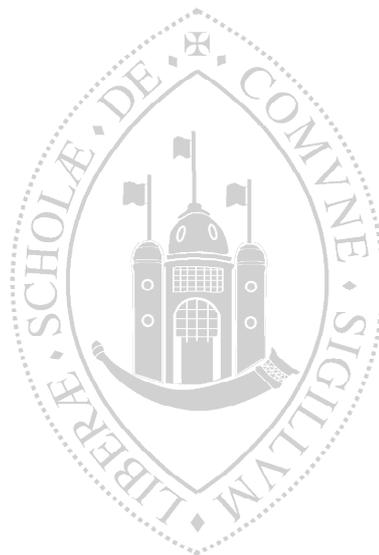


QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
(A company limited by guarantee)



GOVERNORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2015

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
(A company limited by guarantee)

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QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS / GOVERNORS AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2015**

Members and Governors Mr D Bennett, Chair of Governors
Mrs J Humphreys, Vice Chair of Governors (ceased 31 August 2015)
Mr I Birchall (appointed 8 December 2014)
Mrs A Bourn, Staff Governor
Mr P Brewster (appointed 22 September 2014)
Mr M Cherry, Staff Governor
Mr P Cordingley
Mrs M Elmer, Chair of Personnel Committee
Mr J Finley, Chair of Finance Committee
Mrs L Fox, Staff Governor (ceased 7 December 2014)
Mrs A Hurrell
Mr S Jackson, Staff Governor (appointed 8 December 2014)
Mr J Kwee
Mrs H Payne, Headteacher
Mr J Pearson (appointed 22 September 2014)
Mr M Roberts, Chair of Standards Committee (ceased 31 August 2015)
Dr G Samra
Mrs K Spence, Vice Chair of Governors (ceased 31 August 2015)
Mr C Waters
Mrs K Wingate, Chair of Wellbeing Committee

**Company Registration
Number** 08175402

**Principal and Registered
Office** Queen Elizabeth's Grammar School
West Street
Horncastle
Lincolnshire
LN9 5AD

Company Secretary Mrs J Hastings

**Headteacher and
Accounting Officer** Mrs H Payne

**Senior Leadership
Team** Mrs H Payne, Headteacher
Mrs L Divers, Deputy Headteacher
Mr S Furness, Deputy Headteacher
Mr G Forster, Assistant Headteacher
Mrs J Bargh, Assistant Headteacher
Mrs S James, Director of Finance & Resources

Independent Auditor Streets Audit LLP
Chartered Accountants & Statutory Auditor
Tower House
Lucy Tower Street
Lincoln
Lincolnshire
LN1 1XW

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS/ TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2015**

Administrative details (continued)

Bankers	Lloyds Bank plc 14 High Street Horncastle Lincolnshire LN9 5BL
Internal Auditor	Duncan & Toplis Chartered Accountants
Solicitors	Chattertons Solicitors 5 South Street Horncastle Lincolnshire LN9 6DS

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
(A company limited by guarantee)

GOVERNORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2015

The Governors (who are also directors of the Academy for the purposes of the Companies Act) present their annual report together with the audited financial statements of Queen Elizabeth's Grammar School Horncastle (the Academy) for the year ended 31 August 2015. The Governors confirm that the Annual report and financial statements of the Academy comply with the current statutory requirements, the requirements of the Academy's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

Formally commencing operations on the 1 September 2012, Queen Elizabeth's Grammar School is a selective academy for students aged 11 to 18 and is located in Horncastle. The catchment area extends across Lincolnshire and it has a capacity of 920. The number of students on roll as at the October 2014 census was 791.

Structure, Governance and Management

a. CONSTITUTION

The Academy is a charitable company limited by guarantee with no share capital and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy. The Governors act as the trustees for the charitable activities of the Academy. The charitable company is known as Queen Elizabeth's Grammar School ("QEGS").

Details of the Governors who served throughout the year are included in the Reference and Administration Details on page 1.

b. 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.

c. GOVERNORS' INDEMNITIES

In accordance with common practice, the Academy has purchased insurance to protect its Governors and officers from claims arising from academy business activities.

d. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF GOVERNORS

The articles of association require the members of the charitable company to appoint at least three governors to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Academy.

The articles of association require that the members of the Academy Trust shall comprise:

- a) the signatories to the Memorandum;
- b) one person appointed by the Secretary of State, in the event that the Secretary of State appoints a person for this purpose;
- c) the Chairman of the Governors; and
- d) any person appointed under Article 16.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

The Governing Body may appoint additional governors. Governors may be removed by the person or persons who appointed them. Four new governors were recruited during the year and member details updated accordingly.

No additional governors were appointed nor made by the Secretary of State in the year.

Recruitment and appointment of governors is conducted in line with the detail stated within the articles of association, Articles 50 to 59, and includes reference to the prescribed ratio of representation between different categories of governors. The Academy's approach to recruitment also includes the evaluation of skills and experience of governors in order to secure a robust team with a broad knowledge base.

e. POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF GOVERNORS

All governors are provided with copies of procedures, minutes, accounts, budgets plans and other documents that they will need to undertake their roles. The Academy follows guidance from the EFA and Local Authority regarding its range of policies and procedures. Governors also have access to a range of training programmes, including information sessions delivered by staff, facilitated leadership development conferences, peer support and formal training courses.

f. ORGANISATIONAL STRUCTURE

The Governing Body provides strategic leadership and takes overall responsibility for the Academy. Decisions reserved for the Full Governing Body include changes to the organisational structure, confirmation of financial budgeting, strategic investments and changes to the curriculum.

Four sub-committees have been created; Finance, Personnel, Standards and Wellbeing. Terms of Reference for each committee are in place to clearly identify the remit of the work they undertake, the level of responsibility for decision making and presenting recommendations to the Full Governing Body.

The Headteacher is the Accounting Officer. The Headteacher and Senior Leadership Team attend meetings of the Governing Body, they contribute to shaping the strategic direction of the Academy and deliver the leadership which empowers staff to achieve the academy's objectives. They are also responsible for day to day operational management including all matters relating to students education and wellbeing, personnel, finance and premises.

One of the Academy's key strengths is its skilled and dedicated workforce. Staff are highly valued and this is reflected within the organisational culture and decision making processes. A number of working groups exist including Staff Consultative Committee, Wider Leadership Group and Growing Expertise Group. The work undertaken by these groups contributes to continued improvements and they play a part in activities featured within the School Development Plan. Staff regularly meet with governors, either through Link Governor meetings with faculties or networking opportunities prior to Full Governing Body meetings.

Details of the organisational structure can be located within the respective pay policies.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCASTLE
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

g. RELATED PARTIES AND OTHER CONNECTED CHARITIES AND ORGANISATIONS

In December 2014 the Academy formalised its partnership with Banovallum School through an Umbrella Trust model. The Horncastle Umbrella Trust is a separate charitable company. It has five founding members which include Mr Bennett, Mrs Bourn and Mrs Payne from QEGS and Ms Shore and Mrs Ireland from Banovallum. The purpose of the Horncastle Umbrella Trust is to provide inclusive, high quality and sustainable education for the community through raising standards and improving achievement. Separate governance documents exist comprising Articles of Association and a Partnership Plan. Whilst partnership working supports strategic development, both schools retain their autonomy and continue to maintain separate governing bodies and leadership teams.

The Academy also works in close accord with the Parents' Association which is registered as a separate charity. The Parents' Association raise funds in order to support various activities such as challenge awards and prize giving, on occasion it also provides sponsorship for individual students to participate in extraordinary events such as the recent World Transplant Games. The Parents' Association gives generous donations to school for specific purposes; recent examples include the purchase of a new rugby team kit, art display equipment, music resources and support for capital development of an outdoor nurture area.

Close working relationships exist with many other entities in order to foster a culture of collaborative working for the benefit of the wider school community. These include organisations such as the Local Authority, CfBT, Police Service, LIVES, Young Enterprise, CAMHS, CASY Counselling Service, School Nursing Service, Education Business Partnership, AddAction, Lincoln University, Leicester University, Bishop Grosseteste University, Lincoln College, Bucknall Primary School along with many other local primary schools. The Academy is a member of the Lincolnshire Consortium of Grammar Schools and the Grammar School Headteachers' Association (GSHA); the Headteacher is a member of the national executive of GSHA.

