

Grace Academy
(A Company Limited by Guarantee)

Annual Report and Financial Statements

Year ended 31 August 2016

Company Registration Number:
04967658 (England and Wales)

Grace Academy
(A company limited by guarantee)

Contents	Page
Reference and Administrative Details	2
Trustees' Report, incorporating Strategic Report	3
Governance Statement	11
Statement on Regularity, Propriety and Compliance	15
Statement of Trustees' Responsibilities	16
Independent Auditor's Report on the Financial Statements	17
Independent Reporting Accountant's Assurance Report on Regularity	19
Statement of Financial Activities incorporating Income & Expenditure Account	21
Balance Sheet	22
Cash Flow Statement	23
Statement of Accounting Policies	24
Other Notes to the Financial Statements	29

Grace Academy
(A company limited by guarantee)

Reference and Administrative Details

Members

Grace Foundation
T Boxall
Lord Edmiston
Lady Edmiston
S Chase

Trustees

T Boxall
Lord Edmiston (Chairman)
Lady Edmiston
I Baker
G Spicer
S Chase
C Staley – (Appointed 21 September 2016)

Secretary

T Boxall

Senior Management Team

Chief Executive Officer	J Clarke
Principal – GA Solihull	D Gelder (* See Note Below)
Principal – GA Coventry	C Boxall (Resigned 31 August 2016)
Principal – GA Coventry	D Gelder (*Appointed 1 September 2016)
Principal – GA Darlaston	C Salt
Director of Corporate Development	J Wood
Chief Financial Officer	M Ison

Accounting Officer

J Clarke

Registered Office

The Pavilion, Manor Drive, Coleshill, West Midlands, B46 1DL

Company Registration Number

04967658

Internal Auditor

R Turton

Independent Auditors

RSM UK Audit LLP, St Philips Point, Temple Row, Birmingham, B2 5AF

Bankers

National Westminster Bank Plc, Birmingham City Centre, 1 St Philips Place, Birmingham, B3 2PP

Solicitors

Stone King, 16 St. John's Lane, London EC1M 4BS

Grace Academy

(A company limited by guarantee)

Trustees' Report

The trustees of Grace Academy present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2016. The annual report serves the purposes of both a trustees' report and a directors' report under company law. The trust operates 3 secondary academies in the Midlands.

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The trustees of Grace Academy are also the directors of the charitable company for the purposes of company law. The charitable company is known as Grace Academy.

Details of the trustees who served during the year are included in the Reference and Administrative Details starting on page 2.

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 amount as may be required, not exceeding £10 for the debts and liabilities contracted before they ceased to be a member.

Trustees and Governors Indemnities

The charitable company has taken out professional indemnity insurance which provides cover for trustees and governors for liabilities arising from negligent acts, errors and omissions committed in good faith during the year. In addition the charitable company has also taken out Fidelity Guarantee insurance to cover losses caused by the dishonesty of Governors. Both of these policies have maximum insured limits which are reviewed on an annual basis.

Method of Recruitment and Appointment or Election of Trustees

In accordance with our Articles of Association the Principal Sponsor, Grace Foundation, is allowed to appoint up to five Members/Trustees as well as being a Member in its own right whilst the Secretary of State is allowed to appoint one Member/Trustee. Existing Members can appoint additional Members, if they so require, by a unanimous resolution. Recruitment of new Members/Trustees is usually carried out on an "as required" basis. The "as required" basis could be either numerical or skills based depending on the Trust requirement.

The names of the Members/Trustees who held office and served during the year are listed on page 2.

Policies and Procedures Adopted for the Induction and Training of Trustees

The training and induction provided for new Members/Trustees will depend on their existing experience and skill sets. All new Members/Trustees will have a welcome to the Trust meeting which will include a formal induction session part of which will be to identify additional training needs and agreement reached as to how the identified training needs can be fulfilled. Other specific areas for discussion will include educational, legal and financial matters plus a discussion as to how the Member/Trustee role fits into the "bigger picture".

Organisational Structure

The Members and Trustees are responsible for setting strategic direction and policy for the Trust at a corporate level across the group of Academies. The trustees approve a Scheme of Delegation which covers key functions and levels of responsibility for Trustees, Local Governors and sub committees members in terms of Governance and levels of responsibility for senior staff in terms of Leadership and Management.

Grace Academy

(A company limited by guarantee)

Trustees' Report

The Grace Academy Governing Board is the main Governing Body across all Academies in the single Trust. It has standing sub-committees in each Academy, these committees operate under a Scheme of Delegation which is reviewed and approved by the trustees.

The committees are:

- Local Governing Bodies (Darlaston) – this has a focus on teaching and learning including all educational matters within the academy.
- Academy Improvement Board (Solihull and Coventry) – this is a short term group designed to bring specialist educational knowledge into the Trust and provide challenge to the Principal to enable rapid improvement of educational outcomes at each location.
- Standards and Improvement Committee at Darlaston – this is primarily concerned about provision and outcomes for students.
- Finance Committee – primary focus on finance, audit and risk.
- Personnel Committee – primary focus on staff matters including equality, training, development and welfare.
- Staffing Committee – used as and when required to manage matters regarding reorganisation or restructuring.

Local Governors and committee members are appointed in accordance with the articles of association to be responsible for the affairs of the company and the management of the Academies under the terms of the Scheme of Delegation along with senior staff.

Leadership and management across the Trust is delegated by trustees to the Chief Executive Officer except. The Chief Executive Officer is supported by the Principals, Director of Corporate Compliance and the Chief Finance Officer.

The leadership structure within each Academy consists of an Academy Leadership Team, which is led by the Principal and includes Vice Principals, Assistant Principals, Administration Manager and Finance Manager.

The Academy Leadership Team (ALT) is responsible for the day to day operation of the Academy, in particular organising the teaching staff, facilities and students. Some spending control is also devolved to Heads of Faculty or Department.

The Chief Executive Officer is the Accounting Officer for the Trust.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

The Trust Board makes decisions regarding the setting of pay and remuneration of the key management personnel of the Trust. They consider directly the pay of the CEO on an annual basis. They delegate the appraisal and performance management of the Principals and Directors to the CEO who then makes recommendations to the Board regarding pay. It is the Board that makes the decisions regarding the pay and remuneration of these senior colleagues on an annual basis.

Related Parties and Other Connected Charities and Organisations

Grace Academy is one Trust with four trading names, Grace Academy, Grace Academy Solihull, Grace Academy Coventry and Grace Academy Darlaston.

The trust had the following relationships with Connected Charities and Organisations:

- Purchasing educational support services from Sponne School, an Academy rated "Outstanding" by Ofsted.
- Purchased the services of Christine Staley, headteacher of Guilsborough School, who served as the "Chair" of the Coventry AIB during the year.

