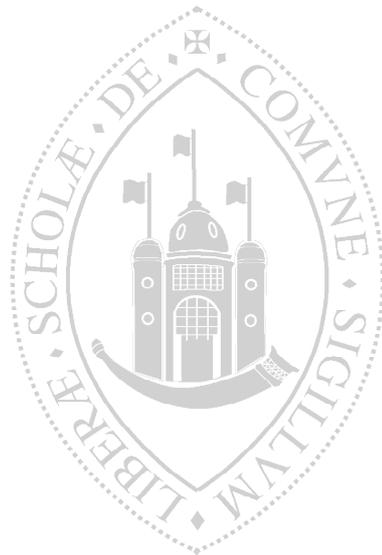


QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
(A company limited by guarantee)



ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

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 GOVERNORS AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Members and Governors Mr D Bennett, Chair of Governors
Mr I Birchall
Mrs A Bourn, Staff Governor and Chair of Wellbeing Committee
Mr P Brewster
Mr M Cherry, Staff Governor
Mr P Cordingley
Mrs M Elmer (resigned 6 November 2015)
Mr J Finley, Chair of Finance Committee
Mrs A Hurrell, Chair of Personnel Committee
Mr P Jackson (appointed 9 May 2016)
Mr S Jackson, Staff Governor
Mr J Kwee
Mrs H Payne, Headteacher
Mr J Pearson
Mr A Rajput (appointed 9 May 2016)
Dr G Samra
Mr A Turner (appointed 9 May 2016)
Mr C Waters, Chair of Standards Committee
Mrs K Wingate

**Company Registration
Number**

08175402

Company Name

Queen Elizabeth's Grammar School Horncastle

**Principal and Registered
Office**

Queen Elizabeth's Grammar School
West Street
Horncastle
Lincolnshire
LN9 5AD

Company Secretary

Mrs J Hastings

**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

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Advisers (continued)

Bankers Lloyds Bank plc
 14 High Street
 Horncastle
 Lincolnshire
 LN9 5BL

Solicitors Chattertons Solicitors
 5 South Street
 Horncastle
 Lincolnshire
 LN9 6DS

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The governors present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2015 to 31 August 2016. The governors' report serves the purposes of both a trustees' report under charity law and a directors' report under company law.

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 2015 census was 777.

Structure, Governance and Management

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the academy trust. The governors are the directors of the charitable company for the purposes of company law and trustees of the charity for charity law. The charitable company is known as Queen Elizabeth's Grammar School. Details of the governors who served during the year are included in the Reference and Administrative Details on page one.

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.

Governors' Indemnities

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

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
- d) any person appointed under Article 16

The board may appoint additional governors. Governors may be removed by the person or persons who appointed them. Three 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 period.

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 individuals in order to secure a robust team with a broad knowledge base.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Policies and Procedures Adopted for the Induction and Training of Governors

All governors are provided with copies of procedures, minutes, accounts, budget 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.

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, 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 student 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 Groups. 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 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.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

Pay policies are in place for teaching and support staff, they are reviewed annually in consultation with staff and recognised trade unions and include arrangements for the Headteacher and senior leaders.

The Teachers Pay Policy complies with the School Teachers' Pay & Conditions Document (STPCD) and accompanying statutory guidance. Although it is not a requirement to have a pay policy for support staff, governors feel that by doing so it reflects the valued contribution made by support staff and aligns with arrangements for teaching staff to establish a whole school approach.

When setting pay governors refer to legislation, national and local pay agreements, take advice from the school's human resource adviser, consider market forces and benchmark against evaluated posts within the education sector and other industries where relevant.

The objectives of the pay policies are to:

- recognise and reward staff for their contribution to school improvement;
- ensure that pay and staffing arrangements enable the current and future delivery of the school's curriculum and associated School Development Plans;
- ensure that pay decisions are made in a fair and transparent way;
- support the recruitment and retention of high quality staff;
- ensure that available resources are allocated appropriately and responsibly.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

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 and its purpose is to provide inclusive, high quality and sustainable education for the community through raising standards and improving achievement. Separate governance documents exist and 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. The Parents' Association gives generous donations to school for specific purposes; recent examples include the purchase of a camera kit for media studies, two laptops for the learning support department, a supply of banquetting tables for training courses and school events, funding a newspaper day in conjunction with Lincoln University and publishing short stories written by students in aid of Macmillan Cancer Research.

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, Police Service, Lincolnshire Learning Partnership, LIVES, Young Enterprise, Duke of Edinburgh, British Council, Diana Award, CAMHS, CASY Counselling Service, School Nursing Service, OASIS, SSAFA, 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' School, is registered as a separate charity. More details can be found within the Financial Review section of this report.

Objectives and Activities

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.

Objectives, Strategies and Activities

The main objectives of the academy during the period ended 31 August 2016 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 with the Achievement and Performance section of this report.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

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 academy'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 the responsibilities of later life.

Achievements and Performance

Once again the academy can report another fruitful year, continued dedication of students, staff, parents and the wider school community has resulted in positive experiences and delivered successful outcomes. The links built by governors with faculties have continued to support constructive challenge and assist in the desire to develop and improve. The emphasis of inspection is that of the quality of teaching across the school, a programme of lesson observations took place to benchmark performance and once again 100% of full lesson observations were awarded Good or Outstanding.

