

Registered number: 07618351

SAFFRON ACADEMY TRUST

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2013

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

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SAFFRON ACADEMY TRUST
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2013**

Directors	Mr M. Hayes, Chair of the Academy Trust Mr J. Hartley, CEO of the Academy Trust & Headteacher Dr A. Grieg Dr P. Eddershaw Mrs L. Vincent-Van Overloop Mr J. Luke Mr D. Murtagh Mr N. Lee Mr M. Hansard Dr J. Keeler Ms S. Brindley Ms R. Callaghan Mr D. Barrs Mr P Whent
Company registered number	07618351
Principal and registered office	Audley End Road Saffron Walden Essex CB11 4UH
Company secretary	Mrs H Goldsmith
Chief executive officer	Mr J Hartley
Independent auditors	Price Bailey LLP Chartered Accountants Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

DIRECTORS REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

The Directors present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2013.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Saffron Academy Trust (SAT or The Trust) is a Charitable Company limited by guarantee and was set up by a Memorandum of Association on 28 April 2011. The Trust currently encapsulates two academy schools namely Saffron Walden County High School (SWCHS), which converted on 1 June 2011, and Alec Hunter Academy (AHA) which both converted and joined the Trust on 1st April 2013.

Governance

The operation of The Trust's schools and employment of staff are the responsibility of its Directors. The Trust retains control of school budgets and finances, and monitors these through its Finance Committee. Throughout this report the Board of Directors is referred to as the Main Governing Body (MGB). SAT has appointed Local Governing Bodies (LGB) and delegated authority to them to administer the schools within agreed budgets.

Details of the Directors who served throughout the period are included in the Reference and Administrative Details section. Within this report the term Director refers to a member of MGB and Governor to a member of an LGB.

Member's liability

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

Director and Governor Indemnities

No provisions were required for third party indemnity moreover; Director and Governor third party indemnity provision is covered by the Trusts' insurance policy.

Method of recruitment and appointment or election of Directors

The Articles of Association make provision for up to nine Directors to be elected by Members and up to five Directors who are Chairpersons of participating Local Governing Bodies together with a minimum of two Parent Directors. The Members may also elect Staff Directors who together with the CEO of SAT may not exceed one third of the Board's composition.

The Members of the Company comprise Saffron Educational Trust plus up to five Members appointed by that Trust in addition to the Chairperson of SAT's Board of Directors. The Members may unanimously appoint further Members as they see fit.

Policies and Procedures adopted for the induction and training of Directors and Governors

The Trust is committed to providing adequate opportunities for Directors and Governors to undertake and receive suitable training so as to enable them to perform their role effectively. To this end The Trust links with a number of local training providers.

New Directors and Governors are required to attend a training programme. The induction programme would involve a tour of the relevant school, meetings with students and staff and provision of policy and procedures documents that are appropriate to the role they undertake as Governors with particular emphasis on the committee work that they will undertake.

Governors are appointed for a fixed term. Each Headteacher is an ex officio member of their LGB. Parent Governors and the staff Governors are elected to office or appointed if there are insufficient candidates offering themselves for election.

SAFFRON ACADEMY TRUST
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DIRECTORS REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

Organisational Structure

The MGB Directors are responsible for setting strategic policy, adopting an annual plan and budget, monitoring The Trust by the use of those budgets and making major decisions about the direction of The Trust, capital expenditure and senior staff appointments.

The LGB Governors are responsible for implementing strategic policy, ensuring the appropriateness of annual budgets and capital expenditure projects for their Academy and monitoring performance against that budget and authorised capital limits.

The Senior Leadership Teams (SLT) control the Academies at an executive level implementing policies and reporting to their LGB. Each SLT is responsible for the day to day operation of their Academy, in particular organising staff, resources and children. They are responsible for the authorisation of spending within agreed budgets and for the appointment of staff following vetting and safeguarding recruitment processes.

The Trust's CEO is the Accounting Officer

Risks Management

The Trust works with the LGB's in maintaining a central risk register identifying the major risks, to which each Academy is exposed, and identifying actions and procedures to mitigate those risks.

This register is approved and monitored by the MGB via the Audit Committee and the SAT Finance Committee. The principal risks facing The Trust at a contextual level are outlined below in the principal risks and uncertainties section; those facing each Academy at an operational level are addressed by its systems and by internal financial and other controls.

The Directors report that The Trust's financial and internal controls conform to guidelines issued by the EFA, and that improvements to the wider framework of systems dealing with business risk and risk management strategy continue to be made and formally documented.

Connected Organisations and Related Parties

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

The Trust enjoyed the following working relationships in the period under review

Mountfitchet Maths & Computing College (MMCC). The Trust received funding for its participation in a federated school-improvement programme.

The 14-19 Delivery Group is a consortium of local secondary schools and post-16 providers who work together to deliver a vocational 14-19 educational programme for young people in the Uttlesford area.

The School Games Organiser, based at the Academy, works with PE staff at local primary schools in increase participation in physical education and sports programmes outside the curriculum.

The Local Delivery Group is a cluster of primary and secondary school in the North Essex area who receive external funding to support Narrowing the Gap and Extended Schools services for primary and secondary phase students.

The Uttlesford BAP is a loose consortium of local schools that engage in coordinated strategies to reduce unauthorised student absences

The Trust reports the following related parties by nature of common Directors or Trustees.