For information relating to related parties and to the value of transactions associated with them please see the notes to the accounts.

Grace Academy

(A company limited by guarantee)

Trustees' Report

Objectives and Activities

Objects and Aims

The principal object and activity of Grace Academy is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, operating and developing secondary schools offering a broad curriculum with a strong emphasis on business and enterprise and their principal applications.

The trustees confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives.

In accordance with the articles of association, the company has adopted a "Scheme of Governance" approved by the Secretary of State for Education. The Scheme of Governance specifies, amongst other things, the basis for admitting students to each Academy location, the catchment areas from which the students are drawn and that the curricula should comply with the substance of the national curriculum with an emphasis on business and enterprise and their practical application.

The sole activity of the company is the operation of Academies, currently based in the following locations: Solihull, Coventry and Darlaston, to provide education for students of different abilities between the ages of 11 and 19 with an emphasis on business and enterprise. The main objectives of the Trust and its Academies are summarised below:

- to raise the standard of educational achievement of all students;
- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition, safeguarding and care;
- to improve the effectiveness of each Academy by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- to maintain close links with industry and commerce; and
- to conduct our business in accordance with the highest standards of integrity, probity and openness.

Objectives, Strategies and Activities

Grace Academy's main strategy is encompassed in its vision statement which is 'our vision is to develop well educated, considerate and caring citizens with a strong sense of values who will succeed and contribute to modern society'. The activities provided which place 'students at the heart' include:

- wide ranging and innovative learning opportunities for all students and the community;
- improvement in the achievement and the aspiration of students;
- development opportunities for all staff;
- developing strong and meaningful links with business in line with the Academies' specialism;
- a programme of extended school and lifelong learning activities for students and the community; and
- a supportive and developmental ethos based on Christian values and standards to guide and develop the 'whole person' and address the every child matters agenda.

Public Benefit

The Trust has complied with its duty to have due regard to the guidance on public benefit as per Appendices GL49 of Charities SORP and section 17 of the Charities Act 2011.

"Public benefit entities are reporting entities whose primary objective is to provide goods or services for the general public or social benefit where any equity has been provided with a view to supporting that primary objective rather than with a view to providing a financial return to shareholders."

This is continually monitored by the Trust through its delegated committees.

Grace Academy

(A company limited by guarantee)

Trustees' Report

Equal Opportunities Policy

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

Disabled Persons

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the Academy. The policy of the Academy is to support recruitment and retention of students and employees with disabilities. The Academy does this by adapting the physical environment, by making support resources available and through training and career development.

Employee Involvement

The organisation consults and shares information with employees via:

- employee representatives;
- regular staff briefings;
- use of internal and external "gateways" and websites for posting policies and procedures for all to see and follow;
- posting minutes of Governing Board on the trust's external website.

Grace Academy
(A company limited by guarantee)

Trustees' Report

Strategic Report

Achievements and Performance

Grace Academy Solihull

Grace Academy Solihull is a non-selective secondary school with Business and Enterprise specialist status and a Christian ethos. It serves the community of Chelmsley Wood and the surrounding area and has its own admission policy. There is significant growth in student numbers as more and more parents are choosing to send their children to Grace Academy Solihull.

Overall, standards of achievement at the Academy have continued to improve tremendously during 2015-16 with a significant increase in all of the performance measures including 5 A*-C including English and Mathematics GCSE that reached 68% in 2016 (from 34% in 2014). There has been significant improvement in core subjects in both English and Mathematics where standards are well above national expectations. Results for students in the Sixth Form have improved from the already high standard last year with 100% achieving at least one A level and an average point score of 200.

An Ofsted inspection took place in March 2015 and the academy was judged to have made significant improvement moving to requiring improvement. This has been achieved due to rigorous improvement plans that have been strategically led by the relatively new Principal and the Academy Improvement Board that has been implemented on a temporary basis in place of the Local Governing Body. The Ofsted inspection was followed by a routine HMI visit in July 2015 and September 2016 that concluded that very positive improvement has continued to take place and is on track to be 'good' at its next inspection.

Grace Academy Coventry

Grace Academy Coventry is a non-selective secondary school with Business and Enterprise specialist status and a Christian ethos. It serves the community of North Coventry and has its own admission policy.

Overall, standards of achievement at the Academy made a significant improvement on the previous year using the government's new performance measures for attainment: 53% gained A*-C in English and Mathematics up from 49% the previous year. Students achieved particularly well in English with 70% gaining a grade A*-C, up 29% from 2013. Outcomes in Mathematics improved significantly to 60% A*-C from 49% in 2014. Many students are making good progress but this still remains an aspect in need of improvement. The trend at A level is upwards over the past three years.

The Academy had an Ofsted inspection in January 2016 where it was judged to require improvement. This was extremely pleasing given that previously it had been in special measures. Tremendous hard work has taken place with the appointment of a Principal in January 2014 who left the academy in the summer of 2016. An Ofsted monitoring visit took place in October 2016 which noted the improvement that had taken place during the first four weeks of the new term.

Grace Academy Darlaston

Grace Academy Darlaston is a non-selective secondary school with Business and Enterprise specialist status and a Christian ethos. It serves the community of Darlaston and some surrounding areas and has its own admission policy. There is significant growth in student numbers as more and more parents are choosing to send their children to Grace Academy Darlaston.

The overall achievement of students in the Academy improved significantly in 2016 with 47% achieving the new A*-C English and Mathematics GCSE measure. Standards in English improved significantly to 60% of students gaining an A*-C grade (was 47% in 2015) and also in Mathematics at 66% (was 54% the previous year). Rates of progress have improved throughout the Academy. Results for students in the Sixth Form have improved significantly over the past three years.

The Academy had an Ofsted inspection in May 2015 where it was found to require improvement. The team recognised the tremendous improvement that has taken place in some aspects judging both behaviour and leadership and management to be good. The Academy is now well placed to see this increased capacity in the quality of provision translated into even more effective outcomes for students in future years.

Grace Academy
(A company limited by guarantee)

Trustees' Report

Key Performance Indicators

GCSE Performance Measures 2016:

	Grace Academy Coventry	Grace Academy Darlaston	Grace Academy Solihull
Attainment 8	42.6	45.9	49.3
Progress 8	-0.6	0.0	0.0
A*-C English & Maths	53%	51%	70%
EBacc Achievement	1%	17%	0%
EBacc Entered	18%	22%	1%
Pupil Destinations	88%	85%	84%

Going Concern

After making appropriate enquiries the trustees have a reasonable expectation that the academy 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 financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Grace Academy

(A company limited by guarantee)

Trustees' Report

Financial Review

Most of the Academy's income is obtained from the EFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the statement of financial activities.