There were many achievements during the period, those of note include the wealth of enrichment opportunities offered incorporating Next Steps to Study with Bishop Grosseteste University, Murray Edwards Pathways with Cambridge University, Young Enterprise, Duke of Edinburgh, Lincolnshire Show School's Challenge, Garsington Opera workshops, Lincolnshire Schools' Prom, a theatre experience at Stratford and a poetry event with RAF Cranwell as part of a remembrance festival.

During the period 76 trips took place incorporating activities from all faculty areas. From far afield Loas, China and Vietnam, in addition to Kathmandu as once again students participated in World Challenge and Project Nepal. Students hosted exchange partners from Mellendorf and Cahors, and participated in a number of trips ranging from the Wolds to the Italian Alps.

Sporting success included the gymnasts and the rounders team becoming county champions and cricketers reaching the national final at Old Trafford.

Many students also achieved personal awards and accolades, inspiring their peers and impacting upon the wider community. These included the Diana Award, the prestigious Frampton Prize from the Royal Historical Society and Olympic medals in the World Transplant Games.

Community engagement was a key theme during the year and incorporated a programme of student activities ranging from hosting forensic science and maths workshops for many primary schools, a community café run by Year 7 students, visits to local residential homes, litter picking in the local area, gardening to help maintain local churchyards and amenity areas. The academy continued to open its doors to the community through a range of lettings for local clubs and organisations such as the Royal British Legion, in addition to offering a programme of adult education activities. The academy was also proud to host the Queen's 90th birthday celebrations for Horncastle.

Demand continues to increase for the private bus services to the extent that the academy will be providing additional capacity from September 2016, evidencing that QEGS continues to be a school of choice.

Facilities and resources have continued to be developed, successful bids for funding from the MoD and EFA enabled three major projects to go ahead; development of a nurture and refreshment area in the quad at the heart of the school, refurbishment of the technology and media area incorporating new roofing, windows, wall panels and doors, and refurbishment of the Horsa buildings to include a new boiler and heating system, roofing, windows, doors and insulation.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

The academy maintains the meal service to support a local primary school and the catering team received an accolade from Blakemore Food Service in their 12th Annual Catering Awards.

The academy continues to hold the International School Award, School Council Silver Award, Diana Award and Music Mark. Further accolades achieved this year include the Pupil Premium Award and attainment of the Highly Commended category for the House of Commons Speaker's School Council Award.

The Horncastle Umbrella Trust continues to deliver joint benefits for the academy and Banovallum School. Further information can be found within a separate review of the Umbrella Trust activities.

Key Performance Indicators

The academy's key financial performance indicators are:

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

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.

The key priorities for 2015-16 were 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 sought to 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 sought to 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.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCASTLE
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

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 sought to 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.

Feedback, observation and surveys continue to evidence that the academy has maintained a high level of support from parents, students and staff. The academy is extremely proud of students who have once again produced excellent examination results which are testament to their attitude and work ethic, along with the invaluable support from our dedicated staff. The majority of students leaving the sixth form have secured their desired destinations, this year five students take up places at Cambridge University. 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 incl A*-C GCSE E&M	5+ A*-C incl Level 2 E&M	5+ A*-G incl Level 1 E&M	Eng Bacc	A*-C GCSE Eng	A*-C GCSE Maths	A*-C GCSE E & M
42	55	99	100	100	100	99	99	100	71	99	100	99

A Level:

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
15	50	90	100	7	27	72	100	3	15	38	99

Going Concern

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

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Financial Review

The principal source of funding is from the EFA and expenditure is focused upon the provision resources to support delivery of a high standard of education. The academy continually reviews its operations and strives for excellence in order to provide a world class educational experience for students, in doing so detailed performance and development plans are used to provide a framework for monitoring progress and achievement.

The academy operates both the teachers and local government pension schemes. The LGPS pension deficit is detailed within the accounts, an annual benchmark review has confirmed that the deficit is in line with the national position for academies.

Reserves Policy

The academy aims to carry forward a prudent level of resources and the situation is kept under review. Care has been taken to avoid complacency; options appraisals, best value reviews and a significant curriculum review has taken place to ensure challenge and rigour when committing funds.

The value of free reserves represented by unrestricted funds is £974,301 and other reserves represented by restricted funds is £10,663,367 which includes fixed assets but excludes the pensions deficit. It should be noted that the restricted funds include £10,186,662 which can only be realised by disposing of tangible fixed assets. The reserves incorporate an investment portfolio from which two funds have been designated. Currently these are listed as Operational Contingency and Maintenance Contingency. The purpose of these funds is not to offset any in year deficit, rather to ensure that the operational, maintenance and development costs which may arise are covered in order to secure the sustainable future of the academy. It is acknowledged that the risks and opportunities may include mitigating the impact of changes to the national funding formula, protecting provision during the national short-term trend of reducing student numbers, addressing the challenges faced in relation to maintaining a quality sixth form provision and potential development of the academy.

Full details of restricted and unrestricted funds, along with the pensions deficit, can be found within the balance sheet and notes to the accounts. The reserves of the academy are reviewed regularly by governors and are considered to be sufficient and proportionate for the academy's requirements.

Investment Policy

Investments held by the academy are incorporated within the accounts to ensure transparency and openness. The academy seeks to realise the best possible returns whilst maintaining security of funds. Where investments are linked to donations, due regard is given to restrictions and the wishes of donors. The policy will support governors in their decision making, enabling them to show due diligence within their considerations.

