 August 2012 were between 11.0% and 23.5% for employers and between 5.5% and 7.5% for employees.

The funds that the charitable company is part of are London Borough of Southwark Pension Fund, London Borough of Merton Pension Fund, London Borough of Bexley Pension Fund, London Borough of Bromley Pension Fund, Essex County Council Pension Fund and London Borough of Croydon Pension Fund.

In order to assess the actuarial value of the group's assets and liabilities as at 31 August 2012, the actuaries have rolled forward the actuarial value of the assets and liabilities at 31 March 2010.

The average major assumptions used by the actuaries were

	2012 %	2011 %
Rate of increase in salaries	4.2	4.8
Rate of increase in pension payments	2.1	2.6
Discount rate	4.1	5.3
Inflation assumptions	2.1	2.6

## Notes to the financial statements 31 August 2012

### 21 Pension commitments (continued)

#### b) Non-teachers (continued)

The average mortality assumptions used were as follows

	31 August 2012	31 August 2012
Longevity at age 65 for current pensioners		
Men	21.8	21.6
Women	25.6	25.4
Longevity at age 65 for future pensioners		
Men	23.7	23.5
Women	27.6	27.5

The estimated share of the assets in the scheme attributable to the group and the average expected rates of return were

	Expected return at 31 August 2012 %	Value at 31 August 2012 £'000	Expected return at 31 August 2011 %	Value at 31 August 2011 £'000
Equities	6.6	10,029	7.3	6,345
Government bonds	2.6	1,376	3.7	953
Other bonds	3.6	2,422	4.8	1,708
Property	5.7	1,392	6.2	1,021
Other	7.4	235	7.6	63
Cash and other	1.3	245	2.4	502
<b>Total market value of assets</b>		<b>15,699</b>		<b>10,592</b>
Present value of scheme liabilities		<b>(26,432)</b>		<b>(14,333)</b>
<b>Deficit in scheme</b>		<b>(10,733)</b>		<b>(3,741)</b>
Actual return on the scheme assets for the year		<b>1,038</b>		<b>1,999</b>

None of the fair values of the assets shown above include any of the group's own financial instruments or any property occupied by, or other assets used by, the group

## Notes to the financial statements 31 August 2012

### 21 Pension commitments (continued)

b) Non-teachers (continued)

	Year to 31 August 2012 £'000	Year to 31 August 2011 £'000
<b>Analysis of total operating charge</b>		
Service cost	1,724	1,261
Total operating charge	1,724	1,261
<b>Analysis of net return on pension scheme</b>		
Expected return on pension scheme assets	832	478
Interest on pension liabilities	(1,088)	(653)
Net return	(256)	(175)
Brought forward defined benefit pension scheme liabilities acquired (note 30)	(3,107)	—
	(3,107)	—
<b>Total expenditure recognised in the Statement of Financial Activities</b>	<b>(1,639)</b>	<b>1,436</b>
	2012 £'000s	2011 £'000s
Actuarial gains on pension scheme assets	418	1,521
Actuarial (losses)/gains on scheme liabilities	(3,831)	338
Past service gain	—	6
<b>Total amount recognised in STRGL</b>	<b>(3,413)</b>	<b>1,865</b>

The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £3,348,000 (2011 – gain of £65,000)

#### **Contributions**

The total contributions made by the employer in the year have been £1,546,000 (2011 – £1,076,000) The level of contribution will be reviewed as a result of the triennial valuation of the schemes as at 31 March 2010

The best estimate of contributions to be paid by the employer to the schemes for the year beginning after 31 August 2013 is £1,393,000 (2012 – £882,000)

## Notes to the financial statements 31 August 2012

### 21 Pension commitments (continued)

#### b) Non-teachers (continued)

	Year to 31 August 2012 £'000	Year to 31 August 2011 £'000
<b>Movement in deficit during the year</b>		
Deficit at 1 September 2011	(3,741)	(5,229)
Current service cost	(1,724)	(1,292)
Past service gain	—	6
Employer contributions	1,546	1,091
Net return on assets	(256)	(176)
Losses on curtailments	(38)	—
Business combinations (note 30)	(3,107)	—
Actuarial loss	(3,413)	1,859
Liabilities at 31 August 2012	(10,733)	(3,741)
	Year to 31 August 2012 £'000	Year to 31 August 2011 £'000
<b>Reconciliation of liabilities</b>		
Deficit at 1 September 2011	14,333	12,424
Business combinations (note 30)	5,257	—
Current service cost	1,724	1,292
Past service gain	—	(6)
Employee contributions	600	411
Interest payable	1,088	654
Benefits payable	(439)	(104)
Losses on curtailments	38	—
Actuarial gain (loss)	3,831	(338)
Liabilities at 31 August 2012	26,432	14,333
	Year to 31 August 2012 £'000	Year to 31 August 2011 £'000
<b>Reconciliation of assets</b>		
Assets at 1 September 2011	10,592	7,195
Business combinations (note 30)	2,150	—
Expected return on assets	832	478
Employer contributions	1,546	1,091
Employee contributions	600	411
Actuarial gain	418	1,521
Benefits paid	(439)	(104)
Assets at 31 August 2012	15,699	10,592