During the year the Academy received capital grants from the EFA of £1,716,000. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the year ended 31 August 2016, total expenditure was £18,037,000 (2015: £19,525,000). Included in this expenditure was depreciation of £2,697,000 (2015: £2,714,000) and a charge of £114,000 (2015: £7,000) relating to adjustments for pension costs charged to current year expenditure. If these two items were eliminated then recurrent expenditure would be £15,226,000 (2015: £16,804,000) compared to income of £14,927,000, excluding capital grants of £1,716,000 (2015: £15,853,000).

At 31 August 2016 the net book value of fixed assets was £70,093,000 (2015: £72,624,000) and movements in tangible fixed assets are shown in note 14 to the financial statements. The assets were used exclusively in providing education and the associated support services to the students of the Academy.

Reserves Policy

The trustees review the level of reserves annually. This review encompasses the nature of income and expenditure stream, the need to match income with commitments and the nature of reserves.

The policy of trustees is to build reserves to meet any statutory liabilities, to provide an adequate level of working capital for the academies and to build reserves which can be used for future educational purposes or objectives of the Trust.

The Trust funding agreement with the Secretary of State enables the Trust to "pool" monies received to impact educational outcomes as the Trust "deem fit". The level of GAG reserves available to be used for future educational purposes is £1,059,000 (2015: £1,337,000).

Investments Policy

The trustees have a conservative outlook to investments and are content to look at investments with minimal risk. The investment strategy is to use a "sweep" facility to move cash in excess of £10,000 into a consolidated special interest bearing account on which an enhanced interest rate is paid. In addition to this a money market call account is used to invest sums not required in the short time to improve the level of return obtained on funds held. This strategy together with the lack of transitional bank charges on our current accounts leaves us to believe we are getting a satisfactory return on the excess cash we hold.

Grace Academy

(A company limited by guarantee)

Trustees' Report

Principal Risks and Uncertainties

The principal financial focus affecting each academy has been to understand the low intake in Year 7 student numbers in the past and how we can increase this in future years. Work has been undertaken to identify market trends, demographics in each local authority, our offer, our reputation, our competition and to work out strategies that will increase the student numbers choosing Grace Academy. This work has impacted on student numbers and these have significantly increased at Grace Academy Darlaston and Solihull.

A continuing risk is our pension liability, valued in line with FRS102, which continues to cause concern for Grace Academy, as it does with all other academies in the UK. Note 28 to the accounts explains these commitments more clearly and shows that as at 31 August 2016 we had a shortfall of £5,822,000 (2015: shortfall of £2,671,000) for the West Midlands Metropolitan Authorities Pension Fund, an increase of £3,151,000 during the year.

Plans for future periods

The Trust continues to focus on its key objective of improving student performance and raising aspirations in areas of relatively high deprivation. Operationally the focus is on improving the quality of teaching taking place in each of its academies with a strong held belief that improvements in the quality of teaching will improve both the pace of improvement and the academic outcomes for our students. Each academy has its own challenges in raising standards and to development the "whole person" so as the students become caring, confident and compassionate citizens. The Trustees, Governors and Grace Academy Staff are committed to this objective.

Auditors

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

It is proposed that for the external audit services required by the Charitable Company for the next three years, with an option for a further two year period, will be the subject of a tender process to be held during the first quarter of 2017. RSM UK Audit LLP have expressed a willingness to continue in office and as such will be invited to tender for reappointment.

The report of the Trustees, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 14 December 2016 and signed on the board's behalf by:



Lord Edmiston
Chair of Trustees

Grace Academy

(A company limited by guarantee)

Governance Statement

Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that Grace 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 trustees have delegated the day to day responsibility to the Chief Executive Officer, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Grace Academy Trust and the Secretary of State for Education. The Chief Executive Officer is also responsible for reporting to the trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Trustees' responsibilities statement.

The board of trustees has several committees that each focus on specific aspects associated with effective governance. These include Finance, Personnel, Staffing, Appeals, Local Governing Bodies, and Academy Interim Board.

The board of trustees has met 4 times during the year. The main challenge of the Governing Board was to ensure that all three academies in the group become more effective though the improvement in outcomes for students. As part of this, the Board considered and discussed the challenges of students numbers both when these increase and decrease along with the 'requires improvement' Ofsted judgement at Grace Academy Solihull and Darlaston. In addition to this, the Board planned for the next stage of development at Coventry following its removal from special measures in January 2016.

The board of trustees also commissioned a review of governance across the group. This review supported the current structure and made some recommendations regarding further clarification of roles and expectations which the board is keen to implement.

Attendance during the year at meetings of the board of trustees was as follow:

Name	Appointed	Resigned	Possible Meetings	Number of Meetings Attended
T Boxall	18/11/2003	N/A	4	4
S Chase	17/10/2014	N/A	4	4
T Edmiston	18/11/2003	N/A	4	4
R Edmiston	18/11/2003	N/A	4	4
G Spicer	12/06/2014	N/A	4	4
I Baker	22/01/2013	N/A	4	4

No new trustees were appointed and none resigned in the period indicated above.

The board of trustees regularly reviews its membership to ensure a good level of experience exists at this level.

Grace Academy

(A company limited by guarantee)

Governance Statement

The Finance Committee met at least 6 times in the year. The principal functions of this committee included but was not limited to:

- Acting as the Audit Committee and oversee the preparation, presentation and submission of the annual accounts;
- To appoint and oversee all arrangements pertaining to internal and external audit;
- To oversee the setting, monitoring and reporting of the group academy budget and financial procedures.

Name	Possible Meetings	Number of Meetings Attended
T Boxall	6	6
G Spicer	6	4
I Baker	6	6
R Turton	6	4
J Clarke*	6	4

Note* - J Clarke is in attendance when the committee discusses audit matters by invitation only.

Each Academy has a Local Governing Body (LGB) except where the board of trustees has put in place an Academy Improvement Board (AIB) on a temporary basis to help drive up standards and achievement more rapidly. The board of trustees suspended the LGB at Grace Academy Solihull as from 31 August 2014 and put an AIB to replace this as from 1 September 2014. The board of trustees suspended the LGB at Grace Academy Coventry as from 18 January 2015 and put an AIB to replace this as from 19 January 2015.

These groups are accountable for ensuring that high quality provision leading to high outcomes exists by working closely with the Principal and senior leaders in their academy. They meet on at least 6 occasions a year although the AIB at both Grace Academy Solihull and Grace Academy Coventry met much more frequently than this.

Review of Value for Money

The educational focus of the trust continues to be ensuring that our students achieve the highest level of success that they are able to. Each Academy has improved its overall educational performance since becoming a part of the Trust, however significant challenges remain as to the pace of improvement, the comparison with the national benchmarks for academies achievement and the individual performance of a cohort within a particular academic year. The Grace Academy Trust remains fully committed to the sustainable improvement and transformation of educational standards and performance in the Academies to ensure that each Academy delivers good and outstanding educational performance. In addition Grace is committed to developing the whole student to be a "considerate and inspiring individual who contributes to society" and any students have realised goals and ambitions in line with this aim over the past twelve months.