Governors deem it important to give consideration to the ethical impact of investments and exclude investments if there are any known activities which involve countries with poor human rights and/or child labour rules or where there is doubt regarding the ethical nature of specific business activities and their impact. Governors endeavour to include investments which promote investment in the UK to support the home economy or investments which represent sustainable concepts.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Principal Risks and Uncertainties

The academy has undertaken a thorough and detailed assessment of risks. The following key strategies have been adopted to mitigate risks:

- A comprehensive risk assessment completed and reviewed annually.
- The appointment of an independent company to undertake the internal audit function, delivering evaluation reports to governors.
- Access to professional support and guidance via the EFA, accountants, solicitors, LEA, professional associations and networks.
- Adoption of a comprehensive month end process including accruals accounting practices.
- Adoption of a robust Finance Policy and subsequent annual reviews.
- Detailed financial monitoring and reporting via the Finance Committee.

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. Governors are mindful of other aspects of school activities such as trustee and employee public profiles, trips, safeguarding and health & safety. This also takes account of alliance and partnership risks, with due regard to the emerging political landscape of consolidation.

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. This aspect incorporates skills assessment and training needs.

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 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

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. This incorporates medium and long term planning.

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. Flood risk remains a concern and preventative measures continue in an attempt to reduce the potential impact.

Student Matters

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.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Risk Management

A robust risk assessment has been undertaken to establish any risks to the academy. This is reviewed and updated annually by 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:

- Rigorous review of educational achievement to secure and maintain high standards.
- A Child Protection Policy, procedures and regular safeguarding training/briefing for all staff.
- 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.
- Budget monitoring and reporting with a focus on performance and funding.
- Identification of key risks and funding opportunities to mitigate these.
- Formal agendas for governors' meetings.
- Detailed Terms of Reference for all committees.
- Clear financial delegation levels.
- Formal written policies and regular reviews.

Plans for Future Periods

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 2016-17 are as follows:

- 1. Secure consistently high standards of attainment in every area of the curriculum and in each key stage by;**
 - a) Realising outstanding levels of teaching and learning with a distinct focus on the use of other adults within the classroom.**
 - b) Focussing specifically on any remaining areas of underperformance.**
 - c) Having impeccable standards of behaviour and appearance.**

The academy will achieve this through:

- 1.1 Maintaining an unrelenting focus on promoting high performance; focus on identified areas to secure improvement.
 - 1.2 Continue the focus on securing outstanding levels of teaching and learning.
 - 1.3 Continuing to implement ongoing qualification and assessment reform.
 - 1.4 Secure and then sustain high levels of conduct and appearance across the student body.
- 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 Continue to implement curriculum review outcomes.
- 2.2 Implement the outcomes from the report writing working group.
- 2.3 Sustain focus on feedback and marking.
- 2.4 Implement the new support staff pay policy and appraisal system.
- 2.5 Build capacity and provide support for new leadership posts.
- 2.6 Develop a vision for QEGS to ensure its long term future.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

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 Continue to promote the use of the academy, its site and facilities to the wider community.
- 3.3 Strengthening opportunities to enhance the academy's own community.

Auditor

Insofar as the governors are aware:

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

The governors' report, incorporating a strategic report, was approved by order of the Governing Body, as the company directors, on 5 December 2016 and signed on the board's behalf by:

Mr D Bennett
Chair of Governors

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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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 Statement of governors' responsibilities. 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
Mr I Birchall	3	5
Mrs A Bourn, Staff Governor and Chair of Wellbeing Committee	5	5
Mr P Brewster	5	5
Mr M Cherry, Staff Governor	5	5
Mr P Cordingley	1	5
Mrs M Elmer	0	1
Mr J Finley, Chair of Finance Committee	3	5
Mrs A Hurrell, Chair of Personnel Committee	4	5
Mr P Jackson	2	2
Mr S Jackson, Staff Governor	4	5
Mr J Kwee	4	5
Mrs H Payne, Headteacher	5	5
Mr J Pearson	2	5
Mr A Rajput	2	2
Dr G Samra	3	5
Mr A Turner	2	2
Mr C Waters, Chair of Standards Committee	5	5
Mrs K Wingate	5	5

The strategy for succession planning has enabled the academy to maintain strength and skills within the board of governors; this year the academy welcomed Mr Jackson, Mr Rajput and Mr Turner all of whom were appointed in May. Mrs Hurrell continues to provide valuable support in relation to her lead for safeguarding and Mr Brewster assists in maintaining focus upon securing the best outcomes via pupil premium funding.

The governance vision remains unchanged as the academy continues to strive to deliver '*effective leadership, world class provision, outstanding outcomes, entitlement to unique experiences*'. Activities this year have continued to include Link Governor and Head of Faculty meetings; attending open mornings, parents' evenings, student council meetings and representing the school during open evening; participating in interview panels; introducing a peer support system for governors of the two schools within the Umbrella Trust; attending training sessions including partnership working with colleagues from Banovallum School about the prevent strategy and equality.

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GOVERNANCE STATEMENT (continued)

The academy joined the Lincolnshire Learning Partnership and participated in a peer review process. The outcomes from which, coupled with a detailed self evaluation, contributed to the continued drive to improve standards.

