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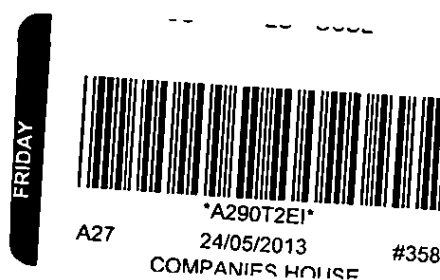
Company Registration Number 07803827 (England and Wales)

HENDON SCHOOL

(A Company Limited by Guarantee)

Annual Report and Financial Statements

Period ended 31 August 2012



HENDON SCHOOL

CONTENTS

	Page
Reference and Administrative Details	1
Governors' Report	3
Governance Statement	8
Statement on Regularity, Propriety and Compliance	12
Statement of Governors' Responsibilities	13
Independent Auditors' Report	14
Independent Reporting Accountant's Report on Regularity	16
Statement of Financial Activities incorporating Income & Expenditure Account	18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Financial Statements, incorporating	
Statement of Accounting Policies	21
Other Notes to the Financial Statements	25

HENDON SCHOOL

REFERENCE AND ADMINISTRATIVE DETAILS

Governing Body

Trustees/Directors	A Macalpine	(Appointed 1 November 2011)
	C Maslin	(Appointed 1 November 2011)
	F Ghaffari	(Appointed 1 November 2011)
	A L Francis	(Appointed 1 November 2011)
	N J Starling	(Appointed 1 November 2011)
	B B Cohen	(Appointed 1 November 2011)
	A Hussain-Ali	(Appointed 1 November 2011)
	L D Ferguson	(Appointed 1 November 2011)
	D Lewinson	(Appointed 1 November 2011)
	E Kantor	(Appointed 1 November 2011)
	V Pindoriya	(Appointed 1 November 2011)
	L M Varley	(Appointed 1 November 2011)
	K T Mckellar	(Appointed 1 November 2011)
	M D Humphrey	(Appointed 1 November 2011)
	M Winters	(Appointed 1 November 2011)
	N Dunleavy	(Appointed 26 June 2012)
	R Batra	(Appointed 26 June 2012)
	S Fella	(Appointed 1 November 2011)
		(Resigned 31 August 2012)
	J Akhavan-Moossavi	(Appointed 1 November 2011)
		(Resigned 31 August 2012)

Business Manager/ Secretary N White

Principal and Registered Office Hendon School
Golders Rise
Hendon
NW4 2HP

Company Registration Number 07803827

HENDON SCHOOL

REFERENCE AND ADMINISTRATIVE DETAILS

Independent Auditors	Alliotts Friary Court 13-21 High Street Guildford Surrey GU1 3DL
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Bankers	NatWest 95 Church Road London NW4 4DS
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HENDON SCHOOL

GOVERNORS' REPORT

The Governors of Hendon School (the "School") present their statutory report together with the financial statements of the charitable company for the period ended 31 August 2012

The report has been prepared in accordance with the requirements of the Charities Act 2011. The financial statements have been prepared in accordance with the accounting policies set out and comply with the School's articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" ("SORP 2005")

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

Hendon School was incorporated as a company limited by guarantee on 10 October 2011 and converted to an Academy from 1 November 2011 when it became an exempt charity. The School's articles of association are its primary governing documents.

The Governors of the School are also the directors of the charitable company for the purposes of company law and all directors act as trustees for the purposes of Charity law.

Members' Liability

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

Trustee' Indemnities

In accordance with standard practice, the Academy has purchased insurance to protect the Governors and officers of the company from claims arising from negligent acts, errors or omissions whilst on Academy business. The cover under the policy is £2 million and in the period under review the premium was included as part of the main insurance premium.

Principal activities

Hendon School is a mixed multi-ethnic, 11-18 school based in Hendon, North London which was delighted to achieve an outstanding Ofsted rating in December 2011.

Its primary object, as per the articles of association, is to advance education for the public benefit in the United Kingdom by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

HENDON SCHOOL

GOVERNORS' REPORT

Method of Recruitment and Appointment of Governors

In accordance with the articles of association, the school Governing body can be made up of up to 9 community governors, 3 staff governors elected by employees of the school; up to 7 but no fewer than 2 parent governors elected by the parents of the students at the School, the Headteacher. Governors are appointed by the Governing body unless stated as above.

Where possible the Academy looks to appoint Governors to ensure a mix of skills and selects new Governors on the basis of background, experience and specialist skills. Governors are recruited from a number of different places.

All Governors are assigned to one of the following sub-committees:

- Curriculum
- Finance & General Purposes
- Staffing
- Student Welfare

The terms of reference for each committee is agreed at the first committee meeting of each academic year.

Induction and Training of Governors

Governors are provided with induction training and a wider programme of training events is organised according to needs. The Headteacher also invites Governors to attend in-school training sessions and any other courses which may help to develop governor expertise in particular areas.

We also have a designated Governors Away Day every year where we look at key aspects of the School Development Plan. Here, we also crystallise our strategic thinking.