## Notes to the financial statements 31 August 2012

### 21 Pension commitments (continued)

#### b) Non-teachers (continued)

	Year to 31 August 2012 £'000	Year to 31 August 2011 £'000	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000	Period ended 31 August 2008 £'000
<b>Experienced adjustments</b>					
Total present value of liabilities	(26,432)	(14,333)	(12,424)	(9,323)	(4,674)
Total present value of assets	15,699	10,592	7,195	5,365	3,371
Deficit	(10,733)	(3,741)	(5,229)	(3,958)	(1,303)
Experience gains on scheme assets	415	1,521	255	(941)	(221)
Experience gains on scheme liabilities	(16)	(615)	—	58	56

### 22 Related party transactions

Transactions between the company and its wholly controlled subsidiaries are not disclosed, as permitted by the exemptions set out in FRS 8

### 23 Capital commitments

At 31 August 2012 the group had the following capital commitments

	2012 £'000	2011 £'000
Contracted for, but not provided in the financial statements	4,507	6,126

The above capital commitments will be met from DfE capital grants to be received in future years

In addition, building work is being finalised in connection with two Building Schools for the Future projects (see note 12)

### 24 Operating leases

At 31 August 2012 the charity has annual commitments under non-cancellable operating leases as follows

Land and buildings	2012 £'000	2011 £'000
Expires after five years	77	77
<b>Other</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Expires within one year	126	52
Expires within two to five years	328	105
Expires after five years	26	4
	480	161

## Notes to the financial statements 31 August 2012

### 25 Contingent liabilities

In the event, during the period of the Academy Funding Agreement, of the sale or disposal by other means, of any asset for which a capital grant was received, the group shall if it does not reinvest the proceeds, repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the group serving notice, the group shall repay to the Secretary of State sums determined by reference to

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

### 26 Reconciliation of net income to net cash inflow from operating activities

	2012 £'000	2011 £'000
Net income	63,475	12,298
Inherited pension deficit (note 30)	3,107	—
Inherited land and buildings (note 30)	(49,719)	—
Cash transferred on conversion (note 30)	(371)	—
Buildings included at EFA valuation	(14,428)	—
Depreciation (note 12)	7,906	7,048
Loss on disposal of fixed assets	2	77
Capital grants from DfE and other capital income	(5,575)	(16,355)
Interest receivable	(148)	(74)
FRS 17 pension cost less contributions payable (note 21)	178	201
FRS 17 pension finance income (note 21)	256	176
Losses on curtailment	38	—
(Increase)/decrease in debtors	(547)	4,409
Increase/(decrease) in creditors	2,593	(1,276)
<b>Net cash inflow from operating activities</b>	<b>6,767</b>	<b>6,504</b>

### 27 Returns on investment and servicing of finance

	2012 £'000	2011 £'000
Interest received	148	74
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>148</b>	<b>74</b>

### 28 Capital expenditure and financial investment

	2012 £'000	2011 £'000
Purchase of tangible fixed assets	(10,881)	(19,589)
Capital grants from DfE / EFA	5,575	16,355
<b>Net cash outflow from capital expenditure and financial investments</b>	<b>(5,306)</b>	<b>(3,234)</b>



## Notes to the financial statements 31 August 2012

### 29 Analysis of changes in net funds

	At 1 September 2011 £'000	Cash flows £'000	At 31 August 2012 £'000
Cash in hand and at bank	19,797	(4,420)	15,377
Cash on deposit	—	6,400	6,400
	19,797	1,980	21,777

### 30 Transfer from Local Authority on conversion

During the year ended 31 August 2012, five Academies joined the Federation, Harris Academy Chafford Hundred, Harris Primary Academy Chafford Hundred, Harris Academy Bromley, Harris Primary Academy Peckham Park and Harris Academy Beckenham. At the date of conversion to Academy status under the Academies Act 2010, the operations and assets and liabilities were transferred to the Harris Federation.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed asset fund £'000	Total 2012 £'000	Total 2011 £'000
Leasehold land and buildings	—	—	49,719	49,719	—
Budget surplus on LA funds	371	—	—	371	—
LGPS pension deficit	—	(3,107)	—	(3,107)	—
<b>Net assets/(liabilities)</b>	371	(3,107)	49,719	46,983	—

From September 2012, four new Academies joined the Federation, Harris Primary Academy Coleraine Park, Harris Academy Greenwich, Harris Primary Academy Philip Lane and Harris Primary Free School, Peckham. Harris Academy Morden is due to join at the start of 2013.

The leasehold land and school buildings were transferred to the Federation at the same date. The Academies were also transferred from the local authority with a local government pension scheme liability and a working capital balance agreed with the local authority. These assets and liabilities will be recognised within the 2013 financial statements.