A range of projects have taken place, driven by growing expertise and academic groups, and included topics such as report writing, marking and feedback, and embedding life after levels. Naturally, the work undertaken to complete and implement the outcomes from the curriculum review and qualification reforms has also been significant.

On a national perspective, the academy continues to engage with colleagues and political leaders to influence change within the education sector. This has included the Headteacher as a member of the national executive of GSHA, contributing data for debates in the House of Commons, and hosting visits from the local MP and the Secretary of State for Education.

Sub-committees provide support in order to deliver the academy's 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, Chair of Governors	5	5
Mr I Birchall	2	5
Mr P Brewster	4	5
Mr M Cherry, Staff Governor	4	5
Mr J Finley, Chair of Finance Committee	4	5
Mrs H Payne	5	5
Mr C Waters, Chair of Standards Committee	4	5
Mrs K Wingate	5	5

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 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 academy's use of its resources has provided good value for money during each academic year, and reports to the Governing Body where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the academy has delivered improved value for money during the year by:

- Implementing a shared procurement protocol across the Umbrella Trust.
- Conducting best value reviews prior to renewing contracts for items such as hygiene supplies and multifunctional devices.
- Completing options appraisals and needs analysis when vacancies arise.
- Sharing staffing resources across the Umbrella Trust.
- Upskilling existing staff to remove the need for external contracts and maximise resource sharing.
- Utilising national frameworks for high level spend such as Crown Commercial Services for utilities and Risk Pooling Arrangement for insurance.
- Applying for and securing external funding to improve facilities, these included the EFA Condition Improvement Fund and Ministry of Defence Education Support Fund.

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 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

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 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

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

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the 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 internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems.

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.

Internal audit reports produced were issued to the board of governors and discussed during subsequent Finance Committee meetings. During the period no material control issues arose as a result of the internal auditors work.

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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 5 December 2016 and signed on their 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 trust board of governors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the academy trust board of governors are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2015.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of governors and EFA.

Mrs H Payne
Accounting Officer

Date: 5 December 2016

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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STATEMENT OF GOVERNORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

The Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Strategic report, the Governors' 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 of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) 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 the EFA/DfE have been applied for the purposes intended.

The governors are responsible for the maintenance and integrity of the corporate and financial information included on the 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 5 December 2016 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 ON THE FINANCIAL STATEMENTS 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 2016 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 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 Statement of governors' responsibilities, 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 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle

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.

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
12 December 2016

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

INDEPENDENT REPORTING AUDITOR'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 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, 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 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Queen Elizabeth's Grammar School Horncastle and the 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 the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Queen Elizabeth's Grammar School Horncastle and the 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 AUDITOR

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 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. 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 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

**INDEPENDENT REPORTING AUDITOR'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 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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

12 December 2016

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
INCOME FROM:						
Donations and capital grants	2	-	-	416,579	416,579	303,189
Charitable activities	3	513,950	3,871,306	-	4,385,256	4,533,889
Other trading activities	4	16,229	-	-	16,229	17,788
Investments	5	14,471	1,840	-	16,311	13,179
TOTAL INCOME		544,650	3,873,146	416,579	4,834,375	4,868,045
EXPENDITURE ON:						
Raising funds		1,270	-	-	1,270	1,379
Charitable activities		606,596	3,952,300	253,357	4,812,253	5,036,277
TOTAL EXPENDITURE	6	607,866	3,952,300	253,357	4,813,523	5,037,656
NET INCOME / (EXPENDITURE) BEFORE INVESTMENT GAINS/(LOSSES)						
		(63,216)	(79,154)	163,222	20,852	(169,611)
Net gains/(losses) on investments	13	37,043	6,759	-	43,802	(5,487)
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
		(26,173)	(72,395)	163,222	64,654	(175,098)
Transfers between Funds	16	66,326	(88,983)	22,657	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER GAINS AND LOSSES						
		40,153	(161,378)	185,879	64,654	(175,098)
Actuarial gains/(losses) on defined benefit pension schemes	20	-	(482,000)	-	(482,000)	16,000
NET MOVEMENT IN FUNDS		40,153	(643,378)	185,879	(417,346)	(159,098)
RECONCILIATION OF FUNDS:						
Total funds brought forward		934,148	(578,503)	10,194,369	10,550,014	10,709,112
TOTAL FUNDS CARRIED FORWARD		974,301	(1,221,881)	10,380,248	10,132,668	10,550,014

The notes on pages 27 to 50 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 2016

	Note	£	2016 £	£	2015 £
FIXED ASSETS					
Tangible assets	12		10,186,662		10,183,403
Investments	13		871,949		374,807
			<u>11,058,611</u>		<u>10,558,210</u>
CURRENT ASSETS					
Debtors	14	100,497		104,859	
Cash at bank and in hand		794,910		1,089,565	
		<u>895,407</u>		<u>1,194,424</u>	
CREDITORS: amounts falling due within one year	15	(316,350)		(271,620)	
			<u>579,057</u>		<u>922,804</u>
NET CURRENT ASSETS					
			<u>11,637,668</u>		<u>11,481,014</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
Defined benefit pension scheme liability	20		(1,505,000)		(931,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>10,132,668</u>		<u>10,550,014</u>
FUNDS OF THE ACADEMY					
Restricted funds:					
Restricted funds	16	283,119		352,497	
Restricted fixed asset funds	16	10,380,248		10,194,369	
Restricted funds excluding pension liability		10,663,367		10,546,866	
Pension reserve		(1,505,000)		(931,000)	
Total restricted funds			<u>9,158,367</u>		<u>9,615,866</u>
Unrestricted funds	16		974,301		934,148
TOTAL FUNDS			<u>10,132,668</u>		<u>10,550,014</u>