Structure, Governance and Management

The day-to-day running of the School is undertaken by the Headteacher and the Senior Leadership team who will operate within the policies and procedures approved by the Governors and based on guidance from the Department for Education. Major decisions in respect of significant expenditure and major capital projects should be referred to the Governors for prior approval.

Risk Management

The Governing body of Hendon School is responsible for the identification and management of risks in its Academy. Risk assessments are regularly taking place, especially in relation to premises management. For example, we recently received a £308,000 grant from the DFE to develop our

HENDON SCHOOL

GOVERNORS' REPORT

Science labs The School liaised with many outside agencies to support the risk assessment and to ensure that works are completed in the best interests of Health & Safety

AIMS, OBJECTIVES AND ACTIVITIES

Company's Objects

The company's objects, as set out in the Memorandum and Articles of Association, are 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 the school offering a broad curriculum with a strong emphasis, but in no way limited to, one or a combination of the specialisms specified in the funding agreements entered into between the Company and the Secretary of State for Education ("Secretary of State")

Aims and Intended Impact

Within the objects, the academy aims to create an environment to enable children to achieve their potential. We aim to provide students with a high quality education and a wide range of opportunities This is done in a way which is consistent with the ethos that every child will be valued, respected and cared for, and through a daily moral purpose to provide the best learning experience for all.

The objective is to provide education for students of all abilities between the ages of 11 and 18 All children who apply are admitted in accordance with the admissions arrangements that have been determined (which are in accordance with the School Admissions Code and the Funding Agreement) There is no academic selection.

Standards

The School continues to go from strength to strength. Our RAISEonline data shows that much of our work is significantly above the national average and that the School is highly competent in narrowing the gaps. We recently received a letter of congratulations from David Laws MP thanking us for our work with Free School Meals children claiming that we are in the top 100 for our work in this area

The school continues to work on its identity as an outstanding school after a very successful Ofsted experience in November 2011 If Ofsted came to our School they would still be impressed by our work in relation to teaching and learning and in achieving high educational standards The School continues to work on its pursuit of excellence and hopes to achieve even better results this year

The School Development Plan

This organic document is discussed at all of the committees. Our priority is to work on the two Ofsted action points – Marking and Assessment and Improving Standards in the 6th Form The story behind our strategic plan is to continue to drive up standards in these two areas. Our Development Plan is at the back of this document and it is continually reviewed by members of the Leadership Team and by Governors at appropriate points during the year

HENDON SCHOOL

GOVERNORS' REPORT

Our School Self Evaluation Form is also at the back of this document. Here we have judged our work to be outstanding and this is quality assured in working with external LA advisors.

Objectives for the Year

Our main objective is to work on all aspects of Key Stage 5 development. We are also completely overhauling the Key Stage 3 Curriculum to promote independent learning. Improving parental participation in all aspects of school life is also an important objective for us and we want to be able to set up a Parent Leadership Team to help with fundraising, help to write parental booklets etc.

Public Benefit

In setting objectives and planning activities, the Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education. The impact of the academy is demonstrated through the continued success of the school, including through student examinations.

Going Concern

After making appropriate enquiries the Governors have 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.

FINANCIAL REVIEW

The School had a net movement in funds of £20,347,505 in the period, which included a total of £20,523,340 introduced on conversion, primarily representing the valuation of School buildings, less the pension deficit inherited.

Following a difficult conversion period, strategically, we want to extend the finance team to ensure that all housekeeping arrangements work efficiently and smoothly.

We have employed a new Finance Manager to help us improve systems and procedures. The Headteacher recently met with the Governors to talk about separating the role of the Business Manager from the Premises Manager. The school is also looking into all aspects of accountancy procedures and we are currently working on our confidence and competence with the academy finance package. The vision for the new finance arrangements has been presented to the Staffing Committee and there has been a discussion on finance systems and procedures on the Governors Away Day in March.

Principal Risk and Uncertainties

In common with every academy in the country, funding is dependent on government policy, and the Academy Trust is working with the local authority to identify the potential implications of the

HENDON SCHOOL

GOVERNORS' REPORT

Government's proposals to change the funding methodology for state-funded schools. Governors have accordingly have been prudent in the budgeting for the future.

The deficit on the Local Government Pension Scheme rose by £276,000 in the period to £1,135,000 and there is continuing uncertainty in any final salary scheme of this type.

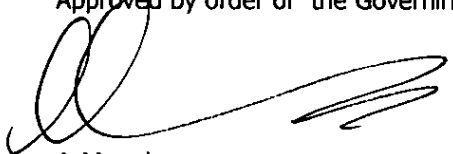
Reserves Policy

The Governors have determined an appropriate level of free reserves (total funds less the amount held in tangible assets, restricted and designated funds), that represents the amounts deemed to be necessary to deal with unexpected emergencies. The Governors have assessed this as between 3 and 5% of annual budget.