As part of its investment portfolio, the Academy benefits from some private donations. One of which, Watsons's School, is registered as a separate charity. More details can be found within the Financial Review section of this report.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
(A company limited by guarantee)

GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

Objectives and Activities

a. OBJECTS AND AIMS

The Academy's principle object is to advance, for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the foregoing, by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

b. OBJECTIVES, STRATEGIES AND ACTIVITIES

The main objectives of the Academy during the year ended 31 August 2015 are summarised below:

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

In order to achieve the objectives, a School Development Plan was created. This identified a framework of activities and performance indicators to clearly measure progress. Details can be found within the Achievement and Performance section of this report.

c. PUBLIC BENEFIT

The Governors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Academy's objectives and aims and in planning future activities for the year. Given the activities of the Academy and the student population that it services, the Governors consider that the company's aims are demonstrably to the public benefit.

It provides education to students that is balanced and broadly based, promotes spiritual, moral, social and cultural development, and prepares students for opportunities and responsibilities of later life.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

Strategic Report

Achievements and Performance

a. KEY PERFORMANCE INDICATORS

The Academy's key performance indicators are:

- Delivery of planned revenue expenditure in line with budget.
- Bids for funding and grants where applicable.
- Capital projects planned and delivered within budget.
- Maximise opportunities for returns on investments.
- Maximise income generation.

The national trend regarding low numbers on roll within the secondary sector continues and the Academy are acutely aware of the critical situation regarding sixth form provision across the country. It is focused on providing the best possible educational opportunities in a local setting with due regard to budget constraints. Once again, a cautious approach has been taken to budgeting during the medium term to ensure that the Academy continues to deliver high quality teaching and learning.

b. REVIEW OF ACTIVITIES

Through the dedicated work of students, staff, parents and the Governors, the Academy has completed another successful year, both in terms of activities and outcomes. The positive work of Link Governors with faculties has continued, providing support and challenge to enable growth and development. Once again 100% of full lesson observations were awarded Good or Outstanding.

The Academy are proud to be founding members of the Horncastle Umbrella Trust with Banovallum School. Our Partnership Plan sets out our values and objectives which will act as a framework as we work together to achieve our aims:

Strengthening collaboration between the schools to secure the best outcomes for all of our young people.

Ensuring the work of the Horncastle Umbrella Trust enriches educational provision in the town and the areas it serves.

Further information can be found within a separate review of the Umbrella Trust activities.

Academy achievements during the year included the pilot and introduction of a refined 11+ testing programme for Lincolnshire grammar schools, involvement in the national development of an A level specification for Engineering, hosting activities for students from local primary schools featuring events for languages and master classes for maths and science, exchange visits to France and Germany, a link visit to Bangladesh as part of International Schools activities and the introduction of a staff choir. The Sports Ambassador programme has been sustained, as has participation in the Schools' Prom and further development of the adult education programme has taken place.

The private bus services continue to be very popular and capacity has been increased to meet demand. The Academy continues to support a local primary school through provision of school meals, receiving an accolade from the Director of the School Food Plan for the quality of meals provided.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

Facilities and resources have continued to be developed with the introduction of The Hub, a centre for pupil premium students, and the introduction of a Pupil Premium Learning Mentor. During this year, the Academy also successfully completed the major capital projects for which they were awarded EFA funding during 2013-14.

Additional activities during the year included participation within Operation Wallacea and work towards Project Nepal which has been postponed due to the devastating earthquake that occurred. The Academy continues to hold the International School Award, School Council Silver Award, Healthy School Award and this year were delighted to receive the Diana Award.

The School Development Plan for 2014-15 included:

- 1. Secure consistently high standards of attainment in every area of the curriculum and in each key stage through outstanding levels of teaching and learning;**
 - **Rigorous and effective student tracking, monitoring and intervention,**
 - **Quality feedback designed to help students take the next steps,**
 - **Every student making progress in every lesson.**

The Academy sought to achieve this through:

- 1.1 Establishing a Senior Leadership Team (SLT) strategic link for each faculty, developing an intervention rationale for proactive department support. Holding Heads of Faculty and Subject Leaders to account.
 - 1.2 Reviewing pay progression recommendations in light of summer 2014 results.
 - 1.3 Focusing upon student tracking, monitoring and intervention to support departments performing below expectations.
 - 1.4 Strengthening and formalising the system of mentoring Y11 & Sixth Form students.
 - 1.5 Celebrating success with departments that have secured improvement.
 - 1.6 Establishing a Standards sub-committee.
 - 1.7 Continuing to complete whole school scrutiny of year groups. Reporting the findings to further embed the sharing of good practice and following up any areas for development.
 - 1.8 Via the Wider Leadership Group, reviewing the Assessment and Feedback Policy.
 - 1.9 Gathering a sample of student views about marking and feedback routinely.
 - 1.10 Undertaking lesson observations and drop-ins to monitor feedback given in lessons.
 - 1.11 Investigating ways to track the impact of verbal feedback as part of the focus on response to feedback.
 - 1.12 Completing a whole school survey through Kirkland Rowell as part of the two-year cycle.
 - 1.13 Reviewing and improving the arrangements for the conduct of external examinations.
 - 1.14 Maintaining the focus on differentiation in all aspects of continued professional development & the sharing of good practice.
 - 1.15 Raising the profile of 'Stretch & Challenge' in lessons as part of planning for differentiation.
- 2. To deliver excellent and bespoke provision which takes the best from curricular and assessment changes whilst incorporating new arrangements for external examinations;**
 - **Develop a coherent strategic plan to support the introduction of a range of changes to the curriculum and to external qualifications whilst maintaining a curriculum which is underpinned by the school's aims and associated philosophy,**
 - **Develop a clear assessment rational to replace the existing one based on the old National Curriculum (NC) levels,**
 - **Ensure that arrangements are in place for all students to move effectively from one major educational phase to the next.**

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

The Academy sought to achieve this through:

- 2.1 Using the published timeline, establishing a school-specific implementation programme that identified the action to be taken and the stakeholders involved.
 - 2.2 Continuing with the promotion of cross curricular literacy, numeracy and ICT.
 - 2.3 Developing the capacity to deliver Computer Science as part of the new NC.
 - 2.4 Reviewing the delivery and organisation of the Personal Development programme.
 - 2.5 Maintaining a high profile for social, moral, spiritual and cultural development (SMSC) through monitoring of delivery in lessons and routine audit of activities which form part of the wider life of the school. Including SMSC as part of the departmental review discussion with Link SLT and Faculty Leaders.
 - 2.6 Reviewing the school's assessment systems in light of the removal of NC levels as a national benchmark. Developing an alternative that offers the same level of shared understanding, ability to measure and track progress and consistency of use that is currently offered by the old NC levels.
 - 2.7 Introducing activities which focus on making the transition from Key Stage 3 to GCSEs for Year 9 students.
 - 2.8 Introducing a range of enrichment opportunities for Upper Sixth students which better prepare them for life after QEGS.
- 3. To enhance the school's contribution to the community through innovative partnerships and outreach designed to facilitate social mobility and inclusion;**
- **Develop a range of approaches which overcome the barriers that reduce the chances of free school meal (FSM) students accessing a place at a grammar school,**
 - **Revitalise links and relationships with local primary schools through outreach,**
 - **Establish an effective partnership with Banovallum School using the Umbrella Trust model.**

The Academy sought to achieve this through:

- 3.1 Raising awareness amongst local primary schools about the forthcoming changes to the 11 plus testing.
- 3.2 Providing training for relevant staff to answer questions that prospective parents may ask and including information on the school website after completion of primary visits.
- 3.3 Raising awareness amongst prospective parents at Open Evening of the forthcoming changes to 11 plus (from September 2015).
- 3.4 Rescheduling practice testing for out of catchment students to the end of the Summer Term.
- 3.5 Designing and distributing a hand out at Open Evening about additional help for FSM students thinking about taking the 11 plus test.
- 3.6 Discussing admission criteria with governors in relation to students on FSM.
- 3.7 Augmenting the school website to project a FSM-friendly culture for both prospective and existing parents and students.
- 3.8 Engaging with the county's current strategy requiring schools to ask for & then upload information regarding parental income (and therefore eligibility for FSM).
- 3.9 Redefining the Advanced Skills Teacher role to facilitate primary outreach; introducing Lead Teacher responsibilities including primary outreach in Science and Maths. Creating a programme to replicate some of the activities and experiences previously offered as part of our specialist school plans.
- 3.10 Organising work experience for Year 11 and Sixth Form, to include placements in local primary schools.
- 3.11 Developing links with primary schools through support services.
- 3.12 Working with Banovallum's governing body to set up the umbrella trust framework.
- 3.13 Identifying and engaging an external consultant to advise on how the schools can work together to raise achievement.
- 3.14 Developing plans to launch joint academy working including joint training events for staff and governors in addition to a joint governor conference.
- 3.15 Partnerships working between the Director of Finance and Banovallum's Business Manager, exploring opportunities for joint commissioning and use of support services across the two sites.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

The Academy continues to enjoy a high level of support from parents, students and staff as represented within our surveys. Results this year reflected the dedication and efforts of students and staff; the Academy are particularly proud that the majority of students leaving the sixth form have secured their desired destinations. Once again all students leaving the Academy went on to employment, education or training.

Examination results data for the period is summarised as follows:

GCSE:

Percentage of Pupils Achieving												
5+ A*-A	3 A*- A	5 A*- C	5 A*- G	1 A*- G	Any Qual	5+ A*-C ind A* C GCSE E&M	5+ A*-C ind Level 2 E&M	5+ A*-G ind Level 1 E&M	Eng Bacc	A* C GCSE Eng	A* C GCSE Maths	A*-C GCSE E & M
39	52	98	100	100	100	95	95	100	73	96	100	96

A Lvcl:

Percentage of Pupils Achieving											
Any				2 or more				3 or more			
A*	A*-A	A*-B	A*-E	A*	A*-A	A*-B	A*-E	A*	A*-A	A*-B	A*-E
14	42	83	100	3	20	58	100	1	11	31	99

c. GOING CONCERN

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

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

Financial Review

a. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

A robust risk assessment has been undertaken to establish any risks to the academy. This is reviewed and updated annually by the Governors. Staff are aware of and have access to the risk register in order that they can take appropriate actions. The control methods stated are incorporated into procedures and policies so that day to day operational activities mitigate risk and reflect best practice. Risk management strategies include:

- Access to professional support and guidance via the EFA, accountants, solicitors, LEA, professional associations and networks.
- Clear internal control processes, including financial delegation levels and a comprehensive month end process.
- Financial forecasts, reviewed in line with anticipated local, national and international developments.
- A clear School Development Plan identifying key objectives and the resources to achieve them.
- Regular progress monitoring and challenge to ensure continued effectiveness in respect of both financial and development plans.
- Appointment of internal auditors to add objective, robust financial challenge.
- Rigorous review of educational achievement to secure and maintain high standards.
- Adoption of a robust policies and subsequent reviews at appropriate periods.
- Formal agendas for governors meetings.
- Detailed Terms of Reference for all committees.

b. RESERVES POLICY

The Academy aims to carry forward a prudent level of resources in order to guard against anticipated future reductions in funding. We recognise the national short-term trend of reducing student numbers and also the challenges faced in relation to maintaining a quality sixth form provision. The situation will be kept under review. The reserves of the Academy are reviewed regularly and are considered to be sufficient and proportional for the Academy's requirements.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

c. INVESTMENT POLICY

The Academy's approach to investments is incorporated within the Finance Policy. In summary, the objectives include:

- To set objectives which clearly identify the desired outcomes of investments.
- To seek professional advice in order to secure the best return in accordance with those objectives.
- Where restrictions upon any funds exist, utilise them in line with the wishes of donors.
- To ensure the accounts reflect all financial activities of the school, are transparent and open to scrutiny, whilst identifying restricted or designated funds in order to position us favourably when bidding for grant funding.
- To set a framework for governors to support the decision making process for investments and to show due diligence within their considerations. This is to include an annual review of investment performance and strategy.

The Governors are mindful of corporate social responsibility and as such have given consideration to the ethical impact of investments. They aim to exclude investments from the portfolio where they are aware of activities which involve countries with poor human rights and/or child labour rules and where there is doubt regarding the ethical nature of specific business activities and their impact such as pay day loans. They will also endeavour to include investments within the portfolio which promote investment in the UK to support the home economy or investments which represent sustainable concepts.

Funds held include some private donations and the Academy continues to honour the wishes of the donors, these include:

- Reverend Davies Organ Fund
- DF Taylor Trust
- Joan Browne Scholarship
- Watsons School (Separate Charity)

Funds are to be used for sponsoring rewards for achievement, prizes for subject excellence and scholarships to support students with university costs.

The Finance Committee will review on a regular basis the reserves held by the Academy.

As part of this review, they will assess the short, medium and long term needs of the school, including ensuring there are adequate contingent reserves held for years when funding levels are under significant pressure. They will also consider the use of reserves to fund significant capital projects in order to maximise the impact of asset management and development. Decisions and statements relating to investments will be detailed within the minutes of the Finance Committee meetings.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

d. PRINCIPAL RISKS AND UNCERTAINTIES

The Governors have identified the following principal risks and uncertainties facing the Academy. These are summarised below, however, further details are within the Risk Register:

Strategic & Public Profile

The continued success of the Academy depends upon securing and maintaining the highest of educational standards in order to attract students and support them to achieve outstanding outcomes.

This element of risk includes regard for competition, legislation and fraud prevention. The Governors are also mindful of other aspects of school activities such as governor and employee public profiles, trips, safeguarding and health & safety. This year they have also taken account of alliance and partnership risks.

Governing Body Organisational

Management of the Academy through effective delegation to sub-committees and various leadership colleagues. Robust monitoring and compliance in line with legislative and organisational deadlines.

Management Information

Effective management relies upon accurate and timely data collection, analysis and evaluation to inform planning. Data security is also considered within this element, along with quality and quantity review.

Human Resources

The Academy's reputation contributes to its position as an employer of choice. A key strength of the Academy is its skilled and dedicated staff and the Governors. To avoid significant impact when individuals are promoted or move on, recruitment, retention, succession planning and professional development are incorporated to ensure business continuity. This element also has due regard for legislation.

Financial

The Governors have given careful and detailed consideration to the financial risks and need for compliance. Measures of internal control and audit are in place to ensure rigour and objectively examine and challenge systems and activities.

Physical Asset & Environmental

The risks to physical and technological assets have been considered and measures are in place to continue development whilst protecting existing provision. Challenges include the size of the estate, conservation area constraints and the age of construction. The Academy continues with internal preventative measures and has engaged with relevant agencies and organisations in an attempt to reduce the likelihood of flood risk.

Student Matters

The Governors consider that safety and wellbeing of students is paramount. Therefore, safeguarding and health & safety are a high priority within both operational management and strategic leadership in school.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

Plans for Future Periods

In setting objectives and planning activities the governors have given careful consideration to the Charity Commission's general guidance on public benefit.

The Academy will continue working to raise aspirations and improve outcomes for all students at whatever age, closing gaps between the performances of different groups where this is needed, and ensuring they are able to proceed successfully to the next stage of their education.

The key priorities for 2015-16 are as follows:

- 1. Secure consistently high standards of attainment in every area of the curriculum and in each key stage by;**
 - a) Sustaining outstanding levels of teaching and learning with a special focus upon SMSC.**
 - b) Providing students with high quality, diagnostic written feedback that they are required to respond to.**
 - c) Setting homework that supports and supplements learning that has taken place in the classroom.**

The Academy will achieve this through:

- 1.1 Maintaining an unrelenting focus on promoting high performance; working with identified areas to secure improvement.
- 1.2 Rolling out the new assessment system in Years 7 and 8 to replace Key Stage 3 levels.
- 1.3 Continuing to make preparations to support ongoing qualification reform.
- 1.4 Applying and maintaining a consistent approach to the use of and the response to written feedback.