The financial statements were approved by the governors, and authorised for issue, on 5 December 2016 and are signed on their behalf, by:

Mr D Bennett
Chair of Governors

The notes on pages 27 to 50 form part of these financial statements.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash used in operating activities	18	<u>(235,237)</u>	<u>(466,826)</u>
Cash flows from investing activities:			
Purchase of tangible fixed assets		(22,657)	-
Capital grants from the EFA		416,579	293,189
Cash placed in investment accounts		<u>(453,340)</u>	<u>-</u>
Net cash (used in)/provided by investing activities		<u>(59,418)</u>	<u>293,189</u>
Change in cash and cash equivalents in the year		(294,655)	(173,637)
Cash and cash equivalents brought forward		<u>1,089,565</u>	<u>1,263,202</u>
Cash and cash equivalents carried forward	19	<u><u>794,910</u></u>	<u><u>1,089,565</u></u>

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Queen Elizabeth's Grammar School Horncastle constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of Queen Elizabeth's Grammar School Horncastle prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Queen Elizabeth's Grammar School Horncastle for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the governors have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Reconciliations to previous UK GAAP for the comparative figures are included in note 26.

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 the Education Funding Agency where the asset acquired or created is held for a specific purpose.

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

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

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.3 Income

All income is recognised once the academy has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of financial activities incorporating income and expenditure account 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 Statement of financial activities incorporating income and expenditure account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are 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.

1.4 Expenditure

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

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

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

All resources expended are inclusive of irrecoverable VAT.

QUEEN ELIZABETH'S GRAMMAR SCHOOL HORNCastle
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

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

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

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. 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.

1.7 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of financial activities incorporating income and expenditure account.

1.8 Operating leases

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

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NOTES TO THE FINANCIAL STATEMENTS
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1. ACCOUNTING POLICIES (continued)

1.9 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy; this is normally upon notification of the interest paid or payable by the Bank.

1.10 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.

1.11 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.12 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.13 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.14 Financial instruments

The academy only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

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NOTES TO THE FINANCIAL STATEMENTS
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1. ACCOUNTING POLICIES (continued)

1.15 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 quadrennial valuations using a prospective unit credit method. As stated in note 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of financial activities incorporating income and expenditure account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

1. ACCOUNTING POLICIES (continued)

1.16 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

Tangible fixed assets are recognised at cost or valuation, less accumulated depreciation and any impairment. Depreciation takes place over the estimated useful life, down to the assessed residual value. The carrying amount of the academy's fixed assets is tested as soon as changed conditions show that a need for impairment has arisen.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total 2016 £	<i>Total 2015 £</i>
Donations	-	-	-	-	10,000
Capital Grants	-	-	416,579	416,579	293,189
	-	-	416,579	416,579	303,189

In 2015, of the total income from donations and capital grants, £10,000 was to unrestricted funds and £293,189 was to restricted funds

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**NOTES TO THE FINANCIAL STATEMENTS
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3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total 2016 £	Total 2015 £
EFA grants				
General Annual Grant (GAG)	-	3,735,318	3,735,318	3,915,716
Other EFA Grants	-	51,844	51,844	51,448
	<u>-</u>	<u>3,787,162</u>	<u>3,787,162</u>	<u>3,967,164</u>
Other government grants				
Local Authority Grants	-	10,976	10,976	15,848
Ministry of Defence Grants	-	-	-	47,421
	<u>-</u>	<u>10,976</u>	<u>10,976</u>	<u>63,269</u>
Other funding				
Other Income	513,950	73,168	587,118	503,456
	<u>513,950</u>	<u>73,168</u>	<u>587,118</u>	<u>503,456</u>
	<u>513,950</u>	<u>3,871,306</u>	<u>4,385,256</u>	<u>4,533,889</u>

In 2015, of the total income from charitable activities, £445,744 was to unrestricted funds and £4,088,145 was to restricted funds.

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total 2016 £	Total 2015 £
Hire of Facilities	7,065	-	7,065	6,400
Catering for Primary Schools	9,164	-	9,164	11,388
	<u>16,229</u>	<u>-</u>	<u>16,229</u>	<u>17,788</u>

In 2015, of the total income from other trading activities, £17,788 was to unrestricted funds and £nil was to restricted funds.

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**NOTES TO THE FINANCIAL STATEMENTS
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5. INVESTMENT INCOME

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total 2016 £	<i>Total</i> 2015 £
Investment income	10,070	1,819	11,889	11,901
Bank interest received	4,401	21	4,422	1,278
	<u>14,471</u>	<u>1,840</u>	<u>16,311</u>	<u>13,179</u>

In 2015, of the total investment income, £11,348 was to unrestricted funds and £1,831 was to restricted funds.