To ensure that the operation of the Trust demonstrates good value for money and efficient and effective use of resources, the Trust regularly benchmarks financial performance of each academy against other academies.

Tender exercises are carried out to ensure that high value contracts are assessed against the marketplace on a regular basis to ensure that long term contracts remain competitive.

The Trust believes that the academy should be at the heart of the community and to that end the Trust endeavours to ensure that academy facilities are not only used for the benefit of the students but also the wider community. In addition the Trust considers all ways to generate additional income and reliable revenue streams.

Grace Academy

(A company limited by guarantee)

Governance Statement

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust 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 Grace Academy Trust for the period of 1 September 2015 to 31 August 2016 and up to date of the approval of the annual report and financial statements.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. There is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

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

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

In addition, the trustees have considered the guidance for directors of public listed companies contained within the UK Corporate Governance code issued by the London Stock Exchange in June 2010. They believe that although it is not mandatory for the Academy it should, as a publicly funded body, adopt these guidelines as best practice. Accordingly they have set policies on internal controls which cover the following:

- the type of risks the Academy faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks materialising;
- the Academy's ability to reduce the incidence and impact on the Academy's operations of risks that do materialise;
- the costs of operating particular controls relative to the benefits obtained;
- clarified the responsibility of the Academy Leadership Team to implement the governors' policies and to identify and evaluate risks for the governors' consideration;
- explained to employees that they have responsibility for internal control as part of their accountability for achieving objectives;
- embedded the control system in the Academy's operations so that it becomes part of the culture of the Academy;
- developed systems to respond quickly to evolving risks arising from factors within the Academy and to changes in the external environment; and
- included procedures for reporting failings immediately to appropriate levels of management and the governors together with details of corrective action being undertaken.

Grace Academy
(A company limited by guarantee)

Governance Statement

The trustees have considered the need for a specific internal audit function and have decided to appoint R Turton as an internal auditor. The 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 auditor reports to the finance committee and the governing body on the operation of the systems of control and on the discharge of the governing body's financial responsibilities.

These arrangements can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Review of Effectiveness

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

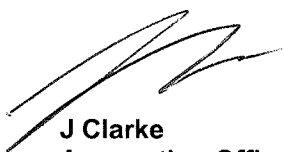
- the work of the Internal Auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of the review of the system of internal control by the Finance and General Purposes Committees and a plan to address any weaknesses identified and ensure continuous improvement of the system is in place.

Approved by the board of trustees on 14 December 2016 and signed on its behalf by:



Lord Edmiston
Chair



J Clarke
Accounting Officer

Grace Academy
(A company limited by guarantee)

Statement of Regularity, Propriety and Compliance

As accounting officer of Grace Academy Trust I have considered my responsibility to notify the academy trust board of trustees 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 board of trustees 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 academies trust 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. If any instances are identified after the date of this statement, these will be notified to the board of trustees and EFA.

Signed



J Clarke
Accounting Officer

14 December 2016

Grace Academy
(A company limited by guarantee)

Statement of Trustees' Responsibilities

The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report (including the Strategic Report) and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees 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 trustees are required to:

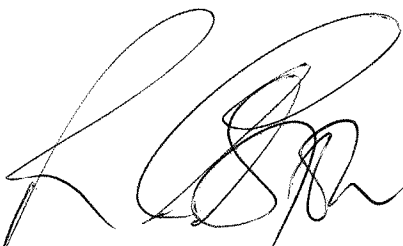
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material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

The trustees 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 trustees are responsible for ensuring that in its conduct and operation the charitable company 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 EFA/DfE have been applied for the purposes intended.

The trustees 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 accounts may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 14 December 2016 and signed on its behalf by:



Lord Edmiston
Chair of Trustees

Grace Academy
(A company limited by guarantee)

**Independent Auditor's Report to the Members of Grace Academy
for the year ending 31 August 2016**

We have audited the financial statements of Grace Academy for the year ended 31 August 2016 on pages 20 to 46. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and the Academies: Accounts Direction 2015/6 issued by the Education Funding Agency.

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 16, the trustees (who act as trustees for the charitable activities of the charitable company, and are also the directors of the charitable company 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 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;
- have been prepared in accordance with the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2015/6 issued by the Education Funding Agency.

Opinion on other requirement of the Companies Act 2006

In our opinion the information given in the Trustees' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grace Academy
(A company limited by guarantee)

**Independent Auditor's Report to the Members of Grace Academy
for the year ending 31 August 2016 (continued)**

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:

- the charity has not kept adequate accounting records, 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



PAUL OXTOBY (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

14 December 2016

Grace Academy
(A company limited by guarantee)

**Independent Reporting Accountant's Assurance Report on Regularity
to Grace Academy and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 14 August 2013 and further to the requirements of the Education Funding Agency ('EFA') as included in the Academies Accounts Direction 2015/6, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Grace Academy during the period 1 September 2015 to 31 August 2016 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 Grace Academy and the EFA in accordance with the terms of our engagement letter dated 14 August 2013. Our work has been undertaken so that we might state to the Grace Academy 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 the Grace Academy and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Grace Academy's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Grace Academy's funding agreement with the Secretary of State for Education and the Academies Financial Handbook extant from 1 September 2015, 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 2015/6. 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 September 2015 to 31 August 2016 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 2015/6 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.

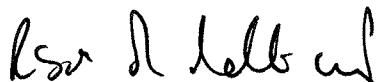
Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Grace Academy
(A company limited by guarantee)

**Independent Reporting Accountant's Assurance Report on Regularity
to Grace Academy 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 period 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

14 December 2016

Grace Academy
(A company limited by guarantee)

**Statement of Financial Activities including Income and Expenditure Account
for the year ended 31 August 2016**

	Note	Un- restricted funds £000	Restricted general funds £000	Restricted fixed asset funds £000	Total 2016 £000	Total 2015 £000
Income from:						
Donations and capital grants	1	92	309	1,716	2,117	264
Charitable activities:						
Funding for the academy trust's educational operations	4	377	13,936	-	14,313	15,404
Other trading activities	2	197	2	-	199	175
Investments	3	14	-	-	14	10
Total Income		680	14,247	1,716	16,643	15,853
Expenditure on:						
Raising funds	6	17	6	-	23	29
Charitable activities:						
Academy trust educational operations	7	641	14,676	2,697	18,014	19,496
Total Expenditure		658	14,682	2,697	18,037	19,525
Net income/(expenditure)		22	(435)	(981)	(1,394)	(3,672)
Transfers between funds	19	-	(25)	25	-	-
Other recognised gains/(losses):						
Actuarial losses on defined benefit pension scheme	24	-	(3,037)	-	(3,037)	(452)
Net movement in funds		22	(3,497)	(956)	(4,431)	(4,124)
Reconciliation of funds						
Total funds brought forward		8	(986)	73,360	72,382	76,506
Total funds carried forward		30	(4,483)	72,404	67,951	72,382

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

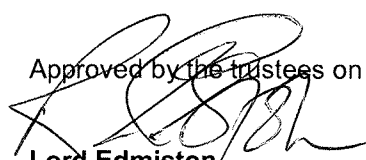
The notes on pages 24 to 46 form part of the financial statements.