- 2. To strengthen and enhance the leadership and management of the academy to ensure its success is sustained.**

The Academy will achieve this through:

- 2.1 Raising awareness and formulating policy in response to the PREVENT strategy.
- 2.2 Developing a strategy that will facilitate succession in key leadership roles and that supports newly appointed postholders.
- 2.3 Engaging in the new school to school system of accountability and peer review.
- 2.4 Finalising the curriculum review and rolling out any changes that result.
- 2.5 Carrying out a range of consultations and trials to review, inform and improve routine practice.

- 3. To embed the academy's contribution to its wider community through innovative partnerships whilst strengthening the operation of its own internal support networks.**

The Academy will achieve this through:

- 3.1 Enhancing and extending partnership work with Banovallum School through the Horncastle Umbrella Trust.
- 3.2 Sustaining and deepening the links and relationships with local primary schools.
- 3.3 Continuing to develop the academy's site to support wider community use.
- 3.4 Strengthening opportunities to enhance the academy's own community.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

DISCLOSURE OF INFORMATION TO AUDITOR

Insofar as the Governors are aware:

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

This report, incorporating the Strategic report, was approved by order of the Governing Body, as the company directors, on 7 December 2015 and signed on the board's behalf by:

Mr D Bennett
Chair of Governors

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCASTLE
(A company limited by guarantee)

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Governors, we acknowledge we have overall responsibility for ensuring that Queen Elizabeth's Grammar School Horncastle has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Headteacher, 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 Queen Elizabeth's Grammar School Horncastle and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Governors' report and in the Governors' responsibilities statement. The Governing Body has formally met 5 times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Governor	Meetings attended	Out of a possible
Mr D Bennett, Chair of Governors	5	5
Mrs J Humphreys, Vice Chair of Governors	4	5
Mr I Birchall	2	4
Mrs A Bourn, Staff Governor	4	5
Mr P Brewster	5	5
Mr M Cherry, Staff Governor	5	5
Mr P Cordingley	1	5
Mrs M Elmer, Chair of Personnel Committee	2	5
Mr J Finley, Chair of Finance Committee	4	5
Mrs L Fox, Staff Governor	1	1
Mrs A Hurrell	3	5
Mr S Jackson, Staff Governor	4	4
Mr J Kwee	3	5
Mrs H Payne, Headteacher	5	5
Mr J Pearson	2	5
Mr M Roberts, Chair of Standards Committee	5	5
Dr G Samra	2	5
Mrs K Spence, Vice Chair of Governors	1	5
Mr C Waters	3	5
Mrs K Wingate, Chair of Wellbeing Committee	3	5

This year we have seen some changes in respect of our governance membership. Mrs Humphreys and Mr Roberts resigned from office at the end of this academic year having served for nine and six years respectively, both individuals have made a significant contribution will be greatly missed. Mrs Fox completed her term of office as teaching staff governor and Mr Jackson was appointed to this role. Our strategy for succession planning has enabled us to maintain strength and skills within our governing body; this year has seen the appointment of Mr Birchall, Mr Brewster and Mr Pearson who each bring a range of experience and knowledge to complement our existing team. Mrs Hurrell has now been appointed as a community governor and will continue to provide valuable support in relation to her lead for safeguarding and Mr Brewster has undertaken a new lead role in terms of Pupil Premium.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNANCE STATEMENT (continued)

Our governance vision remains unchanged as we continue to strive to deliver '*effective leadership, world class provision, outstanding outcomes, entitlement to unique experiences*'. This year, following the formation of the Horncastle Umbrella Trust, we continue to embrace and enhance our community links with the theme '*Stronger Together*'. Governance activities have included regular meetings to support and challenge Heads of Faculties as part of the Link Governor role, training sessions have taken place focusing upon appeals and understanding data, and a joint conference was held with governors from Banovallum School on the theme of Effective Collaboration. In addition, a curriculum review commenced considering a range of areas such as our key stage four delivery model and the national curriculum, sixth form provision including the choice of subjects and qualification model, an evaluation of homework strategy and the format of the school day. This work will require detailed consideration and consultation, and will continue into 2015-16 with a view to implementing changes for 2016-17.

Our sub-committees support us in delivering our aims; they comprise Finance, Personnel, Standards and Wellbeing. Further details of the Finance Committee can be found below.

The purpose of the **Finance Committee** is to monitor the financial activities of the Academy, challenge information and recommendations where appropriate, support development, evaluate and mitigate risk.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Mr D Bennett	5	5
Mr I Birchall	2	3
Mr P Brewster	4	5
Mr M Cherry, Staff Governor	4	5
Mr J Finley, Chair of Finance Committee	4	5
Mrs H Payne	4	5
Mr C Waters	3	4
Mrs K Wingate, Chair of Wellbeing Committee	4	4

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNANCE STATEMENT (continued)

REVIEW OF VALUE FOR MONEY

As accounting officer, the Headteacher has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy trust has delivered improved value for money during the year by:

Maximising Resources

The academy has achieved more with the same funding resource through benchmarking against a national dataset, undertaking an options appraisal when any vacancies arose, employing an apprentice, targeting areas of high spend such as utilities to secure better value contracts and reviewing other existing contracts for cost effectiveness.

Expanding Opportunities

Following a review of provision, the opportunities for sixth form students have been expanded to include a comprehensive enrichment programme which provides challenge, prepares them for independent living and their next steps to university, training or employment. These have included AS qualifications in General Studies, Archaeology or Computer Science; an Extended Project qualification, a Certificate in Financial Studies or a Sports Leadership Award, all of which attract similar UCAS points as those for AS qualifications; a Pre-Teaching Award and Work Experience. In addition, students participate in a Life Skills programme which includes briefings about personal finance, motor vehicle maintenance, food preparation and internet use.

Collaboration:

Through the formation of the Horncastle Umbrella Trust, the academy has collaborated with Banovallum School to share knowledge and skills as well as gaining efficiencies. This has included shared training events for staff and governors, a shared governor conference, teaching staff working across both schools, joint working between finance, premises, IT and catering teams, sharing of physical equipment, support with bid writing and procurement efficiencies gained based upon greater purchasing power.

There are a number of measures in place which will enable the academy to continue securing value for money, improvements and maintain a high standard of provision. Details were captured within the School Development Plan for 2015-16, detailed within the Future Plans section of this report.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Queen Elizabeth's Grammar School Horncastle for the year 1 September 2014 to 31 August 2015 and up to the date of approval of the annual report and financial statements.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNANCE STATEMENT (continued)

CAPACITY TO HANDLE RISK

The Governing Body has reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy's significant risks, that has been in place for the year 1 September 2014 to 31 August 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

THE RISK AND CONTROL FRAMEWORK

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

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

The Governing Body has considered the need for a specific internal audit function and has decided to appoint Duncan & Toplis as internal auditor.

The framework for internal audit is to provide the governors with on-going independent assurance that:

- The financial responsibilities of the governors are being properly discharged.
- The resources are being managed in an efficient, economical and effective manner.
- Sound systems of financial control are being maintained.
- Financial considerations are fully taken into account in reaching decisions.

During the year, three visits were undertaken which included on site checks of processes, system records and physical documentation as noted below; each element being covered at least twice during the range of three visits:

- Procurement: Testing purchasing, invoices, payments and authorisation limits.
- Payroll: Checking appointments, change of circumstances and payments.
- Accounts: Bank, investment and charge card purchases, statements and reconciliations.
- Income: Testing invoicing, receipts, banking and debt write off.
- Month End: Viewing month end reconciliations relevant to the period prior to each visit.
- Governance: Viewing budget reports to governors for Finance Committee meetings
- Process: Comment upon compliance with EFA guidelines, completion of internal checks and segregation of duties.