6. EXPENDITURE

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	<i>Total</i> 2015 £
Expenditure on fundraising trading	1,270	-	-	1,270	1,379
Activities:					
Direct costs	2,941,398	-	253,981	3,195,379	3,241,753
Support costs	671,987	413,301	531,586	1,616,874	1,794,524
	<u>3,614,655</u>	<u>413,301</u>	<u>785,567</u>	<u>4,813,523</u>	<u>5,037,656</u>

In 2016, of the total expenditure, £607,866 (2015 - £566,769) was to unrestricted funds and £4,205,657 (2015 - 4,470,887) was to restricted funds.

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**NOTES TO THE FINANCIAL STATEMENTS
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7. CHARITABLE ACTIVITIES

	Total 2016 £	<i>Total 2015 £</i>
DIRECT COSTS - EDUCATIONAL OPERATIONS		
Teachers and educational support salaries	2,382,812	2,461,490
Teachers and educational support national insurance	189,378	172,631
Teachers and educational support pension	369,208	330,668
Educational supplies	117,938	138,761
Examination fees	107,228	90,803
Educational ICT costs	18,894	29,336
Staff development	9,921	18,064
	3,195,379	3,241,753
SUPPORT COSTS - EDUCATIONAL OPERATIONS		
Support staff salaries	498,323	511,221
Support staff national insurance	25,349	22,850
Support staff pension	148,315	149,635
Depreciation	19,398	16,479
Pension finance cost	36,000	33,000
Maintenance	285,790	401,345
Cleaning	11,941	13,467
Utilities	61,827	71,639
Rates	19,094	18,782
Office costs	21,876	23,717
Insurance	34,649	50,351
Hospitality	1,945	1,737
Transport and security	10,537	13,351
Recruitment and support	3,862	10,464
Catering	90,197	107,045
Legal and professional	30,278	39,752
Bank charges	3,513	3,303
Other support costs	266,979	273,332
Non-educational ICT costs	39,176	26,504
Governance costs	7,825	6,550
	1,616,874	1,794,524
	4,812,253	5,036,277

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NOTES TO THE FINANCIAL STATEMENTS
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8. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

	2016	<i>2015</i>
	£	£
Depreciation of tangible fixed assets:		
- owned by the academy	19,398	<i>16,479</i>
Auditor's remuneration - audit	6,000	<i>6,000</i>
Auditor's remuneration - other services	750	<i>550</i>
Operating lease rentals	21,871	<i>30,945</i>
	=====	=====

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**NOTES TO THE FINANCIAL STATEMENTS
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9. STAFF COSTS

Staff costs were as follows:

	2016	<i>2015</i>
	£	£
Wages and salaries	2,872,405	<i>2,974,090</i>
Social security costs	214,727	<i>195,481</i>
Operating costs of defined benefit pension schemes	517,523	<i>480,303</i>
	3,604,655	<i>3,649,874</i>
Staff restructuring costs	10,000	<i>-</i>
	3,614,655	<i>3,649,874</i>

The average number of persons employed by the academy during the year was as follows:

	2016	<i>2015</i>
	No.	No.
Teachers	29	<i>38</i>
Administration / Support	55	<i>55</i>
Management	44	<i>39</i>
	128	<i>132</i>

Average headcount expressed as a full time equivalent:

	2016	<i>2015</i>
	No.	No.
Teachers	24	<i>33</i>
Administration / Support	32	<i>36</i>
Management	37	<i>32</i>
	93	<i>101</i>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2016	<i>2015</i>
	No.	No.
In the band £60,001 - £70,000	2	<i>2</i>
In the band £70,001 - £80,000	1	<i>1</i>

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

Included in staff restructuring costs is one non-statutory / non-contractual severance payment of £10,000 (2015 - £nil).

The key management personnel of the academy comprise the governors and the senior leadership team on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy was £538,091 (2015 - £510,229).

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10. GOVERNORS' AND OFFICERS' INSURANCE

The academy has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the governors and officers indemnity element from the overall cost of the RPA scheme. In the previous year, the academy purchased separate cover at a cost of £1,800.

11. GOVERNORS' REMUNERATION AND EXPENSES

During the year retirement benefits were accruing to 4 governors (2015 - 5) in respect of defined benefit pension schemes.

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:

		2016	2015
		£	£
Mrs H Payne, Headteacher	Remuneration	75,000-80,000	<i>75,000-80,000</i>
	Pension contributions paid	10,000-15,000	<i>10,000-15,000</i>
Mrs A Bourn, Staff Governor	Remuneration	10,000-15,000	<i>10,000-15,000</i>
	Pension contributions paid	0-5,000	<i>0-5,000</i>
Mr S Jackson, Staff Governor	Remuneration	40,000-45,000	<i>30,000-35,000</i>
	Pension contributions paid	5,000-10,000	<i>0-5,000</i>
Mr M Cherry, Staff Governor	Remuneration	40,000-45,000	<i>40,000-45,000</i>
	Pension contributions paid	5,000-10,000	<i>5,000-10,000</i>
Mrs L Fox, Staff Governor	Remuneration	nil	<i>0-5,000</i>
	Pension contributions paid	nil	<i>0-5,000</i>

During the year, no governors received any benefits in kind (2015 - £NIL).

During the year ended 31 August 2016, expenses totalling £1,352 (2015 - £1,885) were reimbursed to 4 governors (2015 - 3).