Grace Academy
(A company limited by guarantee)
Registered Number 04967658

Balance Sheet as at 31 August 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Intangible assets	13		66		133
Tangible assets	14		70,027		72,491
			70,093		72,624
Current assets					
Stock	15	44		46	
Debtors	16	1,886		598	
Cash at bank and in hand		3,146		3,567	
Total current assets		5,076		4,211	
Creditors – amounts falling due within one year	17	(1,396)		(1,782)	
Net current assets			3,680		2,429
Total assets less current liabilities			73,773		75,053
Defined benefit pension scheme liability	24		(5,822)		(2,671)
Total net assets			67,951		72,382
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	19	72,404		73,360	
Restricted income fund	19	1,339		1,685	
Pension reserve	19	(5,822)		(2,671)	
			67,921		72,374
Total restricted funds:					
Unrestricted income funds					
General fund	19	30		8	
			30		8
Total funds			67,951		72,382

Approved by the trustees on 14 December 2016, authorised for issue and signed on their behalf by:


Lord Edmiston
Trustee


T G K Boxall
Trustee

The notes on pages 24 to 46 form part of the financial statements.

Grace Academy
(A company limited by guarantee)

Statement of Cash Flows
for the year ended 31 August 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net cash (used in) operating activities	23	(570)	(1,332)
Cash flows from investing activities			
Interest		14	10
Capital grants from DfE/EFA		372	55
Purchase of tangible fixed assets		(237)	(449)
		<u> </u>	<u> </u>
Net cash (used in) investing activities		(421)	(1,716)
		<u> </u>	<u> </u>
Cash and cash equivalents at beginning of the year		3,567	5,283
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the year		3,146	3,567
		<u> </u>	<u> </u>

The notes on pages 24 to 46 form part of the financial statements.

Grace Academy
(A company limited by guarantee)

Accounting Policies
for the year ended 31 August 2016

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key resources of estimation uncertainty, is set out below.

Grace Academy is a charitable company. The address of the Trust's principal place of business is given on page 2. The nature of the Academy Trust's operations are set out in the Trustees' Report.

Basis of preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost conversion in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006. In the year, mandatory change to FRS 102 has been implemented. The financial statements were previously prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice 2005. The transition date to FRS 102 was 1 September 2014.

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP (FRS 102) the restatements of comparative items was required. No restatements were required at the transition date or subsequently and therefore a reconciliation of opening balances is not required.

Going concern

The trustees 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 company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

- **Grants**

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expected. Unspent amounts of capital; grants are reflected in the balance in the restricted fixed asset fund.

Grace Academy
(A company limited by guarantee)

Accounting Policies
for the year ended 31 August 2016

- **Sponsorship income**

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

- **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

- **Other income**

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.

- **Donated goods, facilities and services**

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

- **Expenditure on Raising Funds**

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

- **Charitable Activities**

These are costs incurred on the academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

Grace Academy
(A company limited by guarantee)

Accounting Policies
for the year ended 31 August 2016

Intangible Fixed Assets

Intangible fixed assets costing £2,500 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Purchased computer software	25.0%
-----------------------------	-------

Tangible Fixed Assets

Assets costing £2,500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Subsequent costs are capitalised only when it is probable that such costs will generate further economic benefits. All other costs of repairs and maintenance are charged to the SOFA as incurred.

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. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

Long leasehold buildings	2.5%
Equipment	25.0%
Computer equipment	25.0%
Motor vehicles	33.3%
Building improvements	20.0%
Furniture and equipment	25.0%

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.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event. It is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Grace Academy
(A company limited by guarantee)

Accounting Policies
for the year ended 31 August 2016

Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Leased assets

Rentals under operating leases are charged on a straight-line basis over the lease term.

Stock

Unsold uniforms and catering stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

Taxation

The academy trust 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 trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme that 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 quadrennial valuations using a prospective unit credit method. As stated in note 24, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust 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 credit 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 the costs of scheme introductions, benefits changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Grace Academy
(A company limited by guarantee)

Accounting Policies
for the year ended 31 August 2016

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 trustees.

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education Funding Agency/Department for Education.

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the attest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Grace Academy
(A company limited by guarantee)

Accounting Policies
Notes to the Financial Statements
for the year ended 31 August 2016

1	Donations and capital grants	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
	Related Party donations	83	300	383	259
	Miscellaneous grants and donation	9	9	18	5
	Capital grants	-	1,716	1,716	55
		<u>92</u>	<u>2,025</u>	<u>2,117</u>	<u>264</u>
2	Other trading activities	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
	Hire of facilities	87	-	87	88
	Uniform sales	32	-	32	29
	Miscellaneous sales income	78	2	80	58
		<u>197</u>	<u>2</u>	<u>199</u>	<u>175</u>
3	Investment income	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
	Bank interest	14	-	14	10
		<u></u>	<u></u>	<u></u>	<u></u>
4	Funding for the Academy's educational operations	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
	Education Funding Agency (EFA) & Department for Education (DfE) grants				
	General Annual grant (GAG)	-	12,695	12,695	13,724
	Start Up grants	-	45	45	39
	Pupil Premium grants	-	982	982	1,096
	16-19 Bursary grants	-	3	3	25
	Other DfE/EFA grants	-	19	19	74
		<u>-</u>	<u>13,744</u>	<u>13,744</u>	<u>14,958</u>
	Total EFA/DfE grants (cfwd)	-	13,744	13,744	14,958

Grace Academy
(A company limited by guarantee)

**Notes to the Financial Statements
for the year ended 31 August 2016**

4 Funding for the Academy's educational operations (<i>continued</i>)	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
Total EFA/DfE grants (brought forward)	-	13,744	13,744	14,958
Local Authority grants	-	121	121	62
Catering income	264	-	264	267
Income from educational trips and activities	85	-	85	86
Other education-related income	28	71	99	31
	<u>377</u>	<u>13,936</u>	<u>14,313</u>	<u>15,404</u>

5 Expenditure	Staff costs £000	Depreciation £000	Other costs £000	Total 2016 £000	Total 2015 £000
Expenditure on raising funds	-	-	23	23	29
Academies' educational operations	-	-			
Direct costs	9,575	2,639	944	13,158	13,349
Allocated support costs	1,892	127	2,837	4,856	6,147
	<u>11,467</u>	<u>2,766</u>	<u>3,804</u>	<u>18,037</u>	<u>19,525</u>

The method used for the apportionment of support costs is disclosed in the accounting policies on page 24.