STATEMENT OF DISCLOSURE TO AUDITOR

- (a) So far as the Governors are aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- (b) They have taken all the steps that they ought to have taken as Governors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by order of the Governing Body on 8 May 2013 and signed on its behalf by



A Macalpine

Chair of Governors

HENDON SCHOOL

GOVERNANCE STATEMENT

Scope of Responsibility

As Governors we acknowledge we have overall responsibility for ensuring that the 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 misstatements or loss.

The Academy has delegated day to day responsibility to its Headteacher 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 Academy and the Secretary of State for Education. The Headteacher is responsible for reporting to the Academy any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the governors' Report and in the Statement of Governors responsibilities. The full Governing Body has formally met 4 times during the year. Attendance during the year at meetings of the Full Governing Body was as follows:

Governor	Meetings attended	Out of a possible
Andrew Macalpine (Chair)	4	4
Christopher Maslin (Vice-Chair)	4	4
Kevin McKellar (Headteacher and Accounting Officer)	4	4
Firoozeh Ghaffari	2	4
Angela Francis	2	4
Nicholas Starling	4	4
Beatrice Baumgartner- Cohen	4	
Amreena Hussain-Ali	4	4
Lidia Ferguson	4	4
Dawn Lewinson	4	4
Elzbieta Kantor	4	4
Vinod Pindoria	3	4
Louise Varley	3	4
Naila Dunleavy	1	1
Raj Batra	1	1
Jafar Akhavan- Moossavi	2	4
Michael Humphrey	2	4
Maria Winters	2	4
Susan Fella	2	4

HENDON SCHOOL

GOVERNANCE STATEMENT

The following governors resigned during the year S Fella and J Akhavan-Moosavi At the time of writing this report the school has no vacancies for parent governors.

The **Finance Committee** is a sub-committee of the main governing body Its purpose is

- To meet at least once per term to conduct all business concerning the management of the finances and staffing of the Academy
- To appoint a Responsible Officer to independently monitor and check the operation of the financial management that has been established and are operated by officers of the Academy The appointment of this Responsible Officer will be notified to the DfE.
- To consider and recommend acceptance/non-acceptance of the Academy's budget at the start of each financial year.
- To receive and make recommendations on the broad budget headings and areas of expenditure to be adopted each year including the level and use of any contingency fund or balances, ensuring the compatibility of all such proposals with the School Improvement priorities set out in the SIP.
- To monitor and review expenditure on a regular basis and ensure compliance with the overall financial plan for the Academy, and with the financial regulations of the DfE, drawing any matters of concern to the attention of the governing body.
- To liaise with and, as appropriate, receive reports from other committees and to make recommendations to those committees about the financial aspects of matters being considered by them
- To monitor and review procedures for ensuring the effective implementation and operation of financial procedures and where appropriate make recommendations for improvement
- To ensure that the Academy adheres to the principles of tendering, best value, procurements, and purchasing to the highest standards and with reference to the Scheme of Delegation.
- To ensure the preparation of the financial statements which form part of the annual report of the governing body for filing, in accordance with the Companies Act, Education Funding Agency and Charity Commission requirements
- To receive reports from the Responsible Officer and the auditors and take action as appropriate in response to their findings, such action to be reported immediately to the Members.
- To ensure that, within financial constraints, the staffing structure of the Academy meets the needs of the pupils and the objectives of the Academy
- To ensure the Academy meets the legal and financial requirement of the EFA

HENDON SCHOOL

GOVERNANCE STATEMENT

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Firoozeh Ghaffari (Chair)	3	3
Kevin McKellar (Headteacher and Accounting Officer)	3	3
Christopher Maslin	2	3
Nicholas Starling	2	3
Beatrice Baumgartner- Cohen	3	3
Amreena Hussain-Ali	1	3
Vinod Pindoriya	3	3

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can, therefore, 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 Academy'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 is being reviewed and measures put in place in the Academy to develop the process. A formal Scheme of Delegation will be put into place.

Capacity to Handle Risk

The Academy has started to review the key risks to which it is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governors are of the view that there is an on-going process for identifying, evaluating and managing the Academy's significant risks, although this has not been in place for the period ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is currently being reviewed by the Academy.

HENDON SCHOOL

GOVERNANCE STATEMENT

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 (where possible) 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 Academy;
- regular reviews by the Finance and Staffing 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 guidelines,
- delegation of authority and, where possible, segregation of duties;
- identification and management of risks

The Academy has suffered difficulty in ensuring that the control framework has operated effectively during the period, and a new vision for financial reporting has been put into place since the year end

The Academy failed to appoint a Responsible Officer (RO) during the period. The RO's role includes performing a range of checks on the Academy's financial processes and giving advice on financial matters. The RO reports to the Governing Body on the operation of the systems of financial controls on a termly basis. No reports were made to the Governing Body, although since the year end, a programme for extended assurance work has been developed.