Saffron Educational Trust (SET), for whom The Trust managed the Auditorium project (Saffron Hall), owns the freehold of the SWCHS site and is effectively The Trust's landlord.

Saffron Walden County High School Trust administers a modest trust fund whose source of income is generated from private donations. This trust makes donations for specific SWCHS projects.

SAFFRON ACADEMY TRUST
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DIRECTORS REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

OBJECTIVES AND ACTIVITIES

Objects and aims

"Saffron Academy Trust seeks to operate a local family of schools of exceptional quality".

The following aims arise from that vision:

- To attain standards of achievement which reflect the fact that all pupils have reached their full academic potential and achieved their personal best.
- To promote the maximum opportunities for success by each pupil through excellent teaching and personalised learning.
- To provide a secure and caring community which encourages academic ambition alongside respect and responsibility for all.
- To provide inspirational and motivational leadership which offers clear direction and shared objectives, and management which maximises potential through valuing, supporting and developing people.
- To promote outstanding personal development opportunities for all pupils through a rich and varied programme of extra-curricular activities.

Public Benefit

The Directors believe that by working towards the objectives and aims of the underlying schools as detailed above they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

ACHIEVEMENTS AND PERFORMANCE

Achievements and performance

The Trust continued its mission to ensure that students achieved their potential in public examinations; encouraged a wide range of extra-curricular activities; developed and retained suitable staff and guided students in suitable progression when they left the school.

Saffron Walden County High School

In 2013, 75% of students achieved 5 or more GCSEs grades A* to C, including Maths and English. This performance was significantly above the national average of 58%. 85% of students achieving 5 or more grades A* to C (irrespective of subject) was also significantly above the national average. The GCSE Maths results were very similar to the record breaking performance in 2012, whilst the English performance showed a relatively small decrease in terms of the A* to C percentage and the proportion of students making at least three levels of progress.

A level results in 2013 maintained the outstanding performance of recent years. 72% of all A level grades were in the range A* to B. The value added performance of our sixth form students was again excellent with 21 out of 38 A level subjects achieving ALPS value added grades in the range 1-3. Overall, we are confident that the sixth form maintained its position as one of the top performing comprehensive school sixth forms in England.

Alec Hunter Academy

AHA joined the Trust in April 2013 as a school "with serious weaknesses" (Ofsted, October 2012). The Headteacher and senior team, supported by colleagues from SWCHS, have led the implementation of the post Ofsted improvement plan. Good progress has been made in raising standards, for example: by September 2013 82% of lessons were good or better compared with 60% in autumn 2012; the 2013 Maths GCSE results (cited by Ofsted as a key area for improvement) showed significant progress with the A* to C percentage increasing by 16%. Overall, the 5 A* to C including Maths and English figure was 40% (an improvement of 4% on the previous year).

Going concern

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

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DIRECTORS REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

FINANCIAL REVIEW

Financial Review

The principal source of funding for The Trust is the General Annual Grant (GAG) funding that it receives from the EFA. For the year ended 31 August 2013 The Trust received £12,447,000 in GAG funding. A high percentage of this funding is spent on wages and salaries and support costs to deliver The Trust's primary objective of the provision of education. During the year The Trust spent virtually the entire restricted funding received, with the exception of £384,000, excluding any adjustments with regard to fixed assets or local Government pension liabilities. The Trust carried forward a total surplus of £5,428,000 inclusive of all assets and liabilities received on conversion of which £1,754,000 was unrestricted.

Principal risks and uncertainty

The Directors assess the principal risks and uncertainties facing The Trust as follows:

- Staff retention and recruitment: The quality of staff (both teaching and support) is crucial in sustaining the high achievements of the schools in The Trust. The recruitment of potentially good and outstanding teachers in shortage subjects remains a challenge. An important factor in addressing this risk is the schools' emphasis on high quality, personalised professional development for all staff
- Student rolls: SWCHS has been oversubscribed both at Year 7 and Year 12 for many years and there is every sign of this continuing. AHA has seen a slight drop in Year 7 uptake in September 2013
- Budget constraints: We continue to operate in a period of constrained public spending on education. Continuing emphasis is placed upon the balance between the breadth of curriculum provision and average class size.
- Material decrease in income affecting provision is judged to be highly unlikely. The combined budget for 2013-14 is sound, with significant planned-for carry-forward from 2012-13, across both sites, as a further contingency.
- Bank balances & investments contain no significant risks other than an institution ceasing to trade. The Trust continues to spread its investments over a number of government-backed institutions.
- Debtors: there are no material debtors.
- The Trust's credit rating is not in jeopardy, though it has no need for credit facilities.
- The Trust's cash flow is healthy and long-term financial planning predicts it will remain so.

Principal risks and uncertainty (financial)

Reserves policy

The Directors are aware of the requirement to balance current and future needs.

The Directors always aim to set a balanced budget with annual income balancing annual expenditure.

The Trust's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £1,754,000. This has been built up from a mixture of locally raised income and balances transferred from the predecessor school.

Anticipating reductions in future funding (from general government cuts and falls in the real value of grants) it is anticipated that the finances of the Trust will become increasingly tight. The Directors, in executing their obligation to maintain The Trust's buildings infrastructure, are aware that future maintenance and refurbishment requires planned adequate funding. In light of these anticipated on-going costs and reducing revenues the Directors have declined to deplete existing contingencies and have chosen instead to retain as much as possible to support future expenditure. This has been achieved without compromising the quality of education offered to the students.