Net income/(expenditure) for the year includes:	2016 £000	2015 £000
Operating lease rentals	22	14
Depreciation	2,697	2,714
Amortisation	67	-
Auditors' remuneration:		
Audit of financial statements	21	40
Internal audit and Responsible Officer costs	-	-

Included within expenditure are the following transactions:	2016 £000	2015 £000
Costs of hospitality given	1	-
Loss on disposal of fixed assets	2	-

Grace Academy
(A company limited by guarantee)

**Notes to the Financial Statements
for the year ended 31 August 2016**

6 Expenditure on raising funds

	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
Uniform costs	17	6	23	29
	<u>17</u>	<u>6</u>	<u>23</u>	<u>29</u>

7 Charitable activities: Academies' Educational Operations

	Total 2016 £000	Total 2015 £000
Direct costs – educational operations	13,158	13,349
Support costs – educational operations	4,856	6,147
	<u>18,014</u>	<u>19,496</u>

Analysis of support costs

Support staff costs	1,892	2,827
Depreciation	127	136
Catering	476	558
Technology costs	257	278
Heat and light	318	362
Maintenance of premises and equipment	325	344
Rent, rates and water charges	263	297
Other support costs	1,085	1,254
Governance costs	113	91
	<u>4,856</u>	<u>6,147</u>

Grace Academy
(A company limited by guarantee)

**Notes to the Financial Statements
for the year ended 31 August 2016**

8 Staff costs

The average number of persons (including senior management) employed by Grace Academy during the year ended 31 August 2016 expressed as full time equivalents (headcount) was as follows:

	2016 Number		2015 Number	
Management	30	(33)	30	(31)
Teachers	130	(137)	140	(149)
Educational support and administration	108	(141)	141	(198)
	268	(311)	311	(378)
			2016 £000	2015 £000
Staff costs comprise:				
Wages and salaries			8,678	9,573
Social security costs			770	748
Other pension costs			1,216	1,273
			10,664	11,594
Agency staff			446	558
Seconded staff			98	113
Other staff costs			202	330
			11,410	12,595

Included in other staff costs are non-statutory/non-contractual severance payments totalling £40,250 (2015 - £45,702). The individual amounts were £13,455, £17,000, £4,695 and £5,000 (2015 - £15,072 and £30,000). Eight (2015 - eight) employees earned more than £60,000 (including taxable benefits but excluding employers' pension contributions) during the year ended 31 August 2016. The total emoluments for these employees were in the following ranges:

	2016 Number	2015 Number
£60,001 - £70,000	2	1
£70,001 - £80,000	1	2
£90,001 - £100,000	3	2
£100,001 - £110,000	2	3

Seven (2015: Six) of the employees earning more than £60,000 participated in the Teachers' Pension Scheme. During the year ended 31 August 2016, pension contributions for these staff amounted to £98,415 (2015 - £72,260). One (2015: two) of the employees earning more than £60,000 participated in the West Midlands Metropolitan Authorities Pension Fund. During the year ended 31 August 2016, pension contributions for these staff amounted to £12,861 (2015 - £22,368).

Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer pension contributions and employers national insurance) received by key management personnel for services to the academy trust was £638,304 (2015: £716,769).

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

9 Central services

The academy trust has provided the following central services to its academies during the year:

Payroll and HR services;	Financial services;	Legal services;
Educational support services;	Audit services;	Purchasing and procurement services;
Public relations services;	Insurance;	Community services;
Communications services;	Marketing services;	Governance.

The trust charges for these services based on 6% of the general annual grant (2015: 7.5% of total grant income).

	2016	2015
	£000	£000
The actual amounts charged during the year were as follows:		
Grace Academy Coventry	299	434
Grace Academy Darlaston	247	372
Grace Academy Solihull	235	352
	<hr/> 781 <hr/>	<hr/> 1,158 <hr/>

10 Trustees' and governors' remuneration and expenses

Trustees of the company did not receive any payment from the company (2015: £nil) in respect of their role as trustees. Reimbursement of travel and subsistence expenses amounting to £3,578 were paid to four trustees and governors (2015: One trustee £796).

11 Governor's and officers' liability insurance

In accordance with normal commercial practice, Grace 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 £1,000,000 on any one claim and the cost for the year ended 31 August 2016 was £1,913 (2015: £1,913).

12 Related party transactions

Grace Academy entered into a number of related party transactions which are for the benefit of the trust. During 2014 the trust invited the Education Funding Agency to take a view on related party transactions and their view was "we are fully satisfied that the related party transactions disclosed in the trust's Financial Statements to 31 August 2013 do not represent an improper use of the EFA's funds."

All procurement transactions involving related parties are required to be conducted in accordance with the trust's financial regulations and the EFA's Academies Financial Handbook, and are on a comparable basis to previous years. The following related party transactions took place in the period of account.

- a) Included within incoming resources is £300,000 (2015 - £200,000), gifted by Grace Foundation, a charity set up by Lord Edmiston. Four of the trustees of Grace Academy are also trustees of Grace Foundation.

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

- b) Christian Vision made a gift to Grace Academy of the use of premises. As required by charity accounting, included within incoming resources and within resources expended is £60,270 (2015: £59,040). Christian Vision is a charity set up by Lord Edmiston. Three of the trustees of Grace Academy are also trustees of Christian Vision.
- c) Grace Foundation donated management services to Grace Academy. As required by charity accounting, included within incoming resources and within resources expended is £22,163 (2015: £nil). Grace Foundation is a charity set up by Lord Edmiston. Four of the trustees of Grace Academy are also trustees of Grace Foundation.
- d) Included within administration expenses is £7,242 (2015: £2,317) in respect of the reimbursement at cost of taxable benefits for senior employees incurred on behalf of Grace Academy payable to International Motors Limited, a company which is 100% owned by I.M. Group Limited. The ultimate controlling party is Lord Edmiston, who owns 100% of the issued share capital of I.M. Group Limited. The balance due to this company at 31 August 2016, included within creditors, was £1,293 (2015:£1,087).