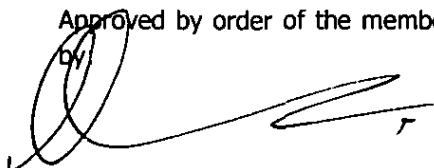
Review of Effectiveness

As Accounting Officer, the Headteacher 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 external auditor;
- the financial management and governance self assessment process,
- the work of the Senior Leadership Team within the Academy who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Staffing committee and a plan to address the significant control weaknesses identified has been evolved.

Approved by order of the members of the Governing Body on 8 May 2013 and signed on its behalf



A Macalpine

Chair of Governing Body



K McKellar

**Accounting Officer
Headteacher**

HENDON SCHOOL

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of Hendon School Academy Trust I have considered my responsibility to notify the Governing Body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the Funding Agreement in place between the Academy 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, although there are weaknesses in our systems which have been noted in the Governance Statement.



K McKellar

Accounting officer

8 May 2013

HENDON SCHOOL

STATEMENT OF GOVERNORS' RESPONSIBILITIES

The Governors are responsible for the charitable activities of the Academy and are also the Directors of the Charitable Company for the purposes of company law. They are responsible for preparing the Directors' report and the financial statements in accordance with the Accounts Direction 2011/12 issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP,
- make judgements 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 Academy 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 2011. 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 to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended

The Governors are responsible for the maintenance and integrity of the corporate and financial information included on the 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 8 May 2013 and signed on its behalf by



A Macalpine

Chair of Governing Body

HENDON SCHOOL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HENDON SCHOOL

We have audited the financial statements of Hendon School for the period ended 31 August 2012 which comprises the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of governors and auditor

As explained more fully in the Governors' Responsibilities Statement, the Governors (who also act as directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

HENDON SCHOOL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HENDON SCHOOL (Cont)

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



Stephen Meredith FCA (Senior statutory auditor)
For and on behalf of Alliotts,
Chartered Accountants
Statutory Auditor

Friary Court
13-21 High Street
Guildford
Surrey GU1 3DL

8 May 2013

HENDON SCHOOL

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON REGULARITY TO HENDON SCHOOL AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 1 March 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Hendon School during the period 1 November 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 Hendon School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Hendon School and the EFA those matters we are required to state to 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 Hendon School and the EFA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Hendon School's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Hendon School's funding agreement dated 1 November 2011 with the Secretary of State for Education and the Academies Financial Handbook as published by the DfES in 2006, 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 are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 November 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.

Approach

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

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

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

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

Summary of the work undertaken was as follows:

- Analytical review of the Academy trust's general activities to ensure that they are within the Academy trust's framework of authorities
- Consideration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance,

HENDON SCHOOL

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON REGULARITY TO HENDON SCHOOL AND THE EDUCATION FUNDING AGENCY (Cont.)

- Review of the general control environment for the Academy trust on financial statements and on regularity,
- Sample testing of expenditure transactions to ensure the activity is permissible within the Academy trusts framework of authority
- Confirmation that a sample of expenditure has been appropriately authorised in accordance with the Academy trust's delegated authorities,
- Formal representations obtained from the governing body and the Accounting officer acknowledging the responsibilities including disclosing all non compliance with laws and regulations specific to the authorising framework,
- Confirmation that any extra contractual payments such as severance and compensation payments have been appropriately authorised,
- Review of credit card expenditure for any indication of personal use by staff, Head or Governors,
- Review of specific terms of grant funding within the funding agreement,
- Review of related party transactions for connections with the Head/Bursar or Governors,
- Review of income received in accordance with the activities permitted within the Academy trust's charitable objectives

Conclusion

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

Without varying from the conclusion drawn by our work above, we draw your attention to the comments made in the Governance Statement and Statement on Regularity, Propriety and Compliance.



Alliotts
Chartered Accountants

Friary Court
13-21 High Street
Guildford
Surrey GU1 3DL

8 May 2013

HENDON SCHOOL
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE PERIOD ENDED 31 AUGUST 2012
(INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL
RECOGNISED LOSSES)

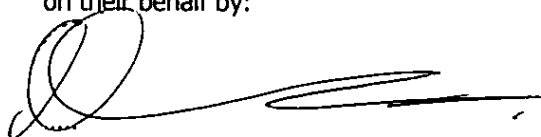
	Note	Unrestricted General Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2012 £
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income -transfer from Local Authority on conversion	23	313,823	(843,000)	21,052,517	20,523,340
Voluntary income	2	23,428	-	-	23,428
Activities for generating funds	3	9,243	532,519	-	541,762
Investment Income	4	4,319	-	-	4,319
<i>Incoming resources from charitable activities</i>					
Funding for the Academy's educational operations	5	-	6,795,792	333,005	7,128,797
Total incoming resources		350,813	6,485,311	21,385,522	28,221,646
Resources expended					
<i>Cost of generating funds</i>					
Costs of generating voluntary		-	-	-	-
<i>Charitable activities</i>					
Academy's educational operations	7	74,740	7,173,724	329,677	7,578,141
<i>Governance costs</i>	8	-	20,000	-	20,000
Total resources expended	6	74,740	7,193,724	329,677	7,598,141
Net income/(expenditure) for the period		276,073	(708,413)	21,055,845	20,623,505
Actuarial (losses)/gains on defined benefit pension scheme	20	-	(276,000)	-	(276,000)
Net movement in funds		276,073	(984,413)	21,055,845	20,347,505
Funds carried forward at 31 August 2012	15	276,073	(984,413)	21,055,845	20,347,505

The Statement of Financial Activities analyses all the capital and income resources and expenditure of Hendon School during the period and reconciles the movements in funds. All activities are continuing operations. The overall financial position at the year-end is summarised in the balance sheet on page 19.