The internal audit reports were completed shortly after appointment in December 2014 and then in February and July 2015. Reports were issued to the board of governors and discussed during subsequent Finance Committee meetings. During the year no material control issues arose as a result of the internal auditors work.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

As accounting officer, the Headteacher has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor;
- the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework.

The accounting officer is satisfied with the findings of their review.

Approved by order of the members of the Governing Body on 7 December 2015 and signed on its behalf, by:

Mr D Bennett
Chair of Governors

Mrs H Payne
Accounting Officer

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of Queen Elizabeth's Grammar School Horncastle I have considered my responsibility to notify the Academy Governing Body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy 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 Governing Body are able to identify any material, irregular or improper use of funds by the Academy, or material non-compliance with the terms and conditions of funding under the Academy's funding agreement and the Academies Financial Handbook.

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 Governing Body and EFA.

Mrs H Payne
Accounting Officer

Date: 7 December 2015

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2015

The Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' 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 Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2005;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

Approved by order of the members of the Governing Body on 7 December 2015 and signed on its behalf by:

Mr D Bennett
Chair of Governors

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUEEN ELIZABETH'S GRAMMAR SCHOOL
HORNCastle**

We have audited the financial statements of Queen Elizabeth's Grammar School Horncastle for the year ended 31 August 2015 which comprise the Statement of financial activities, the Summary income and expenditure account, the Statement of total recognised gains and losses, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

This report is made solely to the Academy's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy's members those matters we are required to state to them in an 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 Academy and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITOR

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs as at 31 August 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Governors' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
(A company limited by guarantee)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUEEN ELIZABETH'S GRAMMAR SCHOOL
HORNCastle**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Robert Anderson (Senior statutory auditor)

for and on behalf of

Streets Audit LLP

Chartered Accountants & Statutory Auditor

Tower House
Lucy Tower Street
Lincoln
Lincolnshire
LN1 1XW
14 December 2015

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 25 September 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Queen Elizabeth's Grammar School Horncastle during the year 1 September 2014 to 31 August 2015 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 Queen Elizabeth's Grammar School Horncastle and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Queen Elizabeth's Grammar School Horncastle and 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 Queen Elizabeth's Grammar School Horncastle and EFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The accounting officer is responsible, under the requirements of Queen Elizabeth's Grammar School Horncastle's funding agreement with the Secretary of State for Education dated 30 August 2012, and the Academies Financial Handbook extant from 1 September 2014, 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 2014 to 2015. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2014 to 31 August 2015 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 2014 to 2015 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO QUEEN
ELIZABETH'S GRAMMAR SCHOOL HORNCastle AND THE EDUCATION FUNDING AGENCY**
(continued)

Our audit work involved:

- a review of the Academy systems and controls and confirmation of their operation and effectiveness during the year;
- a detailed review of purchase transactions confirming the purpose, value for money and that appropriate tendering / quotation procedures had been followed in line with the Academy finance policy; and
- a review of the Internal Audit reports.

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2014 to 31 August 2015 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Robert Anderson

Streets Audit LLP

Chartered Accountants & Statutory Auditor

Tower House
Lucy Tower Street
Lincoln
Lincolnshire
LN1 1XW

14 December 2015

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2015**

	Note	Unrestricted funds 2015 £	Restricted funds 2015 £	Restricted fixed asset funds 2015 £	Total funds 2015 £	<i>Total funds 2014 £</i>
INCOMING RESOURCES						
Incoming resources from generated funds:						
Voluntary income	2	10,000	-	-	10,000	-
Activities for generating funds	3	6,400	-	-	6,400	4,247
Investment income	4	11,348	1,831	-	13,179	13,864
Incoming resources from charitable activities	5	421,737	4,123,540	293,189	4,838,466	5,105,808
TOTAL INCOMING RESOURCES		449,485	4,125,371	293,189	4,868,045	5,123,919
RESOURCES EXPENDED						
Costs of generating funds:						
Costs of generating voluntary income		1,379	-	-	1,379	3,309
Charitable activities	7	529,995	4,186,731	298,001	5,014,727	4,976,717
Governance costs	8	-	6,550	-	6,550	13,750
TOTAL RESOURCES EXPENDED	6	531,374	4,193,281	298,001	5,022,656	4,993,776
NET INCOMING / (OUTGOING) RESOURCES BEFORE TRANSFERS		(81,889)	(67,910)	(4,812)	(154,611)	130,143

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCASTLE
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STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE YEAR ENDED 31 AUGUST 2015

	Note	Unrestricted funds 2015 £	Restricted funds 2015 £	Restricted fixed asset funds 2015 £	Total funds 2015 £	Total funds 2014 £
Transfers between Funds	16	78,099	(77,398)	(701)	-	-
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE REVALUATIONS		(3,790)	(145,308)	(5,513)	(154,611)	130,143
Gains / (losses) on revaluations of investment assets		(4,614)	(873)	-	(5,487)	23,772
Actuarial gains / (losses) on defined benefit pension schemes		-	1,000	-	1,000	(222,000)
NET MOVEMENT IN FUNDS FOR THE YEAR		(8,404)	(145,181)	(5,513)	(159,098)	(68,085)
<i>Total funds at 1 September 2014</i>		942,552	(433,322)	10,199,882	10,709,112	10,777,197
TOTAL FUNDS AT 31 AUGUST 2015		934,148	(578,503)	10,194,369	10,550,014	10,709,112

All activities relate to continuing operations.

The notes on pages 32 to 53 form part of these financial statements.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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**SUMMARY INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2015**

	Note	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
TOTAL INCOME		449,485	4,418,560	4,868,045	5,123,919
LESS: TOTAL EXPENDITURE		531,374	4,491,282	5,022,656	4,993,776
Net (expenditure)/income for the year before transfers		(81,889)	(72,722)	(154,611)	130,143
Transfers between funds	16	78,099	(78,099)	-	-
NET (EXPENDITURE)/INCOME FOR THE YEAR	16	(3,790)	(150,821)	(154,611)	130,143

The notes on pages 32 to 53 form part of these financial statements.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 AUGUST 2015**

	Note	Unrestricted funds 2015 £	Restricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
NET (EXPENDITURE)/INCOME FOR THE YEAR	16	(3,790)	(150,821)	(154,611)	130,143
Gains / (losses) on revaluations of investment assets		(4,614)	(873)	(5,487)	23,772
Actuarial (loss) / gain related to pension scheme	21	-	1,000	1,000	(222,000)
TOTAL GAINS AND LOSSES RECOGNISED SINCE 1 SEPTEMBER 2014	16	(8,404)	(150,694)	(159,098)	(68,085)

There is no difference between the (expenditure) / income on ordinary activities for the year stated above and its historical cost equivalent.

The notes on pages 32 to 53 form part of these financial statements.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
(A company limited by guarantee)
REGISTERED NUMBER: 08175402

BALANCE SHEET
AS AT 31 AUGUST 2015

	Note	£	2015 £	£	2014 £
FIXED ASSETS					
Tangible assets	12		10,183,403		10,199,882
Investments	13		374,807		380,294
			<u>10,558,210</u>		<u>10,580,176</u>
CURRENT ASSETS					
Debtors	14	104,859		101,656	
Cash at bank and in hand		1,089,565		1,263,202	
		<u>1,194,424</u>		<u>1,364,858</u>	
CREDITORS: amounts falling due within one year	15		<u>(271,620)</u>		<u>(380,922)</u>
NET CURRENT ASSETS			<u>922,804</u>		<u>983,936</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>11,481,014</u>		<u>11,564,112</u>
Defined benefit pension scheme liability	21		<u>(931,000)</u>		<u>(855,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			<u>10,550,014</u>		<u>10,709,112</u>
FUNDS OF THE ACADEMY					
Restricted funds:					
Restricted funds	16	352,497		421,678	
Restricted fixed asset funds	16	10,194,369		10,199,882	
Restricted funds excluding pension liability		<u>10,546,866</u>		<u>10,621,560</u>	
Pension reserve		<u>(931,000)</u>		<u>(855,000)</u>	
Total restricted funds			<u>9,615,866</u>		<u>9,766,560</u>
Unrestricted funds	16		<u>934,148</u>		<u>942,552</u>
TOTAL FUNDS			<u>10,550,014</u>		<u>10,709,112</u>