The cash balance of The Trust has been very healthy all year, ending the year with a balance of £4,166,000. The Directors have determined that they should hold a cash contingency of £500,000 to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

Due to the accounting rules for the Local Government Pension Scheme under FRS17, The Trust is recognising a significant pension fund deficit of £4,938,000 across both schools. This does not mean that an immediate liability for this amount crystallises and that such a deficit generally results in a cash flow effect in the form of increased employer contributions over a number of years.

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DIRECTORS REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

Investment policy

The Trust has a policy of investing its cash balances with a view to maximising returns, but where greater weight is assigned to the safety of the investment. The policy aims to invest cash such that its cash balances and liquid investments at least equal the figure outlined in the reserves policy.

Key financial performance indicators

• Staff costs as a % of total income	75.5%
• Staff costs as a % of GAG income	81.3%
• Payroll % split between Teaching and Non-Teaching	79:21
• Pupil Teacher ratio	15.6

The Directors affirm that SAT upholds its obligations under the law and national collective agreements not to discriminate in any of its activities against employees or applicants for employment on the grounds of their sex, sexual orientation, marital status, disability, race, colour, age, nationality, ethnic origin, religion or creed.

Furthermore, The Trust seeks to ensure fair treatment to all on employment matters whether or not their personal circumstances and differences are covered by these formal agreements and to consider the practicality of accommodating the particular needs of all groups. The Directors have put in place a range of policies, procedures and practices in relation to recruitment, selection, employment, training and development which support and complement its Equal Opportunities Policy and it will operate these in a way which is consistent with the objectives of this Policy.

The Directors recognise that effective communication with colleagues at all levels is vital in order to engage and promote involvement whilst also ensuring that the aims of the Trust are clearly understood by all, both on a day-to-day basis and in a wider strategic context. The most common methods of communication utilised are verbal, meetings, notice boards, weekly staff bulletins, internal post and other written forms such as e-mails, reports and meeting minutes. The consistent aim is to ensure that the communication method chosen is most suited to the immediate task and/or objective.

PLANS FOR FUTURE PERIODS

Plans for the future

The Trust will continue striving to improve the levels of performance of its students at all levels, and will attempt to maintain its recent progress in ensuring the number of students on roll properly reflects the demand for places.

The Directors intend to enhance and expand facilities in pursuance of the schools' commitment to ensure that all students achieve their potential. It is recognised that students with differing abilities and aptitudes will have differing curriculum requirements and that a greater diversity of learning environments will be required to deliver these.

The Trust continues to seek opportunities to engage with local schools, primarily within North West Essex, with the ultimate aim of building a family of schools of exceptional quality.

Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that;

- so far as that Director is aware, there is no relevant audit information of which The Trust's Auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by The Trust's Auditors in connection with preparing their report and to establish the Trust's Auditors are aware of that information.

This report was approved by order of the Board on 16 December 2013 and signed on its behalf by:


Mr M Hayes
Chairman of The Trust

SAFFRON ACADEMY TRUST
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Directors, we acknowledge we have overall responsibility for ensuring that Saffron Academy Trust 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 Main Trust Board has delegated the day-to-day responsibility to the CEO, 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 Saffron Academy Trust and the Secretary of State for Education. The Accounting Officer is also responsible for reporting to the Main Trust Board 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 Governors' Responsibilities Statement. The Main Trust Board has formally met 5 times during the year. Attendance during the year at meetings of the Main Trust Board was as follows:

Governor	Meetings attended	Out of a possible
Mr D. Barrs	4	5
Ms S. Brindley	1	5
Dr P. Eddershaw	4	5
Dr A. Grieg	3	5
Mr M. Hansard	4	5
Mr J. Hartley	5	5
Mr M. Hayes	5	5
Ms R. Callaghan	2	5
Dr J. Keeler	5	5
Mr N. Lee	5	5
Mr J. Luke	2	5
Mr D. Murtagh	4	5
Mrs L. Vincent-Van Overloop	4	5
Mr P Whent	4	5

During the year ended the main Trust Board was responsible for financial and audit matters which were covered at their meetings.

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 Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Saffron Academy Trust for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Main Trust Board has reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Main Trust Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy's significant risks, that has been in place for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Main Trust Board and the Audit Committee.

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GOVERNANCE STATEMENT (continued)

THE RISK AND CONTROL FRAMEWORK

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

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

The Main Trust Board has considered the need for a specific internal audit function and has decided to appoint Essex County Council as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a termly basis, the internal auditor reports to the Main Trust Board on the operation of the systems of control and on the discharge of the Main Trust Board's financial responsibilities.

Essex County Council delivered their schedule of works as planned and no material control issues were identified.

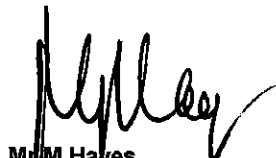
REVIEW OF EFFECTIVENESS

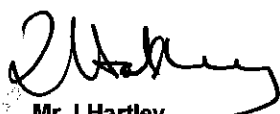
As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers 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 Essex Local Authority and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Main Trust Board on 16 December 2013 and signed on their behalf, by:


Mr M Hayes
Chairman of The Trust


Mr J Hartley
Accounting Officer

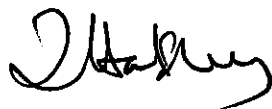
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Saffron Academy Trust I have considered my responsibility to notify the Academy Main Trust Board and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2012).