**HENDON SCHOOL
BALANCE SHEET
AS AT 31 AUGUST 2012**

	Note	2012 £
Fixed assets		
Tangible assets	12	<u>21,055,845</u>
		<u>21,055,845</u>
Current assets		
Debtors	13	355,979
Cash at bank and in hand		<u>1,436,105</u>
		<u>1,792,084</u>
Current liabilities		
Creditors Amounts falling due within one year	14	<u>(1,365,424)</u>
Net current assets		<u>426,660</u>
Total assets less current liabilities		<u>21,482,505</u>
Net assets excluding pension liability		<u>21,482,505</u>
Pension scheme liability	20	<u>(1,135,000)</u>
Net assets including pension liability		<u>20,347,505</u>
Funds		
<i>Income funds</i>		
Restricted funds		
Fixed asset fund(s)	15	21,055,845
General fund(s)	15	150,587
Pension reserve	20	<u>(1,135,000)</u>
		<u>20,071,432</u>
Unrestricted funds		
General fund		<u>276,073</u>
	15	<u>276,073</u>
		<u>20,347,505</u>

The financial statements on pages 18 to 38 were approved by the Governors on 8 May 2013 and signed on their behalf by:



**A Macalpine
Chair of Governors
Company Registration No. 07803827**

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

	2012 £
Operating activities	
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	20,347,505
Depreciation (note 12)	329,677
Capital grants from DfE and other capital income (note 5)	(97,331)
Interest receivable (note 4)	(4,319)
FRS 17 pension cost less contributions payable (note 20)	(34,000)
FRS 17 pension finance income (note 20)	326,000
Voluntary income exc LA & other funds (Assets on Conversion - note 23)	(20,209,517)
(Increase)/decrease in debtors	(355,979)
Increase/(decrease) in creditors	1,365,424
Net cash (outflow)/inflow from operating activities	<u>1,667,460</u>
Returns on investments and servicing of finance	
Interest received	4,319
	<u>4,319</u>
Capital (expenditure)/income	
Purchase of tangible fixed assets	(333,005)
Capital grants from DfE	97,331
	<u>(235,674)</u>
Increase in cash	<u>1,436,105</u>
 Reconciliation of net cash flow to movement in net funds	 2012 £
(Decrease) increase in cash	1,436,105
Net funds at 1 November 2011	<u>-</u>

NOTE TO THE CASHFLOW STATEMENT

Analysis of changes in net funds	Cash flows	At 31 August 2012
Cash in hand and at bank	1,436,105	1,436,105
	<u>1,436,105</u>	<u>1,436,105</u>

**HENDON SCHOOL
PRINCIPAL ACCOUNTING POLICIES
FOR THE PERIOD ENDED 31 AUGUST 2012**

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 Academies Accounts Direction issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

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.

Donations

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

Interest receivable

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

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.

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.

-Cost 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 Trust's educational operations.

-Governance Costs

These include the costs attributable to the Academy Trust's compliance with constitutional & statutory requirements, including audits, strategic management and Governor's meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

HENDON SCHOOL

PRINCIPAL ACCOUNTING POLICIES

FOR THE PERIOD ENDED 31 AUGUST 2012

Allocation of costs

In accordance with the Charities SORP, expenditure has been analysed between the cost of generating funds, the Academy'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. Central staff costs are allocated on the basis of time spent on each activity and depreciation charges on the basis of the proportion of the assets' use which is utilised by each activity.

Governance costs

Governance costs include the costs attributable to the Academy's compliance with constitutional and statutory requirements, including audit, strategic management and governors' meetings and reimbursed expenses. Such costs include both direct and allocated support costs.

Fund accounting

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

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

Tangible fixed assets

Tangible fixed Assets of £2,000 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. The 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 trust's depreciation policy.

Depreciation

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 their expected useful lives, as follows:

Leasehold buildings	50 years
Furniture, fittings and equipment	5 years
Computer equipment and software	4 years
Motor Vehicles	5 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.

**HENDON SCHOOL
PRINCIPAL ACCOUNTING POLICIES
FOR THE PERIOD ENDED 31 AUGUST 2012**

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 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 and capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes

Pensions

Academy staff are members of one of two pension schemes, both of which are defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme ('SERPS'). The assets are held separately from those of the academy trust. More details of the schemes are given in note 20.