The financial statements were approved by the Governors, and authorised for issue, on 7 December 2015 and are signed on their behalf, by:

Mr D Bennett
Chair of Governors

The notes on pages 32 to 53 form part of these financial statements.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2015**

	Note	2015 £	2014 £
Net cash flow from operating activities	18	(468,026)	(180,815)
Returns on investments and servicing of finance	19	1,200	13,864
Capital expenditure and financial investment	19	293,189	272,810
(DECREASE)/INCREASE IN CASH IN THE YEAR		(173,637)	105,859

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 AUGUST 2015**

	2015 £	2014 £
(Decrease)/Increase in cash in the year	(173,637)	105,859
MOVEMENT IN NET FUNDS IN THE YEAR	(173,637)	105,859
Net funds at 1 September 2014	1,263,202	1,157,343
NET FUNDS AT 31 AUGUST 2015	1,089,565	1,263,202

The notes on pages 32 to 53 form part of these financial statements.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2014 to 2015 issued by EFA, applicable accounting standards and the Companies Act 2006.

1.2 Fund accounting

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

Designated funds comprise unrestricted funds that have been set aside by the Governors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

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 and include grants from Education Funding Agency.

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

1.3 Incoming resources

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

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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

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

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FOR THE YEAR ENDED 31 AUGUST 2015

1. ACCOUNTING POLICIES (continued)

1.4 Resources expended

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

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

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

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Going concern

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

1.6 Tangible fixed assets and depreciation

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

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

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

Office Equipment	-	20% / 33% straight line
Motor Vehicles	-	20% straight line
Educational Equipment	-	20% straight line

Freehold Property is not depreciated on the grounds of immateriality. Freehold Property is subject to regular maintenance and repair such that in the governors opinion the residual value is not materially different from the value in the financial statements and has a long useful economic life. The Governors consider the need for impairment at each period end.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015

1. ACCOUNTING POLICIES (continued)

1.7 Investments

Investments are stated at market value at the balance sheet date. The Statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

1.8 Operating leases

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

1.9 Taxation

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

1.10 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 21, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

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2. VOLUNTARY INCOME

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total 2015 £	<i>Total</i> 2014 £
Donations	10,000	-	10,000	-

3. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total 2015 £	<i>Total</i> 2014 £
Hire of Facilities	6,400	-	6,400	4,247

4. INVESTMENT INCOME

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total 2015 £	<i>Total</i> 2014 £
Investment income	10,082	1,819	11,901	12,153
Bank interest received	1,266	12	1,278	1,711
	<u>11,348</u>	<u>1,831</u>	<u>13,179</u>	<u>13,864</u>

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5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total 2015 £	<i>Total</i> 2014 £
EFA grants				
EFA Capital Grants	-	293,189	293,189	307,225
General Annual Grant (GAG)	-	3,915,716	3,915,716	4,219,012
Other EFA Grants	-	51,448	51,448	76,013
	-	4,260,353	4,260,353	4,602,250
Other government grants				
Local authority grants	-	15,848	15,848	14,779
Ministry of Defence grants	-	47,421	47,421	-
	-	63,269	63,269	14,779
Other funding				
Other income	421,737	93,107	514,844	488,779
	421,737	93,107	514,844	488,779
	421,737	4,416,729	4,838,466	5,105,808

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**NOTES TO THE FINANCIAL STATEMENTS
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6. RESOURCES EXPENDED

	Staff costs	Non Pay Premises	Expenditure Other costs	Total	<i>Total</i>
	2015 £	2015 £	2015 £	2015 £	2014 £
Costs of generating voluntary income	1,379	-	-	1,379	3,309
Costs of generating funds	1,379	-	-	1,379	3,309
Direct costs	2,967,662	-	276,964	3,244,626	3,267,379
Support costs	680,833	555,584	533,684	1,770,101	1,709,338
Charitable activities	3,648,495	555,584	810,648	5,014,727	4,976,717
Governance	-	-	6,550	6,550	13,750
	3,649,874	555,584	817,198	5,022,656	4,993,776

Resources expended for the year include operating lease expenses for printing and photocopying equipment totalling £30,945 (2014 - £30,039).

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7. CHARITABLE ACTIVITIES

	Total 2015 £	<i>Total 2014 £</i>
DIRECT COSTS - EDUCATIONAL OPERATIONS		
Teachers and educational support salaries	2,464,363	2,473,127
Teachers and educational support national insurance	172,631	179,500
Teachers and educational support pension	330,668	327,688
Educational supplies	138,761	146,890
Examination fees	90,803	93,780
Educational ICT costs	29,336	22,503
Staff development	18,064	23,891
	3,244,626	3,267,379
SUPPORT COSTS - EDUCATIONAL OPERATIONS		
Support staff salaries	508,348	465,239
Support staff national insurance	22,850	19,968
Support staff pension	149,635	114,512
Depreciation	16,479	9,176
Pension finance cost	18,000	19,000
Maintenance	401,345	408,561
Cleaning	13,467	16,648
Utilities	71,639	69,367
Rates	18,782	18,660
Office costs	23,717	31,630
Insurance	50,351	49,735
Hospitality	1,737	1,824
Transport and security	13,351	19,814
Recruitment and support	10,464	32,634
Catering	107,045	102,175
Legal and professional	39,752	18,013
Bank charges	3,303	858
Other support costs	273,332	278,581
Non-educational ICT costs	26,504	32,943
	1,770,101	1,709,338
	5,014,727	4,976,717

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**NOTES TO THE FINANCIAL STATEMENTS
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8. GOVERNANCE COSTS

	Unrestricted funds 2015 £	Restricted funds 2015 £	Total 2015 £	Total 2014 £
Auditors' remuneration	-	6,000	6,000	6,000
Auditors' non audit costs	-	550	550	7,750
	<u>-</u>	<u>6,550</u>	<u>6,550</u>	<u>13,750</u>

9. STAFF

a. Staff costs

Staff costs were as follows:

	2015 £	2014 £
Wages and salaries	2,974,090	2,941,437
Social security costs	195,481	199,584
Other pension costs (Note 21)	480,303	442,322
	<u>3,649,874</u>	<u>3,583,343</u>

b. Staff numbers

The average number of persons employed by the Academy during the year expressed as full time equivalents was as follows:

	2015 No.	2014 No.
Teachers	33	30
Administration/Support	36	36
Management	32	34
	<u>101</u>	<u>100</u>

c. Higher paid staff

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

	2015 No.	2014 No.
In the band £60,001 - £70,000	2	1
In the band £70,001 - £80,000	1	1
	<u>3</u>	<u>2</u>

All of the employees above participated in the Teachers' Pension Scheme.

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10. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2015 was £1,800 (2014 - £1,800). The cost of this insurance is included in the total insurance cost.

11. GOVERNORS' REMUNERATION AND EXPENSES

During the year retirement benefits were accruing to 5 Governors (2014 - 4) in respect of defined benefit pension schemes:

Mrs H Payne, Headteacher	£10,000 - £15,000 (2014 - £10,000 - £15,000)
Mrs L Fox, Staff Governor	£0 - £5,000 (2014 - £0 - £5,000)
Mr S Jackson, Staff Governor	£0 - £5,000 (2014 - £nil)
Mrs A Bourn, Staff Governor	£0 - £5,000 (£0 - £5,000)
Mr M Cherry, Staff Governor	£5,000 - £10,000 (2014 - £0 - £5,000)

One or more Governors has been paid remuneration or has received other benefits from an employment with the academy. The Headteacher and other Staff Governors only receive remuneration in respect of services they provide undertaking the roles of Headteacher and other staff members under their contracts of employment, and not in respect of their role as Governors. The value of Governors' remuneration and other benefits for the period they were Governors was as follows:

	2015	<i>2014</i>
	£	£
Mrs H Payne, Headteacher	75,000-80,000	<i>75,000-80,000</i>
Mrs L Fox, Staff Governor	0-5,000	<i>20,000-25,000</i>
Mr S Jackson, Staff Governor	30,000-35,000	
Mrs A Bourn, Staff Governor	10,000-15,000	<i>10,000-15,000</i>
Mr M Cherry, Staff Governor	40,000-45,000	<i>30,000-35,000</i>

During the year, no Governors received any benefits in kind (2014 - £NIL).