13 Intangible fixed assets

	Computer Software £000
Cost	
At 1 September 2015	362
Disposals	(17)
	<hr/>
At 31 August 2016	345
	<hr/>
Amortisation	
At 1 September 2015	229
Charged in year	67
Disposals	(17)
	<hr/>
At 31 August 2016	279
	<hr/>
Carrying amount	
At 31 August 2016	66
	<hr/>
At 31 August 2015	133
	<hr/>

Grace Academy
(A company limited by guarantee)

**Notes to the Financial Statements
for the year ended 31 August 2016**

14 Tangible fixed assets

	Long Leasehold buildings £000	Long Leasehold improvements £000	Motor Vehicles £000	Computer Equipment £000	Furniture & Equipment £000	Total £000
Cost						
At 31 August 2015	83,135	332	130	4,795	3,568	91,960
Additions	85	65	4	12	71	237
Disposals	-	-	(15)	(1,989)	-	(2,004)
Reclassification	-	(114)	3	4	107	-
At 31 August 2016	83,220	283	122	2,822	3,746	90,193
Depreciation						
At 31 August 2015	11,940	164	83	3,976	3,306	19,469
Charge for the year	2,078	78	19	370	152	2,697
Disposals	-	-	(13)	(1,987)	-	(2,000)
Reclassification	-	(29)	1	1	27	-
At 31 August 2016	14,018	213	90	2,360	3,485	20,166
Net book value						
At 31 August 2016	69,202	70	32	462	261	70,027
At 31 August 2015	71,195	168	47	819	262	72,491

Grace Academy leases the land it occupies from Solihull Metropolitan Borough Council, Coventry City Council on long leases of 125 years and Walsall Metropolitan Borough Council on a temporary lease until the formal handover of new premises for a peppercorn rent, if demanded. No such charges have been made in the current year (2015: £nil).

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

15 Stock	2016	2015
	£000	£000
Goods for sale	44	46
	<u>44</u>	<u>46</u>
	<u><u>44</u></u>	<u><u>46</u></u>
16 Debtors	2016	2015
	£000	£000
Trade debtors	16	3
Grants receivable	1,344	122
Prepayments and accrued income	363	270
Other debtors	1	83
HMRC debtor	162	120
	<u>1,886</u>	<u>598</u>
	<u><u>1,886</u></u>	<u><u>598</u></u>
17 Creditors – amounts falling due within one year	2016	2015
	£000	£000
Trade creditors	444	594
Other taxes and social security costs	237	277
Pension costs	156	107
Accruals	235	219
Deferred income	46	31
Other creditors	7	5
EFA creditor	271	549
	<u>1,396</u>	<u>1,782</u>
	<u><u>1,396</u></u>	<u><u>1,782</u></u>
Deferred income	2016	2015
	£000	£000
Deferred income at 1 September 2015	31	19
Resources deferred in the year	46	31
Amounts released from previous years	(31)	(19)
	<u>46</u>	<u>31</u>
	<u><u>46</u></u>	<u><u>31</u></u>

At 31 August 2016 Grace Academy was holding in deferred income funds received in advance for lettings, income received for trips taking place in the next academic year and income for unfulfilled uniform sales.

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

18 Financial Instruments	2016 £000	2015 £000
Financial Assets		
Debt instruments measured at amortised cost	17	86
	<u>17</u>	<u>86</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	679	813
	<u>679</u>	<u>813</u>

19 Funds

The funds of Grace Academy comprise the following balances:

	Balance At 1 September 2015 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance At 31 August 2016 £000
Restricted fixed asset funds	73,360	1,716	(2,697)	25	72,404
Restricted general funds					
General Annual Grant (GAG)	1,337	12,695	(12,929)	(25)	1,078
Other restricted funds	348	1,552	(1,639)	-	261
Pension reserve	(2,671)	-	(114)	(3,037)	(5,822)
Total restricted general funds	(986)	14,247	(14,682)	(3,062)	(4,483)
Total restricted funds	72,374	15,963	(17,379)	(3,037)	67,921
Unrestricted funds					
Unrestricted funds	8	680	(658)	-	30
Total unrestricted funds	8	680	(658)	-	30
Total funds	72,382	16,643	(18,037)	(3,037)	67,951

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

19 Funds (continued)

Funds transfers can be analysed as follows:

	General annual grant (GAG) £000	Other restricted grant £000
GAG used for fixed assets	25	-
	<u>25</u>	<u>-</u>

Funds can be analysed across the three Academy locations as follows:

	Balance At 1 September 2015 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance At 31 August 2016 £000
Grace Academy Coventry	28,943	4,892	(6,017)	-	27,818
Grace Academy Darlaston	22,976	4,389	(5,603)	-	21,762
Grace Academy Solihull	22,050	5,843	(5,107)	-	22,786
Grace Foundation	1,084	839	(515)	-	1,408
Pension reserve	(2,671)	-	(114)	(3,037)	(5,822)
	<u>72,382</u>	<u>15,963</u>	<u>(17,356)</u>	<u>(3,037)</u>	<u>67,952</u>

Notes:

- a. General Annual Grant (GAG) must be used for the normal running costs of an Academy. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.
- b. Other restricted general funds were funded by government grants or donations from sponsors for specific purposes.
- c. Restricted fixed asset funds were funded by government grants or sponsor donations and includes unspent capital grants.

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

19 Funds (continued)

Total cost analysis by academy

	Teaching & Educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs £000	Total 2016 £000	Total 2015 £000
Grace Academy Coventry	3,504	553	152	2,027	6,236	7,068
Grace Academy Darlaston	2,944	456	217	1,976	5,593	6,094
Grace Academy Solihull	2,911	495	219	1,674	5,299	5,904
Grace Foundation Pension reserve	216	388	-	305	909	459
	<u>9,575</u>	<u>1,892</u>	<u>588</u>	<u>5,982</u>	<u>18,037</u>	<u>19,525</u>

20 Analysis of net assets between funds

Fund balances at 31 August 2016 were represented by:

	Unrestricted funds £000	Restricted general funds £000	Restricted fixed asset funds £000	Total £000
Intangible fixed assets	-	-	66	66
Tangible fixed assets	-	-	70,027	70,027
Current assets	30	2,735	2,311	5,076
Current liabilities	-	(1,396)	-	(1,396)
Pension scheme liability	-	(5,822)	-	(5,822)
	<u>30</u>	<u>(4,483)</u>	<u>72,404</u>	<u>67,951</u>

21 Capital Commitments

	2016 £000	2015 £000
Contracted for, but not provided in the financial statements	-	-

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

22 Commitments under operating leases

Grace Academy has total commitments under non-cancellable operating leases as set out below:

	2016 £000	2015 £000
Amounts due within one year	28	12
Amounts due between one and five years	68	33
Amounts due after five years	1	-
	<hr/> 97 <hr/>	<hr/> 45 <hr/>

23 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2016 £000	2015 £000
Net income/(expenditure) for the reporting period (as per the Statement of Financial Activities)	(1,394)	(3,672)
Adjusted for:		
Amortisation (note 13)	67	-
Depreciation (note 14)	2,697	2,714
Loss on disposal of assets	4	-
Capital grants from DfE and other capital income	(1,716)	(55)
Interest receivable	(14)	(10)
Defined benefit pension cost less contributions payable (note 24)	14	59
Defined benefit pension finance costs (note 24)	100	101
	<hr/> (242) <hr/>	<hr/> (863) <hr/>
Operating cash flows before movement in working capital		
Decrease/(increase) in stocks	2	(18)
Decrease in trade and other debtors	56	59
Decrease in trade and other creditors	(386)	(510)
	<hr/> (570) <hr/>	<hr/> (1,332) <hr/>
Net cash used in Operating Activities		

Grace Academy
(A company limited by guarantee)

**Notes to the Financial Statements
for the year ended 31 August 2016**

24 Pension and Similar Obligations

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Midlands Metropolitan Authorities Pension Fund (WMMAPF). 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 2012 and of the LGPS 31 March 2013.