Defined Benefit Schemes

Teachers' Pension Scheme

Full-time and part-time teaching staff who are employed under a contract of service are eligible to contribute to the Teachers' Pension Scheme (TPS). 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 trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 20, 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 reliable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

Local Government Pension Scheme

Non teaching members of staff are offered membership of the Local Government Scheme (LGPS). The LGPS is a defined benefit pension scheme and is able to identify the Academy's share of assets and liabilities and the requirements of FRS 17, Retirement Benefits, have been followed.

The Academy's share of the LGPS 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 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. 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 adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

**HENDON SCHOOL
PRINCIPAL ACCOUNTING POLICIES
FOR THE PERIOD ENDED 31 AUGUST 2012**

Conversion to an Academy Trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method

The assets and liabilities transferred on conversion from Hendon School to an Academy Trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Hendon School Academy Trust. 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. The valuation of the land and buildings upon conversion was carried out by the Education Funding Agency. All other fixed assets were valued estimating their remaining expected useful life and estimated value at the date of conversion. Further details of the transaction are set out in note 23.

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

2012

£

1 GENERAL ANNUAL GRANT (GAG)

a. Results and Carry Forward for the Period

GAG brought forward from previous year	-
GAG allocation for current period	6,604,984
Total GAG available to spend	6,604,984
Recurrent expenditure from GAG	(7,177,723)
Fixed assets purchased from GAG	(333,005)
GAG carried forward to next year	(905,744)

Maximum permitted GAG carry forward at end of current period (12% of allocation for current year) **792,598**

GAG to surrender to DfE **(1,698,342)**

(12% rule breached if result is positive)

(no breach)

b. Use of GAG Brought Forward from Previous Year for Recurrent Purposes

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

Recurrent expenditure from GAG in current year	7,177,723
GAG allocation for current period	(6,604,984)
GAG allocation for previous year x 2%	-
GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year	572,739

(2% rule breached if result is positive)

(no breach)

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

2 VOLUNTARY INCOME

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
Donations and gifts in kind	23,428	-	23,428

3 ACTIVITIES FOR GENERATING FUNDS

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
Other grants	-	109,634	109,634
Lettings income	9,243	-	9,243
Miscellaneous income	-	422,885	422,885
	9,243	532,519	541,762

4 INVESTMENT INCOME

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
Bank Interest	4,319	-	4,319
	4,319	-	4,319

5 FUNDING FOR THE ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
DfE/ EFA revenue grants			
General Annual Grant (GAG) (note 1)	-	6,604,984	6,604,984
Capital grants	-	97,331	97,331
Other DfE/ EFA grants	-	151,246	151,246
	-	6,702,315	6,853,561
Other Government grants			
LA-SEN Government Grant	-	275,236	275,236
Other Government grants	-	-	-
	-	275,236	275,236
	-	7,128,797	7,128,797

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

6 RESOURCES EXPENDED

	Staff Costs £	Non Pay Expenditure Premises £	Other Costs £	Total 2012 £
Costs of Generating voluntary income	-	-	-	-
Academy's educational operations				
- Direct costs	5,268,295	-	369,244	5,637,539
- Allocated support costs	1,022,744	329,677	588,181	1,940,602
	6,291,039	329,677	957,425	7,578,141
Governance costs including allocated support costs	-	-	20,000	20,000
	-	-	20,000	20,000
	6,291,039	329,677	977,425	7,598,141

Incoming/outgoing resources for the year include:

	2012 £
Operating Leases	4,645
Fees payable to auditor	7,500
-audit	
-other services	12,500
Profit loss on disposal of fixed assets	

7 CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
DIRECT COSTS			
Teaching and educational support staff costs	-	5,268,295	5,268,295
Educational Supplies	-	258,115	258,115
Examination fees	-	111,117	111,117
Other direct costs	-	12	12
	-	5,637,539	5,637,539
ALLOCATED SUPPORT COSTS			
Support staff costs	-	1,022,744	1,022,744
Advertising and recruitment	-	10,884	10,884
Maintenance of premises and equipment	-	118,328	118,328
Occupancy costs	-	118,656	118,656
Postage, stationery, printing and consumable	-	25,189	25,189
Telephone	-	7,468	7,468
Cleaning and hygiene materials	-	7,355	7,355
Transport, travel and subsistence	-	1,409	1,409
Equipment hire	-	9,744	9,744
Furniture and equipment minor purchases	-	-	0
Technology costs	-	-	0
Staff training and development	-	34,915	34,915
Other support costs	74,740	179,493	254,233
Total Costs before Depreciation	74,740	1,536,185	1,610,925
Depreciation	-	329,677	329,677
Total Costs after Depreciation	74,740	1,865,862	1,940,602
	74,740	7,503,401	7,578,141

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

8 GOVERNANCE COSTS

	Unrestricted Funds £	Restricted Funds £	Total 2012 £
Governor's reimbursed expenses	-	-	-
Auditors' remuneration - audit fees	-	7,500	7,500
Auditors' remuneration - accountancy	-	12,500	12,500
Support costs	-	-	-
		20,000	20,000