During the year ended 31 August 2015, expenses totalling £1,885 (2014 - £1,067) were reimbursed to 3 Governors (2014 - 3).

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12. TANGIBLE FIXED ASSETS

	Freehold Property £	Office Equipment £	Motor Vehicles £	Educational Equipment £	Total £
Cost					
At 1 September 2014 and 31 August 2015	10,142,000	66,471	6,000	8,933	10,223,404
Depreciation					
At 1 September 2014	-	17,522	6,000	-	23,522
Charge for the year	-	14,692	-	1,787	16,479
At 31 August 2015	-	32,214	6,000	1,787	40,001
Net book value					
At 31 August 2015	10,142,000	34,257	-	7,146	10,183,403
At 31 August 2014	10,142,000	48,949	-	8,933	10,199,882

Freehold Property is stated at the valuation provided to the Academy by the EFA on conversion.

13. FIXED ASSET INVESTMENTS

	Other investments £
Market value	
At 1 September 2014	380,294
Revaluations	(5,487)
At 31 August 2015	374,807
Investments at market value comprise:	
	2015 £
Other fixed asset investments	374,807
	2014 £
	380,294

All the fixed asset investments are held in the UK

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14. DEBTORS

	2015	2014
	£	£
Trade debtors	6,735	5,044
VAT recoverable	14,581	50,250
Prepayments and accrued income	83,543	46,362
	104,859	101,656
	104,859	101,656

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

	2015	2014
	£	£
Trade creditors	64,305	137,535
Other taxation and social security	62,838	61,340
Other creditors	55,972	-
Accruals and deferred income	88,505	182,047
	271,620	380,922
	271,620	380,922

Deferred income

Deferred income at 1 September 2014		40,970
Resources deferred during the year		21,823
Amounts released from previous years		(40,970)
		21,823
Deferred income at 31 August 2015		21,823

At the year-end, the Academy has deferred its Rates Relief in line with costs as well as receiving income in advance for Trips and Catering.

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**NOTES TO THE FINANCIAL STATEMENTS
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16. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
Maintenance Contingency	153,707	145,860	(219,127)	71,592	-	152,032
Operational Contingency	349,483	10,113	-	(12,228)	(4,614)	342,754
	<u>503,190</u>	<u>155,973</u>	<u>(219,127)</u>	<u>59,364</u>	<u>(4,614)</u>	<u>494,786</u>
General funds						
General Funds	-	293,512	(312,247)	18,735	-	-
Transfer on Conversion	439,362	-	-	-	-	439,362
	<u>439,362</u>	<u>293,512</u>	<u>(312,247)</u>	<u>18,735</u>	<u>-</u>	<u>439,362</u>
Total Unrestricted funds	<u>942,552</u>	<u>449,485</u>	<u>(531,374)</u>	<u>78,099</u>	<u>(4,614)</u>	<u>934,148</u>
Restricted funds						
General Annual Grant (GAG)	337,453	3,915,716	(3,966,312)	(28,034)	-	258,823
Other EFA Grants	8,375	51,448	(50,969)	-	-	8,854
Other Government Grants	-	63,269	(63,153)	10,000	-	10,116
Other Income	-	35,395	(35,395)	-	-	-
Other School Funds	75,850	59,543	(452)	(59,364)	(873)	74,704
Pension Reserve	(855,000)	-	(77,000)	-	1,000	(931,000)
	<u>(433,322)</u>	<u>4,125,371</u>	<u>(4,193,281)</u>	<u>(77,398)</u>	<u>127</u>	<u>(578,503)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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16. STATEMENT OF FUNDS (continued)

Restricted fixed asset funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
DFC Grants	-	29,450	(18,484)	-	-	10,966
EFA Capital Maintenance Grant	-	263,739	(263,038)	(701)	-	-
Assets Transferred on Conversion	10,142,000	-	-	-	-	10,142,000
Capital Expenditure from GAG	49,882	-	(14,879)	-	-	35,003
Capital Expenditure from Other Funds	8,000	-	(1,600)	-	-	6,400
	<u>10,199,882</u>	<u>293,189</u>	<u>(298,001)</u>	<u>(701)</u>	<u>-</u>	<u>10,194,369</u>
Total restricted funds	<u>9,766,560</u>	<u>4,418,560</u>	<u>(4,491,282)</u>	<u>(78,099)</u>	<u>127</u>	<u>9,615,866</u>
Total of funds	<u><u>10,709,112</u></u>	<u><u>4,868,045</u></u>	<u><u>(5,022,656)</u></u>	<u><u>-</u></u>	<u><u>(4,487)</u></u>	<u><u>10,550,014</u></u>

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

Unrestricted Funds:

General funds represent those resources which may be used towards meeting any of the objects of the Academy at the discretion of the Governors. These are not currently designated for particular purposes.

Maintenance Contingency funds will enable the academy to ensure we continue to provide a healthy, safe and secure environment in respect of buildings and grounds during a period of anticipated reduced funding due to the national trend which predicts a fall to the number of students on roll.

Operational Contingency funds are intended to allow the academy to sustain experienced staffing and maintain the high quality of teaching and learning during a period of anticipated reduced funding due to the national trend which predicts a fall to the number of students on roll.

Transfer on Conversion represents the unspent surplus on conversion transferred to the Academy.

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16. STATEMENT OF FUNDS (continued)

Restricted Funds:

General Annual Grant is made up of a number of different funding streams all of which are to be used to cover the running costs of the Academy.

Other EFA Grants represents other funding received from the EFA for specific purposes.

Other Government Grants represents funding from other Government sources provided for specific purposes.

Other Income / Other School Funds represent other restricted funds received which must be used for the purpose intended.

Pension Reserve represents the current deficit balance of the Local Government Pension Scheme.

Restricted Fixed Asset funds:

EFA Capital Maintenance Grant represents money received and spent on specific maintenance projects during the period.

Assets Transferred on Conversion represents the net book value of the assets transferred from the local authority on conversion.

Capital Expenditure from GAG represents the net book value of assets acquired using GAG income.

Under the funding agreement with the Secretary of State, the Academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2015.

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds	503,190	155,973	(219,127)	59,364	(4,614)	494,786
General funds	439,362	293,512	(312,247)	18,735	-	439,362
	<u>942,552</u>	<u>449,485</u>	<u>(531,374)</u>	<u>78,099</u>	<u>(4,614)</u>	<u>934,148</u>
Restricted funds	(433,322)	4,125,371	(4,193,281)	(77,398)	127	(578,503)
Restricted fixed asset funds	10,199,882	293,189	(298,001)	(701)	-	10,194,369
	<u>10,709,112</u>	<u>4,868,045</u>	<u>(5,022,656)</u>	<u>-</u>	<u>(4,487)</u>	<u>10,550,014</u>

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17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2015 £	Restricted funds 2015 £	Restricted fixed asset funds 2015 £	Total funds 2015 £	Total funds 2014 £
Tangible fixed assets	-	-	10,183,403	10,183,403	10,199,882
Fixed asset investments	317,190	57,617	-	374,807	380,294
Current assets	616,958	566,500	10,966	1,194,424	1,364,858
Creditors due within one year	-	(271,620)	-	(271,620)	(380,922)
Provisions for liabilities and charges	-	(931,000)	-	(931,000)	(855,000)
	<u>934,148</u>	<u>(578,503)</u>	<u>10,194,369</u>	<u>10,550,014</u>	<u>10,709,112</u>

18. NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 £	2014 £
Net incoming resources before revaluations	(154,611)	130,143
Returns on investments and servicing of finance	(1,200)	(13,864)
Depreciation of tangible fixed assets	16,479	9,176
Capital grants from EFA and other sources	(293,189)	(307,225)
(Increase) / decrease in debtors	(3,203)	103,983
Increase / (decrease) in creditors	(109,302)	(162,028)
FRS 17 adjustments	77,000	59,000
Net cash outflow from operations	<u>(468,026)</u>	<u>(180,815)</u>

19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2015 £	2014 £
Returns on investments and servicing of finance		
Interest received	1,200	1,711
Income from investments	-	12,153
Net cash inflow from returns on investments and servicing of finance	<u>1,200</u>	<u>13,864</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2015 £	2014 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	-	(34,415)
Capital grants from EFA and other sources	293,189	307,225
	293,189	272,810
Net cash inflow capital expenditure	293,189	272,810

20. ANALYSIS OF CHANGES IN NET FUNDS

	1 September 2014 £	Cash flow £	Other non-cash changes £	31 August 2015 £
Cash at bank and in hand:	1,263,202	(173,637)	-	1,089,565
Net funds	1,263,202	(173,637)	-	1,089,565
	1,263,202	(173,637)	-	1,089,565

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NOTES TO THE FINANCIAL STATEMENTS
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21. PENSION COMMITMENTS

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £55,972 were payable to the scheme at 31 August 2015 (2014 - £nil) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. 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 of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The 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 September 2015, which will be payable during the implementation period 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.

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21. PENSION COMMITMENTS (continued)

The pension costs paid to TPS in the period amounted to £306,000 (2014 - £305,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2015 was £141,000, of which employer's contributions totalled £106,000 and employees' contributions totalled £35,000. The agreed contribution rates for future years are 18.45% for employers and a maximum of 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

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

	Expected return at 31 August 2015 %	Fair value at 31 August 2015 £	<i>Expected return at 31 August 2014 %</i>	<i>Fair value at 31 August 2014 £</i>
Equities	3.80	595,000	<i>6.30</i>	<i>494,000</i>
Bonds	3.80	103,000	<i>3.60</i>	<i>84,000</i>
Property	3.80	95,000	<i>4.50</i>	<i>72,000</i>
Cash	3.80	-	<i>3.30</i>	<i>-</i>
Total market value of assets		793,000		<i>650,000</i>
Present value of scheme liabilities		(1,724,000)		<i>(1,505,000)</i>
Deficit in the scheme		(931,000)		<i>(855,000)</i>

The amounts recognised in the Balance sheet are as follows:

	2015 £	<i>2014 £</i>
Present value of funded obligations	(1,724,000)	<i>(1,505,000)</i>
Fair value of scheme assets	793,000	<i>650,000</i>
Net liability	(931,000)	<i>(855,000)</i>

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

The amounts recognised in the Statement of financial activities are as follows:

	2015 £	2014 £
Current service cost	(165,000)	(143,000)
Interest on obligation	(59,000)	(53,000)
Expected return on scheme assets	41,000	34,000
	<u>(183,000)</u>	<u>(162,000)</u>
Total	<u>(183,000)</u>	<u>(162,000)</u>
Actual return on scheme assets	<u>17,000</u>	<u>66,000</u>

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

	2015 £	2014 £
Opening defined benefit obligation	1,505,000	1,063,000
Current service cost	165,000	143,000
Interest cost	59,000	53,000
Contributions by scheme participants	35,000	34,000
Actuarial losses	(25,000)	221,000
Estimated benefits paid	(15,000)	(9,000)
	<u>1,724,000</u>	<u>1,505,000</u>
Closing defined benefit obligation	<u>1,724,000</u>	<u>1,505,000</u>

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

	2015 £	2014 £
Opening fair value of scheme assets	650,000	489,000
Expected return on assets	41,000	34,000
Actuarial gains / (losses)	(24,000)	(1,000)
Contributions by employer	106,000	103,000
Contributions by employees	35,000	34,000
Estimated benefits paid	(15,000)	(9,000)
	<u>793,000</u>	<u>650,000</u>
	<u>793,000</u>	<u>650,000</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £211,000 (2014 - £212,000).

The Academy expects to contribute £126,000 to its Defined benefit pension scheme in 2016.

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21. PENSION COMMITMENTS (continued)

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

	2015	<i>2014</i>
Equities	75.00 %	<i>76.00 %</i>
Bonds	13.00 %	<i>13.00 %</i>
Property	12.00 %	<i>11.00 %</i>

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

	2015	<i>2014</i>
Pension increase rate	2.70 %	<i>2.70 %</i>
Salary Increase rate	4.10 %	<i>4.00 %</i>
Expected return on assets	3.80 %	<i>5.80 %</i>
Discount rate	3.80 %	<i>3.70 %</i>

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

	2015	<i>2014</i>
Retiring today (in years)		
Males	22.2	<i>22.2</i>
Females	24.4	<i>24.4</i>
Retiring in 20 years (in years)		
Males	24.5	<i>24.5</i>
Females	26.8	<i>26.8</i>

Amounts for the current and previous two periods are as follows:

Defined benefit pension schemes

	2015	<i>2014</i>	<i>2013</i>
	£	£	£
Defined benefit obligation	(1,724,000)	<i>(1,505,000)</i>	<i>(1,063,000)</i>
Scheme assets	793,000	<i>650,000</i>	<i>489,000</i>
Deficit	(931,000)	<i>(855,000)</i>	<i>(574,000)</i>
Experience adjustments on scheme liabilities	25,000	<i>(221,000)</i>	<i>(26,000)</i>
Experience adjustments on scheme assets	(24,000)	<i>(1,000)</i>	<i>36,000</i>

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22. OPERATING LEASE COMMITMENTS

At 31 August 2015 the Academy had annual commitments under non-cancellable operating leases for other equipment as follows:

	2015 £	2014 £
Expiry date:		
Within 1 year	3,137	158
Between 2 and 5 years	18,461	28,964
	<u>21,600</u>	<u>29,122</u>

23. CONTINGENT LIABILITIES

In the event of Queen Elizabeth's Grammar School Horncastle ceasing to operate as an Academy, provisions are included in the funding agreement relating to the clawback of assets and monies paid to the Academy.

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24. RELATED PARTY TRANSACTIONS

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

Chattertons Solicitors:

Chattertons Solicitors is a firm in which P Cordingley, a Governor, is also a partner. During the year, the Academy received net invoices from Chatterton's Solicitors totalling £3,490 (2014 - £924). There was no balance outstanding at the either year-end. The work is undertaken by a separate partner of the firm.

Lincolnshire and Rutland Education Business Partnership:

Lincolnshire and Rutland Education Business Partnership is a company limited by guarantee in which the partner of a Governor is a director. Whilst the company does not meet the definition of a related party under Financial Reporting Standard 8, the Governors consider that it is in the spirit of the Academies Financial Handbook to fully disclose transactions and balances with the company. During the year, the Academy received net invoices from the company totalling £4,550 (2014 - £4,690). The balance due to the company at 31 August 2015 was £1,955 (2014 - £105) which is included within trade creditors.

QEGS Parents' Association:

QEGS Parents' Association is a charity in which some of the Governors are Trustees. During the year, QEGS Parents' Association made contributions and donations totalling £16,614 (2014 - £429). There was no balance outstanding at either year-end.

Relatives of Governors:

The following disclosure details remuneration paid to individuals who were, or continue to be, employed by the Academy and are family members of the Governors. The Governors confirm that all individuals were fairly recruited and their performance has been managed in the normal way; their employment is considered to be of benefit to the Academy.

Governor	Date Appointed	Relationship	Date of Employment	Salary Banding	Pension
Dr G Samra	03/03/2009	Spouse	04/09/2006	£5,000 - £10,000	LGPS
Mrs H Payne	01/09/2009	Spouse	01/09/1991	£40,000 - £45,000	TPS

25. AGENCY ARRANGEMENTS

During the year, the Academy acted as agent in respect of the 16-18 Bursary. A total of £16,764 was received by the Academy of which £16,516 was spent leaving a balance of £248. Together with the £150 brought forward from 2014, a total of £398 is included within deferred income.