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**NOTES TO THE FINANCIAL STATEMENTS
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12. TANGIBLE FIXED ASSETS

	Freehold Property £	Office Equipment £	Motor Vehicles £	Educational Equipment £	Total £
Cost					
At 1 September 2015	10,142,000	66,471	6,000	8,933	10,223,404
Additions	-	-	-	22,657	22,657
At 31 August 2016	<u>10,142,000</u>	<u>66,471</u>	<u>6,000</u>	<u>31,590</u>	<u>10,246,061</u>
Depreciation					
At 1 September 2015	-	32,214	6,000	1,787	40,001
Charge for the year	-	14,692	-	4,706	19,398
At 31 August 2016	-	<u>46,906</u>	<u>6,000</u>	<u>6,493</u>	<u>59,399</u>
Net book value					
At 31 August 2016	<u>10,142,000</u>	<u>19,565</u>	-	<u>25,097</u>	<u>10,186,662</u>
At 31 August 2015	<u>10,142,000</u>	<u>34,257</u>	-	<u>7,146</u>	<u>10,183,403</u>

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 2015	374,807
Additions	453,340
Revaluations	43,802
At 31 August 2016	<u>871,949</u>
Investments at market value comprise:	
	2016 £
Other fixed asset investments	<u>871,949</u>
	2015 £
	<u>374,807</u>

All the fixed asset investments are held in the UK

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14. DEBTORS

	2016 £	2015 £
Trade debtors	8,842	6,735
VAT recoverable	4,966	14,581
Prepayments and accrued income	86,689	83,543
	100,497	104,859

15. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	45,827	64,305
Other taxation and social security	63,595	62,838
Other creditors	56,842	55,972
Accruals and deferred income	150,086	88,505
	316,350	271,620
	2016 £	2015 £
Deferred income		
Deferred income at 1 September	21,823	40,970
Resources deferred during the year	22,326	21,283
Amounts released from previous years	(21,823)	(40,970)
	22,326	21,283

At the year-end, the academy has deferred its Rates Relief in line with the cost as well as receiving income in advance for Exams and Catering.

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

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
Maintenance Contingency	152,032	161,266	(234,578)	73,853	-	152,573
Operational Contingency	342,754	10,096	-	(7,527)	37,043	382,366
	<u>494,786</u>	<u>171,362</u>	<u>(234,578)</u>	<u>66,326</u>	<u>37,043</u>	<u>534,939</u>
General funds						
General Funds	-	373,288	(373,288)	-	-	-
Transfer on Conversion	439,362	-	-	-	-	439,362
	<u>439,362</u>	<u>373,288</u>	<u>(373,288)</u>	<u>-</u>	<u>-</u>	<u>439,362</u>
Total Unrestricted funds	<u>934,148</u>	<u>544,650</u>	<u>(607,866)</u>	<u>66,326</u>	<u>37,043</u>	<u>974,301</u>
Restricted funds						
General Annual Grant (GAG)	258,823	3,735,318	(3,786,022)	(22,657)	-	185,462
Other EFA Grants	8,854	51,844	(52,356)	-	-	8,342
Other Government Grants	10,116	10,976	(21,092)	-	-	-
Other School Funds	74,704	75,008	(830)	(66,326)	6,759	89,315
Pension Reserve	(931,000)	-	(92,000)	-	(482,000)	(1,505,000)
	<u>(578,503)</u>	<u>3,873,146</u>	<u>(3,952,300)</u>	<u>(88,983)</u>	<u>(475,241)</u>	<u>(1,221,881)</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 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
DFC Grants	10,966	18,580	(18,708)	-	-	10,838
EFA Capital Maintenance Grant	-	397,999	(215,251)	-	-	182,748
Assets Transferred on Conversion	10,142,000	-	-	-	-	10,142,000
Capital Expenditure from GAG	35,003	-	(16,029)	13,812	-	32,786
Capital Expenditure from Other Funds	6,400	-	(3,369)	8,845	-	11,876
	<u>10,194,369</u>	<u>416,579</u>	<u>(253,357)</u>	<u>22,657</u>	<u>-</u>	<u>10,380,248</u>
Total restricted funds	<u>9,615,866</u>	<u>4,289,725</u>	<u>(4,205,657)</u>	<u>(66,326)</u>	<u>(475,241)</u>	<u>9,158,367</u>
Total of funds	<u><u>10,550,014</u></u>	<u><u>4,834,375</u></u>	<u><u>(4,813,523)</u></u>	<u><u>-</u></u>	<u><u>(438,198)</u></u>	<u><u>10,132,668</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.

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.

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16. STATEMENT OF FUNDS (continued)

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:

DFC Grants represents funding received from the EFA to be spent on capital / maintenance projects at the discretion of the academy.

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

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

Capital Expenditure from GAG / Other Funds represents the net book value of assets acquired using GAG income and other sources of funding.

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 2016.