9 STAFF COSTS

Staff costs comprise	2012 £
Wages and salaries	4,904,497
Social security costs	388,749
Pension costs	667,180
Direct staff costs	5,960,426
Freelance and other staff costs	330,613
Total staff costs (Note 6)	6,291,039

The average number of persons (including senior management team) employed by the Academy during the year ended 31 August 2012 expressed as full time equivalents was as follows

	2012 No.
Charitable Activities	
Teachers	124
Administration and Support	109
Management	4
	237
Governance activities	
	-
	237

The number of employees whose emoluments fell within the following bands was

	2012 No.
£60,001 - £70,000	2
£70,001 - £80,000	-
£80,001 - £90,000	-
£90,001 - £100,000	-
£100,000 - £110,000	1
£110,000 - £120,000	-
£150,000 - £160,000	-
	3

Of the above employees earning more than £60,000 per annum, all three participated in the Pension Scheme. During the period ended 31 August 2012, pension contributions for these staff amounted to £42,042

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

10 GOVERNORS' REMUNERATION AND EXPENSES

Four Governors including the Headteacher are Trustees, but only receive remuneration in respect of services provided undertaking the role of an employee and not in respect of services as Governors. Other Governors did not receive any payments, or expenses, from the academy in respect of their role as Governors. The value of staff Governors' remuneration for the 10 month period was as follows

K McKellar, Headteacher	Salary bracket	£90,000-£95,000
M Humphrey	Salary bracket	£30,000-£35,000
M Winters	Salary bracket	£30,000-£35,000
S Fella	Salary bracket	£25,000-£30,000

Other related party transactions involving the trustees are set out in note 21

11 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 cover for this insurance is £2m on any one claim and the cost for the period was £1,155.

12 TANGIBLE FIXED ASSETS

	Leasehold Land and buildings £	Computer equipment & software £	Furniture equipment £	Motor Vehicles £	Total £
Cost					
Transfer on conversion	20,744,823	188,250	113,444	6,000	21,052,517
Additions	250,722	65,776	16,507	-	333,005
Disposals/written off	-	-	-	-	-
At 31 August 2012	20,995,545	254,026	129,951	6,000	21,385,522
Depreciation					
At 1 August 2011	-	-	-	-	-
Charged in year	238,769	52,922	35,486	2,500	329,677
Disposals/written off	-	-	-	-	-
At 31 August 2012	238,769	52,922	35,486	2,500	329,677
Net book values					
At 31 August 2012	20,756,776	201,104	94,465	3,500	21,055,845

13 DEBTORS

	2012 £
Trade debtors	131,267
Other Debtors	190,845
Prepayments	33,867
	<u>355,979</u>

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

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £
Trade creditors	1,342,363
Accruals and Deferred income	23,061
	<u>1,365,424</u>

	2012 £
Deferred Income	
Deferred Income at 1 November 2011	-
Resources deferred in the year	-
Amounts released from previous years	-
Deferred Income at 31 August 2012	<u>-</u>

Nil of the funds and income was deferred as it relates to expenditure likely to occur in future years

15 FUNDS

The income funds of the Academy comprise the following balances of grants to be applied for specific purposes

	Incoming resources £	Resources Expended £	Gains, Losses and Transfers £	Balance at 31 August 2012 £
Restricted general funds				
General Annual Grant	6,271,979	(7,177,724)	-	(905,745)
Other DfE/ EFA grants	523,813	-	-	523,813
Other incoming Resources	532,519	-	-	532,519
Pension Reserve	(843,000)	(16,000)	(276,000)	(1,135,000)
	<u>6,485,311</u>	<u>(7,193,724)</u>	<u>(276,000)</u>	<u>(984,413)</u>
Restricted fixed asset funds				
DfE/EFA capital grants	-	-	-	-
Items on conversion	21,052,517	(329,677)	-	20,722,840
Capital Expenditure from GAG	333,005	-	-	333,005
	<u>21,385,522</u>	<u>(329,677)</u>	<u>-</u>	<u>21,055,845</u>
Total Restricted Funds	<u>27,870,833</u>	<u>(7,523,401)</u>	<u>(276,000)</u>	<u>20,071,432</u>
Unrestricted funds				
Items on conversion	313,823	-	-	313,823
Unrestricted funds	36,990	(74,740)	-	(37,750)
Total Unrestricted Funds	<u>350,813</u>	<u>(74,740)</u>	<u>-</u>	<u>276,073</u>
Total Funds	<u>28,221,646</u>	<u>(7,598,141)</u>	<u>(276,000)</u>	<u>20,347,505</u>

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

16 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2012 are represented by

	Unrestricted funds £	Restricted General funds £	Restricted fixed asset funds £	Total Funds £
Tangible fixed assets	-	-	21,055,845	21,055,845
Current assets	-	355,979	-	355,979
Cash and Bank	276,073	1,160,032	-	1,436,105
Current Liabilities	-	(1,365,424)	-	(1,365,424)
Pension Scheme liability	-	(1,135,000)	-	(1,135,000)
	276,073	(984,413)	21,055,845	20,347,505

17 Capital Commitments

	2012 £
Contracted for, but not provided in the financial statements	<u>308,000</u>

18 FINANCIAL COMMITMENTS

Operating leases

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

	2012 £
Operating leases which expire	
Within one year	7,456
Within two to five years	11,244
More than five years	<u>-</u>

19 CONTINGENT LIABILITIES

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required either to re-invest the proceeds or to 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 Academy serving notice, the Academy shall repay to the Secretary of State sums determined by reference to

(a) the value at that time of the Academy's site and premises and other assets held for the purpose of the Academy and

(b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement

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

20 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 London Pension Fund Authority. Both are defined-benefit schemes.