Contributions amounting to £156,000 (2015: £107,000) were payable to the schemes at 31 August 2016 and are included within creditors.

Teachers' Pension Scheme (TPS)

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and from 1 April 2014 by the Teachers' Pensions Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as-you-go' basis, and along with employers' contributions, are credited to the Exchequer.

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2012 in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation being published in June 2014. The key elements of the valuation and subsequent consultations are:

- Total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million
- Value of the notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

During the year the employer contribution rate was 14.1%.

The TPS valuation for 2012 determined an employer rate of 16.4% from 1 September 2015 and an employer cost cap of 10.9%. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £730,000 (2015: £705,000).

Under the definitions set out in Financial Reporting Standard (FRS17) 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 FRS17 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.

Grace Academy
(A company limited by guarantee)

**Notes to the Financial Statements
for the year ended 31 August 2016**

24 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 2016 was £486,000 (2015: £725,000) of which employer's contributions totalled £339,000 (2015: £510,000) and employees' contribution totalled £147,000 (2015: £215,000). The agreed contribution rates for future years are 13.1 per cent for employers and between 5.5 and 12.5 per cent for employees, depending on annual salary.

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.

Principal Actuarial Assumptions

	At 31 August 2016 %	At 31 August 2015 %
Rate of increase in salaries	3.75	4.15
Rate of increase for pensions in payment/inflation	2.00	2.40
Discount rate for scheme liabilities	2.20	4.00
Inflation assumption (CPI)	2.00	2.40

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

	At 31 August 2016 Years	At 31 August 2015 Years
Retiring today		
Males	23.1	23.00
Females	25.8	25.20
Retiring in 20 years		
Males	25.3	25.60
Females	28.1	28.00

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

24 Pension and Similar Obligations (*continued*)

The academy's share of the assets in the scheme were:

	Fair value of assets at 31 August 2016 £000	Fair value of assets at 31 August 2015 £000
Asset category		
Equities/absolute return	6,269	5,176
Government bonds	733	640
Other bonds	904	874
Property/infrastructure	841	736
Cash/liquidity	678	433
Other	1,140	796
	<hr/>	<hr/>
Total fair value of assets	10,565	8,655
	<hr/>	<hr/>

The actual return on scheme assets was £1,694,000 (2015: £368,000).

	2016 £000	2015 £000
Amounts recognised in the balance sheet		
Present value of funded obligation	(16,387)	(11,326)
Fair value of plan assets	10,565	8,655
	<hr/>	<hr/>
Net amount recognised	(5,822)	(2,671)
	<hr/>	<hr/>
Amounts recognised as		
Liabilities	(5,822)	(2,671)
Assets	-	-
	<hr/>	<hr/>
Net amount recognised	(5,822)	(2,671)
	<hr/>	<hr/>
Components of pension cost		
Current service cost	348	569
Interest cost	100	83
Administration expenses	5	2
	<hr/>	<hr/>
Total pension cost recognised in the SOFA	453	654
	<hr/>	<hr/>
Actuarial loss recognised in the SOFA	3,037	452
	<hr/>	<hr/>

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

24 Pension and Similar Obligations (*continued*)

	2016 £000	2015 £000
Movements in the present value of defined benefit obligations were as follows:		
Benefit obligation at beginning of year	11,326	9,868
Current service cost	348	569
Interest cost	451	405
Member contributions	147	231
Actuarial gains	4,380	500
Benefits/transfers paid	(265)	(247)
	<hr/>	<hr/>
Benefit obligation at end of year	16,387	11,326
	<hr/>	<hr/>
Movements in the fair value of academy's share of scheme assets:		
Fair value of assets at beginning of year	8,655	7,809
Interest on assets	351	322
Return on assets less interest	1,343	48
Employer contribution	339	510
Member contributions	147	215
Benefits/transfers paid	(265)	(247)
Administration costs	(5)	(2)
	<hr/>	<hr/>
Fair value of assets at end of year	10,565	8,655
	<hr/>	<hr/>

The estimated value of employer contributions for the year ended 31 August 2017 is £241,000 (2016: £396,000).

25 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 amount as may be required, not exceeding £10 for the debts and liabilities contracted before they ceased to be a member.

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

26 Statement of Financial Activities for the period ended 31 August 2015 (including Income and Expenditure Account)

	Un- restricted funds £000	Restricted general funds £000	Restricted fixed asset funds £000	Total 2015 £000
Income from:				
Donations and capital grants	62	202	-	264
Charitable activities:				
Funding for the academy trust's educational operations	283	15,121	-	15,404
Other trading activities	151	24	-	175
Investments	10	-	-	10
	<hr/>	<hr/>	<hr/>	<hr/>
Total	506	15,347	-	15,853
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditure on:				
Raising funds	25	4	-	29
Charitable activities:				
Academy trust educational operations	473	16,156	2,714	19,343
	<hr/>	<hr/>	<hr/>	<hr/>
Total	498	16,160	2,714	19,372
	<hr/>	<hr/>	<hr/>	<hr/>
Net income/(expenditure)	8	(813)	(2,714)	(3,519)
Transfers between funds	-	(161)	161	-
Other recognised gains/(losses):				
Actuarial losses on defined benefit pension scheme	-	(605)	-	(605)
	<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds	8	(1,579)	(2,553)	(4,124)
	<hr/>	<hr/>	<hr/>	<hr/>

Grace Academy
(A company limited by guarantee)

Notes to the Financial Statements
for the year ended 31 August 2016

27 First time adoption of FRS 102 and the Charities SORP 2015

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on net expenditure for the comparative period reported under previous UK GAAP and SORP 2005 are given below:

Reconciliation of net expenditure	31 August
	2015
	£000
Net expenditure previously reported under UK GAAP	(3,971)
Change in recognition of LGPS interest cost	(153)
	<hr/>
Net movement in funds reported under FRS 102	(4,124)
	<hr/> <hr/>

Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability using the discount rate applied to the defined benefit obligation, is recognised in income/expense. There has been no change in the defined benefit liability (and therefore not funds) at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit to expense by £153,000 and increase the debit in other recognised gains and losses in the SoFA by an equivalent amount