I confirm that I and the Academy Main Trust Board are able to identify any material, irregular or improper use of funds by the Academy, or material non-compliance with the terms and conditions of funding under the Academy's funding agreement and the Academies Financial Handbook (2012).

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



Mr J Hartley
Accounting Officer

SAFFRON ACADEMY TRUST
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DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2013

The Directors (who act as trustees for charitable activities of Saffron Academy Trust and are also the Directors of the Charitable Company for the purposes of company law) are responsible for preparing the Directors' Report and the financial statements in accordance with the Annual Accounts Requirements issued by the EFA, United Kingdom Accounting Standards (UKGAAP) 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 of the Charities SORP;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

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

The 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/DfE have been applied for the purposes intended.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Main Trust Board on 16/12/13 and signed on its behalf by:



Mr M Hayes
Chairman of The Trust

SAFFRON ACADEMY TRUST
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAFFRON ACADEMY TRUST

We have audited the financial statements of Saffron Academy Trust for the year ended 31 August 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

This report is made solely to the Academy'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 Academy's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, 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 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 Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material 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 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2013 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 period for which the financial statements are prepared is consistent with the financial statements.

SAFFRON ACADEMY TRUST
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAFFRON ACADEMY TRUST

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' and Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mr Gary Miller (Senior Statutory Auditor)

for and on behalf of

Price Bailey LLP

Chartered Accountants

Causeway House
1 Dane Street
Bishop's Stortford
Hertfordshire
CM23 3BT

Date:

16/12/13

SAFFRON ACADEMY TRUST
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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SAFFRON
ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 8 August 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Saffron Academy Trust during the year 1 September 2012 to 31 August 2013 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 Saffron Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Saffron Academy Trust and the EFA those matters we are required to state 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 Saffron Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF SAFFRON ACADEMY TRUST'S ACCOUNTING OFFICER AND THE
INDEPENDENT REPORTING ACCOUNTANT**

The accounting officer is responsible, under the requirements of Saffron Academy Trust's funding agreement with the Secretary of State for Education dated 28 April 2011, and the Academies Financial Handbook extant from 1 September 2012, 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 engagement 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 2013. 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 year 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2013 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's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Consideration and corroboration of the evidence supporting the accounting officers' statement on regularity, propriety and compliance.
- Evaluation of the general control environment of the academy trust, extending the procedures required for financial statements to include regularity.
- Discussions with and representations from the Accounting Officer and other Key management personnel.
- An extension of substantive testing from our audit of the financial statements to cover matters pertaining to regularity, propriety and compliance in particular checking that selected items were appropriately authorised, and appropriate.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SAFFRON
ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

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 year 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Price Bailey LLP

Chartered Accountants

Causeway House
1 Dane Street
Bishop's Stortford
Hertfordshire
CM23 3BT

16 December 2013

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating Income and Expenditure Account and Statement of Recognised Gains and Losses)
FOR THE YEAR ENDED 31 AUGUST 2013

	Note	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
INCOMING RESOURCES						
Incoming resources from generated funds:						
Assets received on conversion	2	746,332	(1,656,000)	6,196,055	5,286,387	(1,261,242)
Other voluntary income	2	129,872	664,997	-	794,869	932,520
Activities for generating funds	3	1,155,850	-	-	1,155,850	779,774
Investment income	4	8,573	-	-	8,573	7,539
Incoming resources from charitable activities	5	-	13,135,179	269,768	13,404,947	14,681,486
Other incoming resources	6	68,017	-	-	68,017	18,139
TOTAL INCOMING RESOURCES		2,108,644	12,144,176	6,465,823	20,718,643	15,158,216
RESOURCES EXPENDED						
Charitable activities	9	668,669	13,357,622	548,352	14,574,643	14,861,885
Governance costs	7	-	58,713	-	58,713	37,433
TOTAL RESOURCES EXPENDED	8	668,669	13,416,335	548,352	14,633,356	14,899,318
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS		1,439,975	(1,272,159)	5,917,471	6,085,287	258,898
Transfers between funds	18	-	(1,405,522)	1,405,522	-	-
NET INCOME FOR THE YEAR		1,439,975	(2,677,681)	7,322,993	6,085,287	258,898
Actuarial gains and losses on defined benefit pension schemes		-	(307,000)	-	(307,000)	(609,000)
NET MOVEMENT IN FUNDS FOR THE YEAR		1,439,975	(2,984,681)	7,322,993	5,778,287	(350,102)
Total funds at 1 September 2012		313,565	(1,201,438)	537,771	(350,102)	-
TOTAL FUNDS AT 31 AUGUST 2013		1,753,540	(4,186,119)	7,860,764	5,428,185	(350,102)

All activities relate to continuing operations.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 18 to 35 form part of these financial statements.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07618351

BALANCE SHEET
AS AT 31 AUGUST 2013

	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Tangible assets	15		7,859,763		588,949
CURRENT ASSETS					
Debtors	16	728,565		513,511	
Cash at bank and in hand		4,166,389		2,470,957	
		<u>4,894,954</u>		<u>2,984,468</u>	
CREDITORS: amounts falling due within one year	17	(2,388,532)		(1,119,519)	
NET CURRENT ASSETS			2,506,422		1,864,949
TOTAL ASSETS LESS CURRENT LIABILITIES			10,366,185		2,453,898
Defined benefit pension scheme liability	23	(4,938,000)			(2,804,000)
NET ASSETS/(LIABILITIES) INCLUDING PENSION SCHEME LIABILITIES			<u>5,428,185</u>		<u>(350,102)</u>
FUNDS OF THE ACADEMY					
Restricted funds :					
Restricted funds	18	752,882		1,602,562	
Restricted fixed asset funds	18	7,859,763		537,771	
		<u>8,612,645</u>		<u>2,140,333</u>	
Restricted funds excluding pension liability					
Pension reserve		(4,938,000)		(2,804,000)	
		<u></u>		<u></u>	
Total restricted funds			3,674,645		(663,667)
Unrestricted funds	18		1,753,540		313,565
TOTAL FUNDS/(DEFICIT)			<u>5,428,185</u>		<u>(350,102)</u>

The financial statements were approved by the Directors, and authorised for issue, on 16/12/13 and are signed on their behalf, by:


Mr M Hayes
Chairman of The Trust

The notes on pages 18 to 35 form part of these financial statements.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2013

	Note	2013 £	2012 £
Net cash flow from operating activities	20	3,033,153	2,898,121
Returns on investments and servicing of finance and interest		15,723	2,415
Capital expenditure		(1,353,444)	(429,579)
INCREASE IN CASH IN THE YEAR		1,695,432	2,470,957

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 AUGUST 2013

	2013 £	2012 £
Increase in cash in the year	1,695,432	2,470,957
MOVEMENT IN NET FUNDS IN THE YEAR	1,695,432	2,470,957
Net funds at 1 September 2012	2,470,957	-
NET FUNDS AT 31 AUGUST 2013	4,166,389	2,470,957

The notes on pages 18 to 35 form part of these financial statements.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 issued by the EFA, applicable accounting standards and the Companies Act 2006.

1.2 Fund accounting

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

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

Investment income, gains and losses are allocated to the appropriate fund.

1.3 Incoming resources

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

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

1. ACCOUNTING POLICIES (continued)

1.4 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.

Charitable activities are costs incurred in the Academy's educational operations.

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.

All resources expended are inclusive of any irrecoverable VAT where applicable.

1.5 Going concern

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

1.6 Tangible fixed assets and depreciation

All assets costing more than £5,000 are capitalised.

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 are carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy's depreciation policy.

A review of impairment of a fixed asset is carried out if events or changes in circumstances indicate the value of the asset may not be recoverable.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold land	-	125 years straight line
Long term leasehold property	-	30 years straight line
Premises improvement	-	30 years straight line
Motor vehicles	-	10 years straight line
Fixtures and fittings	-	3-10 years straight line
Computer equipment	-	3 years straight line

1.7 Operating leases

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

1.8 Taxation

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

1. ACCOUNTING POLICIES (continued)

1.9 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 23, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy in separate Trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the 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 vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

1.10 Conversion to an academy trust

With the exception of the long leasehold property, the assets and liabilities transferred on conversion from Alec Hunter Humanities College to an Academy trust 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 Academy. The long leasehold property has been transferred in at valuation based upon expected replacement cost. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the Statement of Financial Activities and analysed under unrestricted funds and restricted fixed asset funds.

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.

Further details of the transaction are set out in note 22.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

2. OTHER VOLUNTARY INCOME

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Assets received on conversion	746,332	4,540,055	5,286,387	(1,261,242)
Donations	129,872	465,418	595,290	899,480
Grants	-	199,579	199,579	33,040
Subtotal	129,872	664,997	794,869	932,520
Voluntary income	876,204	5,205,052	6,081,256	(328,722)

3. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Hire of facilities	66,161	-	66,161	34,732
Catering	595,794	-	595,794	505,824
Other activities	493,895	-	493,895	239,218
	1,155,850	-	1,155,850	779,774

4. INVESTMENT INCOME

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Bank interest	8,573	-	8,573	7,539

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
DfE/EFA grants				
General Annual Grant (GAG)	-	12,446,687	12,446,687	12,251,341
Other DfE / EFA grants	-	553,495	553,495	535,017
Startup grants	-	25,000	25,000	25,000
	-	13,025,182	13,025,182	12,811,358
Other government grants				
Local authority grants	-	379,765	379,765	1,870,128
	-	379,765	379,765	1,870,128
	-	13,404,947	13,404,947	14,681,486

6. OTHER INCOMING RESOURCES

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Other income	68,017	-	68,017	18,139

7. GOVERNANCE COSTS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Internal audit costs	-	1,200	1,200	1,825
Statutory auditors' remuneration	-	12,000	12,000	6,000
Auditors' non audit costs	-	2,350	2,350	4,500
Academy costs	-	42,165	42,165	24,063
Governors' training	-	998	998	1,045
	-	58,713	58,713	37,433

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

8. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff costs 2013 £	Premises 2013 £	Other costs 2013 £	Total 2013 £	Total 2012 £
Provision of education - direct costs	7,942,664	-	1,487,950	9,430,614	10,689,468
Provision of education - support costs	2,174,009	1,459,943	1,510,077	5,144,029	4,254,157
Charitable activities	<u>10,116,673</u>	<u>1,459,943</u>	<u>2,998,027</u>	<u>14,574,643</u>	<u>14,943,625</u>
Governance	-	-	58,713	58,713	37,433
	<u>10,116,673</u>	<u>1,459,943</u>	<u>3,056,740</u>	<u>14,633,356</u>	<u>14,981,058</u>

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

9. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
DIRECT COSTS				
Wages and salaries	-	6,552,563	6,552,563	7,112,940
National insurance	-	546,825	546,825	521,892
Pension cost	-	843,276	843,276	1,001,072
Educational supplies	-	1,050,371	1,050,371	1,549,088
Examination fees	-	220,802	220,802	224,979
Staff development	-	27,268	27,268	41,769
Technology costs	-	36,854	36,854	41,811
Educational consultancy	-	730	730	628
Transport	-	16,407	16,407	18,634
Supply teaching	-	135,518	135,518	51,299
	-	9,430,614	9,430,614	10,564,112
SUPPORT COSTS				
Wages and salaries	218,041	1,543,008	1,761,049	1,380,959
National insurance	4,341	41,406	45,747	51,815
Pension cost	27,773	339,440	367,213	162,920
Depreciation	-	278,584	278,584	121,758
LGPS FRS interest adjustment	-	131,000	131,000	130,000
Technology costs	-	350,044	350,044	210,037
Travel and subsistence	-	32,405	32,405	25,220
Other costs	-	279,500	279,500	275,470
Recruitment and support	-	113,861	113,861	50,354
Maintenance of premises and equipment	-	835,681	835,681	841,058
Cleaning	-	59,907	59,907	28,394
Rates	-	48,178	48,178	46,241
Energy	-	216,402	216,402	166,535
Insurance	-	12,267	12,267	148,625
Security	-	10,624	10,624	23,513
Catering	418,514	-	418,514	384,125
Occupancy costs	-	56,148	56,148	51,190
Bank interest and charges	-	9,290	9,290	5,323
Telephone expenses	-	20,597	20,597	14,861
Printing, postage and stationery	-	97,018	97,018	179,375
	668,669	4,475,360	5,144,029	4,297,773
	668,669	13,905,974	14,574,643	14,861,885

Period ended 31 August 2013 includes the 15 months results from Saffron Walden County High School. The year ended 31 August 2013 includes the 12 months results from Saffron Walden County High School and the 5 months results from Alec Hunter Academy.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

10. NET INCOMING RESOURCES / (RESOURCES EXPENDED)

This is stated after charging:

	2013 £	2012 £
Depreciation of tangible fixed assets: - owned by the charity	278,584	121,758
Auditors' remuneration non -audit	12,000	6,000
Internal audit costs	1,200	1,825
	<u>291,784</u>	<u>129,583</u>

11. STAFF COSTS

Staff costs were as follows:

	2013 £	2012 £
Wages and salaries	8,313,612	8,493,899
Social security costs	592,572	573,707
Other pension costs (Note 23)	1,210,489	1,163,992
	<u>10,116,673</u>	<u>10,231,598</u>
Supply teacher costs	135,518	51,299
	<u>10,252,191</u>	<u>10,282,897</u>

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

	2013 No.	2012 No.
Teachers	198	131
Administration and support	184	133
Management	11	9
	<u>393</u>	<u>273</u>

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

	2013 No.	2012 No.
In the band £ 60,001 - £ 70,000	5	2
In the band £ 80,001 - £ 90,000	1	0
In the band £110,001 - £120,000	1	1
	<u>7</u>	<u>3</u>

6 of the above employees participated in the Teachers Pensions Scheme during the year ended 31 August 2013. The Academy made contributions of £49,475 (2012: £49,652) for these members of staff during the period. The other member of staff participated in the Local Government Pension Scheme and contributions of £275 (2012: £nil) were made for this member of staff during the period.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

12. GOVERNORS' REMUNERATION AND EXPENSES

The Headteacher and other staff Governors of SAT only receive remuneration in respect of services they provide undertaking the roles of Headteacher and staff, and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the Academy in respect of their role as Governors. The value of Governors' remuneration fell within the following bands:

		15 months period ended 31 August
	2013	2012
	£'000	£'000
Mr J Hartley	110-115	140-145
Mr M. Hansard	35-40	55-60
Mr N Lee	40-45	45-50

During the year, no Governors received any benefits in kind (2012 - £nil).

During the year ended 31 August 2013, expenses totalling £1,136 (2012 - £2,237) were reimbursed to 2 Governors (2012 - 4).

13. CENTRAL SERVICES

Central services were not in operation during the period. A new Finance Director was appointed in August 2013 and will begin operating central services from 1 September 2013.

14. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £2,000,000.

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

15. TANGIBLE FIXED ASSETS

	Freehold property £	Long term leasehold £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 September 2012	-	378,400	44,536	205,550	82,221	710,707
Additions	1,101,939	-	-	-	251,505	1,353,444
Transferred on conversion	-	6,000,000	-	78,477	117,578	6,196,055
At 31 August 2013	1,101,939	6,378,400	44,536	284,027	451,304	8,260,206
Depreciation						
At 1 September 2012	-	12,613	6,742	70,258	32,145	121,758
Charge for the year	-	130,391	6,742	80,577	60,975	278,685
At 31 August 2013	-	143,004	13,484	150,835	93,120	400,443
Net book value						
At 31 August 2013	1,101,939	6,235,396	31,052	133,192	358,184	7,859,763
At 31 August 2012	-	365,787	37,794	135,292	50,076	588,949

16. DEBTORS

	2013 £	2012 £
Trade debtors	66,808	7,313
Other debtors	591,228	151,639
Prepayments and accrued income	70,529	354,559
	<u>728,565</u>	<u>513,511</u>

**17. CREDITORS:
Amounts falling due within one year**

	2013 £	2012 £
Trade creditors	669,850	357,688
Funds held on behalf of Saffron Educational Trust	-	468,074
Other creditors	392,559	266,765
Accruals	1,326,123	26,992
	<u>2,388,532</u>	<u>1,119,519</u>

Funds held on behalf of SET have been treated as a loan and capitalised during the period.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

18. STATEMENT OF FUNDS

	Brought forward £	Incoming resources £	Resources expensed £	Transfers in/out £	Gains- (Losses) £	Carried forward £
Unrestricted funds						
General funds	313,565	2,108,644	(668,669)	-	-	1,753,540
Restricted funds						
	Brought forward £	Incoming resources £	Resources expensed £	Transfers in/out £	Gains- (Losses) £	Carried forward £
General Annual Grant (GAG)	1,300,239	12,446,688	(11,832,448)	(1,405,522)	-	508,957
Start up grant	-	25,000	(25,000)	-	-	-
Other government grants	243,925	757,751	(757,751)	-	-	243,925
Educational visits	58,398	465,419	(523,817)	-	-	-
Saffron Alliance	-	105,319	(105,319)	-	-	-
Pension reserve	(2,804,000)	(1,655,000)	(172,000)	-	(307,000)	(4,938,000)
	(1,201,438)	12,145,177	(13,416,335)	(1,405,522)	(307,000)	(4,185,118)
Restricted fixed asset funds						
	Brought forward £	Incoming resources £	Resources expensed £	Transfers in/out £	Gains- (Losses) £	Carried forward £
Fixed asset fund	537,771	6,195,054	(278,584)	1,405,522	-	7,859,763
Capital maintenance fund	-	247,847	(247,847)	-	-	-
Devolved formula capital	-	21,921	(21,921)	-	-	-
	537,771	6,464,822	(548,352)	1,405,522	-	7,859,763
Total restricted funds	(663,667)	18,609,999	(13,964,687)	-	(307,000)	3,674,645
Total of funds	(350,102)	20,718,643	(14,633,356)	-	(307,000)	5,428,185

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18. STATEMENT OF FUNDS (continued)

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

General Annual Grant (GAG)

This represents funding from the EFA to cover the costs of recurrent expenditure.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2013.

Start up grant

This represents the grant to aid with start up costs for the Academy on conversion

Pension reserve

This represents the Academy's share of the deficit on the Local Government Pension Scheme (LGPS) transferred to the Academy on conversion from the state controlled school.

Saffron Alliance

This represents income received to be used for teacher training courses.

Capital maintenance fund

The capital maintenance fund relates to capital grants for specific projects.

Restricted fixed asset fund

Restricted fixed funds are resources which are to be applied to specific capital purposes imposed by the DfE which are to be applied to specific capital purposes imposed by the DfE where an asset acquired or omitted is held for a specific purpose.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2013 were allocated as follows:

	Total £
Saffron Walden County High School	1,880,502
Alec Hunter Academy	625,920
Total before fixed asset fund and pension reserve	2,506,422
Restricted fixed asset fund	7,859,763
Pension reserve	(4,938,000)
Total	5,428,185

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18. STATEMENT OF FUNDS (continued)

ANALYSIS OF ACADEMIES BY COST

Expenditure incurred by each Academy during the year was as follows:

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total £
Saffron Walden County High School	6,214,103	2,138,918	1,241,326	2,022,459	11,616,806
Alec Hunter Academy	2,056,058	66,596	196,017	419,194	2,737,865
	<u>8,270,161</u>	<u>2,205,514</u>	<u>1,437,343</u>	<u>2,441,653</u>	<u>14,354,671</u>

SUMMARY OF FUNDS

	Brought forward £	Incoming resources £	Resources expensed £	Transfers in/out £	Gains- (Losses) £	Carried forward £
General funds	313,565	2,108,644	(668,669)	-	-	1,753,540
Restricted funds	(1,201,438)	12,145,177	(13,416,335)	(1,405,522)	(307,000)	(4,185,118)
Restricted fixed asset funds	537,771	6,464,822	(548,352)	1,405,522	-	7,859,763
	<u>(350,102)</u>	<u>20,718,643</u>	<u>(14,633,356)</u>	<u>-</u>	<u>(307,000)</u>	<u>5,428,185</u>

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
Tangible fixed assets	-	-	7,859,763	7,859,763	588,949
Current assets	1,753,540	3,141,415	-	4,894,955	2,984,468
Creditors due within one year	-	(2,388,533)	-	(2,388,533)	(1,119,519)
Provisions for liabilities and charges	-	(4,938,000)	-	(4,938,000)	(2,804,000)
	<u>1,753,540</u>	<u>(4,185,118)</u>	<u>7,859,763</u>	<u>5,428,185</u>	<u>(350,102)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 £	2012 £
Net incoming resources before revaluations	6,085,287	258,898
Returns on investments and servicing of finance	(15,723)	(2,415)
Assets transferred on conversion	(6,196,055)	1,790,872
Depreciation of tangible fixed assets	278,685	121,758
Increase in debtors	(215,055)	(513,511)
Increase in creditors	1,269,014	1,119,519
FRS 17 pension interest adjustment (Alec Hunter Academy)	1,655,000	130,000
FRS 17 adjustments	172,000	(7,000)
Net cash inflow from operations	3,033,153	2,898,121

21. ANALYSIS OF CHANGES IN NET FUNDS

	1 September 2012 £	Cash flow £	Other non-cash changes £	31 August 2013 £
Cash at bank and in hand:	2,470,957	1,695,432	-	4,166,389
Net funds	2,470,957	1,695,432	-	4,166,389

22. CONVERSION TO AN ACADEMY TRUST

On 1 April 2012 Alec Hunter Humanities College converted to Academy Trust Status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Saffron Academy Trust from Essex County Council 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 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 Statement of Financial Activities.

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
Freehold/leasehold land and buildings	-	-	6,000,000	6,000,000
Other tangible fixed assets	-	-	196,055	196,055
Budget surplus on Local Authority funds	746,332	-	-	746,332
LGPS pension deficit	-	(1,655,000)	-	(1,655,000)
Net assets/(liabilities)	746,332	(1,655,000)	6,196,055	5,287,387

The above net liabilities include £746,332 that was transferred as cash.

On conversion Essex County Council granted a 125 year lease in relation to the leasehold land and buildings.

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NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS

The Academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Essex County Council. Both are defined benefit schemes.

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

Contributions amounting to £99,410 were payable to the scheme at 31 August 2013 (2012 - £90,994) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. 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.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers 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, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was 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 review, 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 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

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**NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS (continued)

Teachers' Pension Scheme Changes

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th ; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall just outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases were to be phased in from April 2012 on a 40:80:100% basis.

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.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate Trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £444,000 (2012 - £409,000), of which employer's contributions totalled £342,000 (2012 - £315,000) and employees' contributions totalled £102,000 (2012 - 94,000). The agreed contribution rates for future years are 18.6% for employers and between 5.5% and 7.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of Academy closure, outstanding local government pension scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

As described in note 22 the LGPS obligation relates to the employees of the Academy, 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. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy at the balance sheet date.

The amounts recognised in the Balance Sheet are as follows:

	2013 £	2012 £
Present value of funded obligations	(6,245,000)	(3,539,000)
Fair value of scheme assets	1,307,000	735,000
Net liability	<u>(4,938,000)</u>	<u>(2,804,000)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS (continued)

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

	2013 £	2012 £
Current service cost	(383,000)	(308,000)
Interest on obligation	(179,000)	(172,000)
Expected return on scheme assets	48,000	42,000
Total	(514,000)	(438,000)
 Actual return on scheme assets	 141,000	 48,000

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

	2013 £	2012 £
Opening defined benefit obligation	3,539,000	-
Current service cost	383,000	308,000
Interest cost	179,000	172,000
Contributions by scheme participants	102,000	94,000
Actuarial Losses	400,000	614,000
Benefits paid	(13,000)	(68,000)
Present value of defined benefit obligation on conversion	1,655,000	2,419,000
 Closing defined benefit obligation	 6,245,000	 3,539,000

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

	2013 £	2012 £
Opening fair value of scheme assets	735,000	-
Expected return on assets	48,000	42,000
Actuarial gains and (losses)	93,000	5,000
Contributions by employer	342,000	315,000
Contributions by employees	102,000	94,000
Benefits paid	(13,000)	(68,000)
Fair value of scheme assets on conversion	-	347,000
 Total	 1,307,000	 735,000

The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities was £307,000 (2012 - £609,000).

The Academy expects to contribute £453,000 to its defined benefit pension scheme in 2014.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2013	2012
Equities	65.00 %	68.00 %
Gilts	8.00 %	6.00 %
Other bonds	9.00 %	9.00 %
Property	11.00 %	13.00 %
Cash	3.00 %	4.00 %
Alternative assets	4.00 %	- %

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**NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS (continued)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2013	2012
Discount rate for scheme liabilities	4.70 %	3.90 %
Expected return on scheme assets at 31 August	5.80 %	5.20 %
Rate of increase in salaries	4.70 %	3.70 %
Rate of increase for pensions in payment / inflation	2.90 %	1.90 %
Inflation assumption (CPI)	2.90 %	1.90 %
Inflation assumption (RPI)	3.70 %	2.70 %

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

	2013	2012
Retiring today		
Males	22.7	22.7
Females	25.3	25.3
Retiring in 20 years		
Males	24.2	24.1
Females	26.9	26.8

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	2013 £	2012 £
Defined benefit obligation	(6,245,000)	(3,539,000)
Scheme assets	1,307,000	735,000
Deficit	(4,938,000)	(2,804,000)
Experience adjustments on scheme assets	93,000	5,000

24. OPERATING LEASE COMMITMENTS

At 31 August 2013 the Academy had annual commitments under non-cancellable operating leases as follows:

	2013 £	2012 £
Expiry date:		
Within 1 year	98,244	-
Between 2 and 5 years	66,401	24,362
After more than 5 years	1,298	-

25. RELATED PARTY TRANSACTIONS

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