As described in note 23 the LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the year/period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31/03/2012 and of the LGPS 31/08/12.

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

Teachers' Pension Scheme

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

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

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

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

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution 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.

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

20 PENSION AND SIMILAR OBLIGATIONS (continued)

Teachers' Pension Scheme (continued)

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

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

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a members 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.

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

20 Pension and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2012 was £252,000, of which employer's contributions totalled £201,000 and employees' contributions totalled £51,000. The agreed contribution rates were 23.4% for employers. Employee contribution rates are based on various pay bands.

The following information is based upon a full actuarial valuation of the fund at 31 August 2012 by a qualified independent actuary.

Principal Actuarial Assumptions	At 31 August 2012	At 1 November 2011
Rate of increase in salaries	4.10%	4.20%
Rate of increase for pensions in payment / inflation	1.90%	2.00%
Discount rate for scheme liabilities	3.90%	4.70%
RPI Increases	2.70%	2.80%
CPI Increases	1.90%	2.00%

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

	At 31 August 2012	At 1 November 2011
<i>Retiring</i>		
Males	20.0	-
Females	24.0	-
<i>Retiring in 20 years</i>		
Males	22.0	-
Females	25.9	-

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

20 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)

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

	Expected return at 31 August 2012 %	Fair value at 31 August 2012 £000	Expected return at 1 November 2011 %	Fair value at 1 November 2011 £000
Equities	6.40%	337	6.90%	180
Gilts	2.80%	50	3.30%	17
Bonds	3.90%	200	5.00%	114
Property	4.30%	37	4.80%	14
Cash	0.50%	-	3.00%	21
Total market value of assets		624		346
Present value of scheme liabilities				
- Funded		(1,759)		(1,189)
Surplus/(deficit) in the scheme		(1,135)		(843)

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

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the period (i.e. As at 1 November 2011 for the year to 31 August 2012). The return 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 return on equities and property is then assumed to be a margin above gilt yields.

The actual return on the scheme assets was £21,000

Amounts recognised in the Statement of Financial Activities

	2012 £000
Current service cost (net of employer contributions)	34
Past service cost	-
Total operating charge	34

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	22
Interest on pension liabilities	(50)
Actuarial losses	(298)
Pension finance income / (costs)	(326)

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

20 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £1,135,000 loss.

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

	2012
	£000
At 1 November	1,189
Current service cost	167
Interest cost	50
Employee contributions	51
Actuarial (gain)/loss	311
Benefits paid	(9)
Past Service cost	-
Curtailments and settlements	-
At 31 August	<u>1,759</u>

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

	2012
	£000
At 1 November	346
Expected return on assets	22
Actuarial gains / (losses)	13
Employer contributions	201
Employee contributions	51
Benefits paid	(9)
At 31 August	<u>624</u>

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

20 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)

The four-year history of experience adjustments is as follows:

	2012	2011	2010	2009
	£000	£000	£000	£000
Defined benefit obligation at end of period	(1,759)			
Fair value of plan assets at end of period	624			
Deficit	(1,135)	-	-	-

Experience adjustments on share of scheme assets

Amount £'000 13

Experience adjustments on scheme liabilities:

Amount £'000 -

21 Related Party Transactions

Owing to the nature of the Academy's operations and the composition of the Governing Body 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 Governing Body may have an interest. All transactions involving such organisations are conducted at arm's length or at preferential rates for the Academy and in accordance with the Academy's financial regulations and normal procurement procedures

22 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.

**HENDON SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

23 CONVERSION TO AN ACADEMY TRUST

On 1 November 2011 the Hendon School converted to academy trust status under the Academies Act 2010 and all the operations and liabilities were transferred to Hendon School from the Barnet Local Authority for £nil consideration

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of Financial Activities as voluntary income

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA

	Unrestricted Funds £	Restricted Fund £	General Asset Fund £	Restricted Fixed Total £
<i>Tangible Fixed Assets</i>				
Leasehold land and Buildings	-	-	20,744,823	20,744,823
Other Tangible Fixed Assets	-	-	307,694	307,694
<i>Budget Surplus on LA Funds</i>	284,708	-	-	284,708
<i>Budget Surplus on other Funds</i>	29,115	-	-	29,115
<i>LGPS Pension (Deficit)</i>	-	(843,000)	-	(843,000)
	313,823	(843,000)	21,052,517	20,523,340