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	10,186,662	10,186,662	10,183,403
Fixed asset investments	354,233	64,376	-	418,609	374,807
Current assets	620,068	535,093	193,586	1,348,747	1,194,424
Creditors due within one year	-	(316,350)	-	(316,350)	(271,620)
Provisions for liabilities and charges	-	(1,505,000)	-	(1,505,000)	(931,000)
	<u>974,301</u>	<u>(1,221,881)</u>	<u>10,380,248</u>	<u>10,132,668</u>	<u>10,550,014</u>

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**18. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW
FROM OPERATING ACTIVITIES**

	2016 £	2015 £
Net income/(expenditure) for the year (as per Statement of financial activities)	64,654	(175,098)
Adjustment for:		
Depreciation charges	19,398	16,479
Losses/(gains) on investments	(43,802)	5,487
Decrease/(increase) in debtors	4,362	(3,203)
Increase/(decrease) in creditors	44,730	(109,302)
Capital grants from the EFA and other capital income	(416,579)	(293,189)
Defined benefit pension scheme cost less contributions payable	56,000	59,000
Defined benefit pension scheme finance cost	36,000	33,000
	(235,237)	(466,826)
Net cash used in operating activities	(235,237)	(466,826)

19. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash in hand	679,367	1,089,565
Notice deposits (less than 3 months)	115,543	-
	794,910	1,089,565
Total	794,910	1,089,565

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20. 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 Multi-employer defined benefit pension schemes.

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 £56,842 were payable to the schemes at 31 August 2016 (2015 - £55,972) 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 previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £345,000 (2015 - £306,000).

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20. PENSION COMMITMENTS (continued)

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust 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 2016 was £153,000 (2015 - £141,000), of which employer's contributions totalled £117,000 (2015 - £106,000) and employees' contributions totalled £36,000 (2015 - £35,000). The agreed contribution rates for future years are 19.03% 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.

Principal actuarial assumptions:

	2016	<i>2015</i>
Pension increase rate	2.10 %	<i>2.70 %</i>
Salary Increase rate	3.60 %	<i>4.10 %</i>
Discount rate	2.10 %	<i>3.80 %</i>

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

	2016	<i>2015</i>
Retiring today		
Males	22.2	<i>22.2</i>
Females	24.4	<i>24.4</i>
Retiring in 20 years		
Males	24.5	<i>24.5</i>
Females	26.8	<i>26.8</i>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

20. PENSION COMMITMENTS (continued)

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

	Fair value at 31 August 2016 £	<i>Fair value at 31 August 2015 £</i>
Equities	843,000	595,000
Bonds	142,000	103,000
Property	110,000	95,000
Cash	-	-
	<u>1,095,000</u>	<u>793,000</u>
Total market value of assets	<u>1,095,000</u>	<u>793,000</u>

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

	2016 £	<i>2015 £</i>
Current service cost (net of employee contributions)	(173,000)	<i>(165,000)</i>
Net interest cost	(36,000)	<i>(33,000)</i>
	<u>(209,000)</u>	<u><i>(198,000)</i></u>
Total	<u>(209,000)</u>	<u><i>(198,000)</i></u>
Actual return on scheme assets	<u>171,000</u>	<u><i>17,000</i></u>

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

	2016 £	<i>2015 £</i>
Opening defined benefit obligation	1,724,000	<i>1,505,000</i>
Current service cost	173,000	<i>165,000</i>
Interest cost	69,000	<i>59,000</i>
Contributions by employees	36,000	<i>35,000</i>
Changes in financial assumptions	620,000	<i>(25,000)</i>
Benefits paid	(22,000)	<i>(15,000)</i>
	<u>2,600,000</u>	<u><i>1,724,000</i></u>
Closing defined benefit obligation	<u>2,600,000</u>	<u><i>1,724,000</i></u>

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FOR THE YEAR ENDED 31 AUGUST 2016

20. PENSION COMMITMENTS (continued)

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

	2016	<i>2015</i>
	£	£
Opening fair value of scheme assets	793,000	<i>650,000</i>
Interest income	33,000	<i>26,000</i>
Return on plan assets (excluding net interest)	138,000	<i>(9,000)</i>
Contributions by employer	117,000	<i>106,000</i>
Contributions by employees	36,000	<i>35,000</i>
Benefits paid	(22,000)	<i>(15,000)</i>
	<hr/>	<hr/>
Closing fair value of scheme assets	1,095,000	<i>793,000</i>
	<hr/> <hr/>	<hr/> <hr/>

21. OPERATING LEASE COMMITMENTS

At 31 August 2016 the total of the academy's future minimum lease payments under non-cancellable operating leases was:

	2016	<i>2015</i>
	£	£
Amounts payable:		
Within 1 year	22,045	<i>20,855</i>
Between 1 and 5 years	15,683	<i>8,071</i>
	<hr/>	<hr/>
Total	37,728	<i>28,926</i>
	<hr/> <hr/>	<hr/> <hr/>

22. 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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23. 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 the trust 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 Mr P Cordingley, a governor, is also a partner. During the year, the academy received net invoices from Chatterton's Solicitors totalling £756 (2015 - £3,490). There was no balance outstanding at the either year-end. The work is undertaken by a separate partner of the firm.

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 £4,030 (2015 - £16,614). The balance due to the academy at the year-end was £607 (2015 - £nil).

In addition, QEGS Parents' Association invoiced the academy for services provided of £250 (2015 - £nil). 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	£30,000 - £35,000	TPS

24. AGENCY ARRANGEMENTS

During the year, the academy acted as agent in respect of the 16-18 Bursary. A total of £17,183 was received by the academy. Bursary funding was fully spent during the year. Therefore, no balance has been deferred as at 31 August 2016.

25. MEMBERS' LIABILITY

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

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26. FIRST TIME ADOPTION OF FRS 102

It is the first year that the academy has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

The policies applied under the academy's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure.