

**The BRIT School Limited**

**Annual Report, Strategic Report and  
Financial Statements**

31 August 2014

Company Limited by Guarantee  
Registration Number  
2369239 (England and Wales)

Exempt Charity

## Contents

Reference and administrative details	1
<b>Reports</b>	
Trustees' report	3
Governance statement	14
Statement on regularity, propriety and compliance	18
Statement of Trustees' responsibilities	19
Independent auditors' report on the financial statements	20
<b>Financial statements</b>	
Statement of financial activities incorporating income & expenditure account	22
Balance sheet	23
Cash flow statement	24
Principal accounting policies	25
Notes to the financial statements	29
Independent auditors' report on regularity	43

## Reference and administrative details

<b>Corporate Member</b>	BPI (British Recorded Music Industry) Limited
<b>Trustees/ Nominated Governors/ Members</b>	Paul Burger (Chair of Governors) <sup>a, c, d</sup> Glen Barnham <sup>a, f</sup> David Carter <sup>c</sup> (Chair of Finance Committee) John Craig OBE <sup>c</sup> Maggie Crowe OBE <sup>b, d</sup> John Deacon CBE <sup>b</sup> David Hughes (resigned 15 July 2014) <sup>a, b, e</sup> Prof Sally Mackey <sup>f</sup> Dej Mahoney <sup>f</sup> Jonathan Morrish <sup>d</sup> Fran Nevrkla OBE <sup>f</sup> Simon Presswell (elected 7 October 2014) <sup>c</sup> Maggie Semple OBE <sup>b</sup> Jeff Simpson <sup>d, e</sup> Geoff Taylor Tony Wadsworth CBE <sup>b</sup> Peter Wylie <sup>a, f</sup> Andrew Yeates <sup>a, c, e</sup>
<b>Co-opted Governors</b>	Jane Fairbourn <sup>e, f</sup> Sylvia McNamara <sup>f</sup>
<b>Staff Governors (Co-opted)</b>	Theresa Baker (elected 1 November 2014) <sup>c</sup> Victoria Bostock (maternity cover for Samantha Gottshalk from 26 August 2014) <sup>f</sup> Cath Costello (retired 31 October 2014) <sup>c, f</sup> Samantha Gottshalk
<b>Parent Governors (Co-opted)</b>	Madelaine Cooper (retired 31 October 2014) <sup>d, e</sup> Joanna Scott <sup>c</sup> Bridget McKenzie (elected 17 November 2014)
<b>Secretary</b>	Richard Elliott
<b>Senior Managers</b>	
Principal	Stuart Worden <sup>a, c, d, f</sup>
Director of Finance	Richard Elliott <sup>a, c, d, e</sup>
Deputy Principal	Lloyd Marshall (retired 31 August 2014) <sup>f</sup>
Deputy Principal	Jacqui Pick (retired 31 August 2014) <sup>f</sup>
Deputy Principal	Simon Collins <sup>f</sup>
Assistant Principal – Creative Arts	Adrienne Chapman (appointed 26 August 2014)
Assistant Principal – Academic Studies	Kirsty Mehta (appointed 26 August 2014)
Assistant Principal – Performing Arts	Ray Oudkirk (appointed 26 August 2014)
<b>Committee membership during the year</b>	
a	Personnel Committee
b	Principal’s Performance Management Committee
c	Finance Committee
d	PR/Marketing Committee
e	Governance Committee
f	Curriculum and Student Welfare Committee

## Reference and administrative details

<b>Registered office</b>	60 The Crescent Croydon Surrey CR0 2HN
<b>Company registration number</b>	2369239 (England and Wales)
<b>Charity registration number</b>	The Company is an exempt charity, regulated by the Education Funding Agency on behalf of the Department for Education.
<b>Solicitors</b>	Rawlison Butler LLP Griffin House 135 High Street Crawley West Sussex RH10 1DQ
<b>Bankers</b>	National Westminster Bank PLC Croydon and South London Corporate Business Centre National Westminster House 5 Sydenham Road Croydon Surrey CR0 2EX
<b>Auditors</b>	Wilkins Kennedy Greytown House 221-227 High Street Orpington Kent BR6 0NZ

## Trustees' report 31 August 2014

The trustees, who are also the School's nominated governors, present their report with the audited financial statements for The BRIT School Limited ("the School") for the year ended 31 August 2014. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies on pages 25 to 28 of the attached financial statements, and comply with the charitable company's memorandum and articles of association, the Companies Act 2006, and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" as issued in March 2005 ("SORP 2005").

The Trust operates a City College for the Technology of the Arts for pupils aged 14 to 19 serving a catchment area made up of most of Greater London and some parts of suburban Surrey and Kent. It has a pupil capacity of 1,230 and had a roll of 1,210 in the school census in October 2014.

### **Structure, governance and management**

#### Constitution

The School is a City College for the Technology of the Arts (CCTA). It is a company limited by guarantee (Company No.2369239) and an exempt charity, regulated by the Education Funding Agency (EFA) on behalf of the Department for Education (DfE). The company's memorandum and articles of association and scheme of government are the primary governing documents of the School. Nominated Governors act as the Trustees for the charitable activities of the School and are also Directors of the charitable company for the purposes of company law. Co-opted Governors are neither Trustees nor Directors. Details of the Governors who served throughout the period, except as noted, are included in the Reference and Administrative Details on page 1.

The School was incorporated on 6 April 1989 and has been a CCTA since its incorporation.

#### Members

Members of the company are nominated by either the Secretary of State for Education or BPI (British Recorded Music Industry) Limited (the BPI), the main sponsors of the School. Each member 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 £1, for the debts and liabilities contracted before he/she ceases to be a member.

#### Principal activities

The principal object and activity of the charitable company is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on and developing The BRIT School to provide education for pupils of different academic abilities between the ages of 14 and 19 with a strong emphasis on the performing and digital arts and related technology.

#### Governors, including method of recruitment and induction/training

Details of the Governors who served during the year are included in the Reference and Administrative Details on page 1. Nominated governors are directors of the company for the purposes of the Companies Act 2006 and trustees for the purposes of charity legislation.

**Structure, governance and management (continued)**  
Governors, including method of recruitment and induction/training (continued)

The Articles of Association of the Company provide that the number of Governors shall be not less than 4, and is currently restricted to a maximum of 25. Governors who are Primary or Ordinary Members of the Company will be known as Nominated Governors, and may, by simple majority vote, appoint any member of the Company to join the Broad of Governors. The Members of the Company shall also by ordinary resolution appoint to the Board of Governors not fewer than 4 person who are not members of the Company. These will be known as Co-opted Governors and shall include: (i) Individuals from the local community who are committed to the good government of the School; and (ii) Individuals representing the interests of teachers and staff and of parents of students at the school. Nominated Governors must outnumber Co-opted Governors. The number of Governors who are parents of students at the School shall not exceed 3 or one fifth of the total number of Governors, whichever shall be lesser.

Governors are subject to retirement by rotation but are eligible for re-election at the meeting at which they retire. At each Annual General Meeting of the company, one third of the governors retire by rotation. The governors to retire are those who have been longest in office since their last election or appointment.

Staff governors (Co-opted) may serve for one term of three years, and may not stand for re-election. The term of office of parent governors (Co-opted) has been altered to two years in order that their terms of office do not extend beyond their child's time at the School; the terms of office of the parent governors in post during the year were of unequal lengths due to the resignation of one parent governor within his period of office.

Vacancies in the Governing Body are filled based on the skills and experience which the new governor should have. A Governance Committee has been established in order to assess the skills to be sought in recruiting new governors.

New Governors are introduced to the School and to their role as a Governor by visiting the School to meet the Principal and Company Secretary. They are offered suitable external training. In addition, they are given the following documents to read: the prospectus, the School's Memorandum & Articles of Association and Scheme of Government, the Funding Agreement with the DfE, the School Improvement Plan, the budget for the current year, the latest Annual Report and Financial Statements, and a Charity Commission/SGOSS publication for school governors. As new governors join the governing body irregularly, with comparatively few in most years, induction is undertaken informally and is tailored specifically to the individual.

Connected Organisations including Related Party Relationships

The School receives annual donations from its sponsor, the British Record Industry Trust (the BRIT Trust). Five of the BRIT Trust's trustees are also Governors of the School. In accepting this donation, the School has not breached any of the requirements of the EFA's Academies Financial Handbook. The sponsor and the wider industry also offer substantial support in kind, for which the School is very grateful.

**Structure, governance and management (continued)**

Organisational Structure

Throughout the 2013/14 academic year the Senior Leadership Team (SLT) consisted of the Principal, three Deputy Principals and the Director of Finance. All areas of the School are directly overseen by a member of the SLT. The wider management team is involved in decision making through regular meetings with their line manager, Raising Achievement meetings for curriculum leaders and tutor meetings. The structure set out above represented a reduction of one senior leader compared to 2011/12; when Stuart Worden was promoted internally from Deputy Principal to Principal from the beginning of 2012/13 his Deputy Principal post was not filled. Mr Worden and the Governors reviewed the operation of the SLT in the full year to August 2013, and have decided that SLT's structure should change from September 2014. From this date it will consist of a Principal, a Deputy Principal, three Assistant Principals and a Director of Finance; the number of direct operational reports into the Principal will be substantially reduced and the Deputy Principal will be responsible with the Principal for all of the educational operations of the School.

The Principal is the School's accounting officer; as such he is responsible for satisfying himself that the School has appropriate policies and procedures in place to ensure that the School's resources are properly controlled and applied. The board of governors has delegated day to day responsibility for financial matters to the Director of Finance, subject to the operation of a formal scheme of delegation and oversight by the Principal and the finance and audit committee. The annual budget is reviewed by the finance and audit committee, which recommends its approval by the board of governors. Budget holders authorise expenditure from their own budgets (once approved) subject to oversight from the Finance Department to ensure that inappropriate items are not purchased.

The board of governors has delegated authority over the engagement and dismissal of staff (except for the Director of Finance) to the Principal, except that the Principal must consult with the Chair of Governors before dismissing a member of staff. The SLT as a body is responsible for the identification of staffing needs and the appointment of staff, with a member of SLT sitting on the appointment board for all permanent staff. Responsibility for personnel processes and procedures rests with the Director of Finance, while overall responsibility for pastoral and disciplinary issues remains with the Principal. Appointment boards for management posts always include a governor.

Subsidiary Companies

The School owns 100% of the issued ordinary share capital of BRIT School Productions Limited, a company incorporated in England and Wales (Company No. 2846847). In the year to 31 August 2014, the subsidiary made a profit of £18,210. Further details are given in note 11 to the financial statements.

**Objectives and activities**

Objects, aims and objectives

The principal object and activity of the charitable company is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on and developing The BRIT School to provide education for pupils of

different academic abilities between the ages of 14 and 19 with a strong emphasis on the performing and digital arts and related technology.

**Objectives and activities** (continued)

Objects, aims and objectives (continued)

In accordance with the articles of association, the company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the School, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum with an emphasis on the performing arts and their technologies. The catchment area is most of Greater London and parts of Surrey and Kent. Special consideration may be given to admitting students of particular merit from outside the catchment area, but these must total no more than 10% of the total intake.

The predominant activity of the charitable company is the operation of The BRIT School to provide education for pupils across the spectrum of academic abilities between the ages of 14 and 19 with an emphasis on the performing arts and related technology. The main objectives of the School are summarised below:

- ◆ to raise the standard of educational achievement of all pupils;
- ◆ to ensure that every student enjoys the same high quality education in terms of resourcing, tuition and care;
- ◆ to improve the effectiveness of the School 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 our business in accordance with the highest standards of integrity, probity and openness.

Strategic report

The BRIT School's mission is vocational. It seeks to select applicants who demonstrate the intention and aptitude to make a career in the performing or digital arts. In order to equip its students for a life in the creative professions, the School seeks to:

- ◆ choose qualifications which will develop both practical and academic skills, including those relating to wider knowledge of the creative industries (eg copyright);
- ◆ ensure that students are aware of the range of careers available within the creative arts;
- ◆ maintain a high level of personal experience of working in the creative industries within the staff;
- ◆ maintain technical facilities at a level which will enable industry-relevant skills to be taught; and
- ◆ maintain links with the creative industries, both through its sponsor, the British Record Industry Trust (the BRIT Trust), and elsewhere, in order to keep abreast of developments.



**Objectives and activities (continued)**

Equal opportunity policy

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

Disabled persons

The School receives applications from many young people with special educational and physical needs. The School applies the over-riding criterion concerning aptitude for the chosen art form in deciding whether to admit these candidates. However, the School tries hard to ensure that these applicants are given the best opportunity to show what they can do. For those with a statement of special need, a member of the Additional Educational Needs (AEN) team is present during the admissions process. The AEN client list during 2013/14 numbered 242 students (2012/13: 206), 22 (2012/13: 13) with statements of special educational need, with conditions supported including dyslexia, ADHD and autism.

The policy of the School is to support the employment of disabled persons both in the recruitment and by retention of employees who become disabled whilst in the employment of the School, as well as generally through training and career development.

**Achievements and performance, including public benefit**

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 charity's aim and objectives and in planning future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives they have set.

Students are selected based upon their aptitude and interest in the performing or creative arts, taking no account of academic ability. The School's standard number is increasing over the academic years 2012/13 to 2014/15. The standard number increased from 330 students to 360 at pre-16 and from 770 to 820 at post-16. The school started the 2013/14 Academic Year with 367 pre-16 and 811 post-16 students.

Examination results

The examination results for 2014 broadly continued the impressive record of 2002 – 2013. However, one factor has made the results less satisfactory than in previous years, and one has (to greater effect) made them appear less satisfactory. The widely reported volatility in GCSE results, especially in English, has had an effect on the School's results. However, a greater effect is the revaluing of the Level 2 BTEC in the league tables so that it is worth one GCSE, whereas it was previously worth three; this qualification is the most appropriate one for teaching our artistic specialisms and it is still worth three GCSEs for the students on their record, so we have no plans to change, even though the return in the league tables for six hours' teaching a week is meagre. This accounts for most of the substantial reductions in the proportion of students achieving 5 or more grades A\*-C and 5 or more grades A\*-C including English and Maths reported below.

**Achievements and performance, including public benefit (continued)**

Examination results (continued)

The School's principal qualification at post-16 is the BTEC Extended Level 3 Diploma, which is treated as the equivalent of 3 A Levels; 74% of candidates achieved three Distinctions or better (2013: 76%). At A-Level, there was a 100% pass rate (2013: 100%) and 78% of grades were A\*-C (2013: 76%).

At GCSE, 57% of students achieved 5 or more grades A\*-C including English and Maths (2013: 70%). 69% of students achieved 5 or more grades A\*-C (2013: 95%).

Ofsted

The School was inspected by Ofsted in February 2014. The School was graded "Good" overall and was graded "Outstanding" for Behaviour and safety of pupils and Leadership and management.

The School has continued its impressive programme of community outreach work. About 2,500 primary school children came to our free performances at the Ashcroft Theatre, and the School put on a number of schools' matinee performances at the School. In addition, there were many outreach projects into local organisations such as primary and special schools and a hospice. The School's community classes continue to prosper, with over 400 students enrolled for the BRIT Kids Saturday classes, and a new Computer Club class has been successfully established.

**Going concern**

After making appropriate enquiries, the Governing Body has a reasonable expectation that the School 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.

**Financial review**

Financial report for the year

Most of the School's income is obtained from the Education Funding Agency (EFA) in the form of General Annual Grant (GAG), the use of which is restricted to particular purposes. The grants received during 2013/14 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The School also receives grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the period ended 31 August 2014, restricted general expenditure of £8,971,000 was met by recurrent grant funding from the EFA together with other incoming resources. The excess of expenditure over income for the period (excluding restricted fixed asset funds and transfers to restricted fixed asset funds) was £169,000.

**Financial review** (continued)

Financial report for the year (continued)

At 31 August 2014 the net book value of fixed assets was £20,162,000. Movements in tangible fixed assets are shown in note 10 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the School.

The School's share of the London Borough of Croydon Pension Fund showed a deficit under the FRS17 basis of £2,228,000 at 31 August 2014.

The School's financial results for the year are summarised in the statement of financial activities on page 22 and its financial position at 31 August 2014 is shown in the balance sheet on page 23.

As a result of the Government's policy decision to reduce the funding of school 6<sup>th</sup> Forms to the same level as that given to Further Education Colleges, the School's GAG increased more slowly than the increase in student numbers, leading to a reduction in funding per student of about 4%. Reductions in funding per student are going to continue over the next two years, and plans to enable the School to operate at that new lower level of funding are being put into effect; these plans will unfortunately involve the reduction of choice within the curriculum offer. Because of the reduction in funding per student, the governors decided to budget for a deficit on recurrent items of £81,000 for 2013/14. In the event a number of additional costs arose in the year, so the eventual deficit in the year was £166,000; the main additional costs were for re-structuring the Senior Leadership Team (£67,000), the effect of pension auto-enrolment (£38,000) and an increase in the contribution rate for the London Borough of Croydon Pension Scheme (£27,000). The recurrent deficit of £166,000 can be reconciled to the deficit of £1,045,000 disclosed by the statement of financial activities as follows:

	£'000
Deficit on budgeted activities	(166)
<b>Add:</b> Fixed assets purchased from recurrent budget but included in capital expenditure in these financial statements	115
<b>Less:</b> FRS17 adjustment to staff costs	(118)
Deficit on operating activities – recurrent reserves	(169)
Depreciation (fully funded by reserves)	(1,288)
Donations from the BRIT Trust received for capital purposes	335
Capital grants received from the Education Funding Agency	52
Other capital income	25
	<u>(1,045)</u>

Financial review (continued)

Financial report for the year (continued)

The British Record Industry Trust has again been very generous to the School, making donations totalling £335,000 to be added to the unspent balance of £375,000 brought forward at 1 September 2013. The School needs the Trust's specific approval of the projects on which it wishes to apply these funds. The School has believed that these funds could be applied only to capital items, so they have been retained in capital reserves. However, the Trust has reviewed its constitution and the School was informed in July 2014, after the last donation received in the year, that Trust donations (including those already received) may be used for either recurrent or capital items. As a result, the reserve represented by unspent Trust donations is shown as being transferred from capital funds to restricted general funds; the funds are deemed to be restricted because they cannot be spent without the Trust's written approval. In addition, the Trust donated a further £15,000 to finance bursaries to students leaving The BRIT School to assist in their paying fees for vocational colleges; this donation is treated as being held on trust by the School and therefore appears neither as income nor expenditure in these accounts. The Cameron Macintosh Foundation also gave a bursary of £2,000 for the same purpose; they have committed this amount for a period of three years from 2011/12. The School remains very grateful to the Trust for its continued support, both financially and in other ways.

Financial and Risk Management Objectives and Policies

The financial risks to which the School is exposed relate primarily to:

- Changes in government and legislation
- Reduced funding
- The need to maintain student numbers

A risk arises in relation to the London Borough of Croydon Pension Scheme because there is a deficit on an FRS17 basis of £2,228,000, an increase of £876,000 compared to 2012/13 (see Note 20 to the financial statements). This is more than accounted for by a reduction of 0.9% in the assumed discount rate used to value liabilities, increasing their present value by £1.3 million. The governors are keeping the operations of the London Borough of Croydon Pension Fund under close review, but they are well aware that the majority of the liabilities in the fund will not crystallise for many years and that an FRS 17 valuation produces a different (and generally higher) deficit figure than an actuarial valuation. An actuarial valuation as at 31 March 2013 showed that the School's part of the deficit on the fund amounted to £631,000 at that date (2010: £300,000). Employer's contribution rates to the fund have been set to pay off the deficit over 24 years; they were 17.9% (previously 12.3%) plus £35,000 pa (previously £8,000 pa) in respect of prior service losses throughout the year. The governors' current view is that the benefits of the scheme still out-weigh its cost.

Financial review (continued)

Principal risks and uncertainties

The principal risks and uncertainties that the School faces are mitigated by the risk management process that it has in place.

Risk management

The Governors have assessed the major risks to which the School is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the School and its finances. The Governors have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. The Governors have introduced systems, including operational procedures and internal financial controls in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The School has an effective system of internal financial controls and this is explained in more detail in the Governance Statement on page 14.

Available information continues to indicate that the School's real income will reduce sharply over the next two years: the School's grant for 2014/15 includes £780,000 of funding guarantees of one kind or another, which are expected to have been completely removed by 2015/16. However, the entire picture is not clear as the DfE is consulting on further changes to the funding regime over the next few years, including the introduction of a national funding formula for schools.

Reserves policy

The governors have considered the desirable range of reserves which the School should hold.

The day-to-day operations of the School are financed by the unrestricted and the restricted general fund arising from General Annual Grant (GAG); with the exception of £35,000 specifically given to the School in 2001/02 to bolster reserves, the Private Sector General Fund is not available to be allocated against general expenditure but must be spent as approved by the British Record Industry Trust from time to time, so are excluded from the consideration of the level of reserves required to support day-to-day operations. The great majority of the income for these funds is in the form of grants from the EFA and should therefore be easily predictable, so a relatively moderate level of resources is generally required to cover financial risks. Consequently, the governors have previously decided that the combined balances on the unrestricted and restricted general funds, after deducting amounts earmarked for a specific future use, should be between 3% and 5% of the total income budgeted to be received into these funds in the forthcoming financial year. However, in light of the risks concerning grant income discussed above, the levels on these funds have been held as high as possible in order to support an orderly restructuring of the School's activities and cost base as required in the light of continuing funding reforms. Deficit budgets were set for 2013/14 and 2014/15, and are expected for 2015/16 and 2016/17, but financial projections to 2019/20 indicate that general reserves will not fall below £250,000 (in line with the reserves policy) and that the School will return to a modest surplus in 2017/18. Governors have determined that future projected unrestricted and restricted general funds should not fall below 3% of income, in line with the established policy.

**Financial review** (continued)

Reserves policy (continued)

Unrestricted funds and restricted general funds (excluding the pension reserve and £584,000 of the Private Sector General Fund as discussed above) at 31 August 2014 totalled £1,212,000. This represented 15% of budgeted recurrent income for 2014/15. The £584,000 of the Private Sector General Fund has been excluded because the Trust has indicated that approval will be given only to the funding of specific special projects or classes of expenditure.

The restricted fixed assets fund is made up of two constituent parts. Financing fixed assets acquired represents money and gifts in kind received and already expended on fixed assets. All depreciation is charged to this fund. All fixed asset purchases are fully funded in this way and therefore this amount is always equal to the total net book value of fixed assets. Restricted fixed assets (available for future use) is accumulated to finance or help finance capital projects. The governors consider that the balance should not fall below £100,000 in order that small and medium sized projects can be undertaken promptly. Above this level, funds can be accumulated over a period to finance large projects, so the governors do not consider that there is any appropriate maximum balance. Instead, the governors will report on the level of reserves and their planned use in the Annual Report. Plans for this money include the replacement of a small modular building.

Investment policy

Under the Memorandum and Articles of Association, the School has the power to invest funds not immediately required for its own purposes, in any way the Governors see fit. The organisation has a positive cash balance to cover eventualities and unforeseen expenses. The banking facilities are reviewed on a regular basis. Governors have resolved that market risk will be avoided by placing surplus monies only in investments which guarantee a return of the amount invested (ie deposits of one kind or another). It has been further resolved, in order to manage credit risk, that no more than £1 million should be placed with any one institution, except that more may be placed with the Royal Bank of Scotland group, as it is over 80% owned by the British government.

Going concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the School 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.

## Trustees' report 31 August 2014

### Plans for future periods

Current examination results are acceptable given the mixed-ability intake and the undervaluing of the Level 2 BTEC in league tables, but the results at A-Level and some GCSEs indicate that these areas need to be focussed on. Results for the BTEC diplomas were excellent, and Governors believe that the School should target to maintain these levels. The changes to the Senior Leadership Team were put into effect to aid with these objectives.

The reducing level of the School's future grant income has required a review of the School's costs and curriculum offer. This review is continuing as at the date of the signature of this report.

### Auditor

The auditors, Wilkins Kennedy LLP, are willing to continue in office and a resolution to appoint them will be proposed at the Annual General Meeting.

Insofar as the governors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the governors have taken all 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.

Approved by order of the board of trustees on 8 December 2014 and signed on its behalf by:



Paul Burger  
Chair of Governors

## Governance statement 31 August 2014

### Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that The BRIT School Limited 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 board of governors has delegated the day-to-day responsibility to the principal, 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 The BRIT School and the Secretary of State for Education. He is also responsible for reporting to the board of governors 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 Trustees' Responsibilities. The board of governors has formally met four times during the year. Attendance during the year at meetings of the board of governors was as follows:

Governor	Meetings attended	Out of a possible
Paul Burger (Chair of Governors)	4	4
Glen Barnham	3	4
David Carter	2	4
Madelaine Cooper	4	4
Cath Costello	3	4
John Craig OBE	2	4
Maggie Crowe OBE	4	4
John Deacon CBE	4	4
Jane Fairbourn	2	4
Samantha Gottshalk (elected 1 September 2013)	3	4
David Hughes (resigned 15 July 2014)	3	4
Prof Sally Mackey	3	4
Dej Mahoney	3	4
Sylvia McNamara	4	4
Jonathan Morrish	4	4
Fran Nevrkla OBE	1	4
Joanna Scott	3	4
Maggie Semple OBE	2	4
Jeff Simpson	4	4
Geoff Taylor	3	4
Tony Wadsworth CBE	2	4
Peter Wylie	4	4
Andrew Yeates	4	4

The Governing Body intends to conduct a self-evaluation in the 2014/15 academic year before any appropriate external review is commissioned

The Finance and audit committee is a sub-committee of the main board of governors. Its purpose is to: oversee the School's financial policies, consider future funding and expenditure proposals in the context of the budget and (if required) review proposals or requirements for additional expenditure, and ensure that income and resources are managed effectively for the benefit of the students and further development of the School. The assurance work undertaken by our auditors is reported to the chair of this committee. Attendance at meetings in the year was as follows:



## Governance statement 31 August 2014

### Governance (continued)

Member of the Committee	Meetings attended	Out of a possible
John Craig OBE (Chair to February 2014)	2	4
David Carter (Chair from February 2014)	3	4
Paul Burger	4	4
Cath Costello	1	4
Richard Elliott	4	4
Jo Scott	1	4
Stuart Worden	4	4
Andrew Yeates	3	4

### The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of School 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 the School for the year to 31 August 2014 and up to the date of approval of the annual report and financial statements.

### Capacity to Handle Risk

The board of governors has reviewed the key risks to which the School is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of governors is of the view that there is a formal on-going process for identifying, evaluating and managing the School's significant risks that has been in place for the year to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is overseen by the finance and audit committee and is regularly reviewed by the board of governors.

### The Risk and Control Framework

The governors appoint and have devolved most of their powers to the officers who attend meetings of the School's Governing Body. In accordance with the requirements of the Academies Financial Handbook the Governors have appointed the Principal as the School's Accounting Officer. The governors meet periodically, as required, and retain direct responsibility for:

- the approval of the School budget each year; and
- the position of the Principal.

The governors have delegated to the officers the responsibility for ensuring that an effective system of internal control, financial and otherwise, is maintained and operated by the School and to provide reasonable assurance that:

- ◆ the School is operating efficiently and effectively;
- ◆ its assets are safeguarded against unauthorised use or disposition;
- ◆ the proper records are maintained and financial information used within the School or for publication is reliable; and
- ◆ the School complies with relevant laws and regulations.

## Governance statement 31 August 2014

### The Risk and Control Framework (continued)

The School'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 guidelines;
- ◆ delegation of authority, detailed in a written Scheme of Delegation;
- ◆ segregation of duties;
- ◆ identification and management of risks.

The governors have been assured that the major risks to which the School is exposed have been reviewed and systems have been established to mitigate those risks.

In addition, the governors have considered the guidance for directors of public listed companies contained within the Turnbull Report. They believe that although it is not mandatory for the School, it should, as a publicly funded body, adopt these guidelines as best practice. Accordingly they have:

- ◆ Set policies on internal controls which cover the following:
  - ◇ consideration of the type of risks the School faces;
  - ◇ the level of risks which they regard as acceptable;
  - ◇ the likelihood of the risks materialising;
  - ◇ the School's ability to reduce the incidence and impact on the business of risks that do materialise and the costs of operating particular controls relative to the benefit obtained.
- ◆ Clarified the responsibility of management to implement the governors' policies and to identify and evaluate risks for their consideration.
- ◆ Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- ◆ Embedded the control system in the School's operations so that it becomes part of the culture of the School.
- ◆ Developed systems to respond quickly to evolving risks arising from factors within the School and to changes in the external environment.
- ◆ Included procedures for reporting failings immediately to appropriate levels of management and the governors together with details of corrective action undertaken.

The governors have considered the need for a specific internal audit function and have decided not to appoint an internal auditor, but have instead appointed Wilkins Kennedy LLP to conduct a quarterly assurance review. They report to the chair of the finance and audit committee, which in turn reports to the Governing Body. The role is carried out by a separate office at Wilkins Kennedy LLP with no connection to the audit team; this is to ensure the reviews are carried out independently. No material control issues arose as a result of this work.

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

## Governance statement 31 August 2014

### Review of Effectiveness

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


- the work of the external auditor;
- the work of the executive managers within the School who have responsibility for the development and maintenance of the internal control framework;
- the advice and questioning of the finance and audit committee.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the director of finance and the finance and audit committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the board of Governors on 8 December 2014 and signed on its behalf by:



Paul Burger  
Chair of Governors



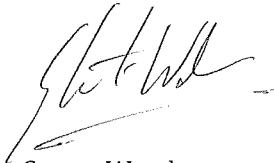
Stuart Worden  
Accounting Officer

**Statement on Regularity, Propriety and Compliance 31 August 2014**

As accounting officer of The BRIT School Limited I have considered my responsibility to notify the School 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 School and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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



Stuart Worden  
Accounting Officer

## Statement of Trustees' Responsibilities 31 August 2014

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

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

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

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

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform 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 trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of governors on 8 December 2014 and signed on its behalf by:



Paul Burger  
Chair of Trustees

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
THE BRIT SCHOOL LIMITED 31 August 2014**

We have audited the financial statements of The BRIT School Limited for the year ended 31 August 2014 on pages 22 to 42. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2014 issued by the Education Funding Agency (EFA).

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

**Respective responsibilities of governors and auditors**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 19, the governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
THE BRIT SCHOOL LIMITED 31 August 2014**

**Opinion on financial statements**

In our opinion the financial statements:

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

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Governors 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.

*Wilkins Kennedy LLP*

Michelle Wilkes (Senior Statutory Auditor)  
for and on behalf of Wilkins Kennedy LLP  
Chartered Accountants  
Statutory Auditor  
Greytown House  
221-227 High Street  
Orpington  
Kent  
BR6 0NZ

Date: ...19/12/14.....

**Statement of financial activities** Year to 31 August 2014  
including Income & expenditure account and Statement of total recognised gains & losses

	Notes	Unrestricted fund £'000	Restricted general funds £'000	Restricted fixed assets funds £'000	Total 2014 £'000	Total 2013 £'000
<b>Incoming resources</b>						
<i>Incoming resources from generated funds</i>						
. Voluntary income	3	-	25	355	380	746
. Activities for generating funds		-	-	-	-	-
. Investment income	4	28	-	5	33	25
<i>Incoming resources from charitable activities</i>						
. Funding for the CCTA's educational operations	2	294	8,676	52	9,022	8,940
<b>Total incoming resources</b>		<b>322</b>	<b>8,701</b>	<b>412</b>	<b>9,435</b>	<b>9,711</b>
<b>Resources expended</b>						
<i>Cost of generating funds</i>						
. Costs of generating voluntary income		-	49	1	50	46
<i>Charitable activities</i>						
. CCTA's educational operations		219	8,710	1,284	10,213	9,067
<i>Governance costs</i>		2	212	3	217	195
<b>Total resources expended</b>	5	<b>221</b>	<b>8,971</b>	<b>1,288</b>	<b>10,480</b>	<b>9,308</b>
<b>Net incoming/(outgoing) resources before transfers</b>						
		101	(270)	(876)	(1,045)	403
Transfer arising from revised guidance on how accumulated BRIT Trust donations can be spent						
	14	-	584	(584)	-	-
Transfers re fixed asset purchases funded from GAG						
	14	-	(115)	115	-	-
<b>STATEMENT OF RECOGNISED GAINS AND LOSSES</b>						
<b>Net incoming/(outgoing) resources for the year after transfers</b>						
		101	199	(1,345)	(1,045)	403
<b>Other recognised gains and losses</b>						
Actuarial (loss)/gain on defined benefit pension scheme						
		-	(758)	-	(758)	90
<b>Net movement in funds</b>		<b>101</b>	<b>(559)</b>	<b>(1,345)</b>	<b>(1,803)</b>	<b>493</b>
<b>Balances brought forward at 1 September 2013</b>						
		<b>690</b>	<b>(664)</b>	<b>21,644</b>	<b>21,670</b>	<b>21,177</b>
<b>Balances carried forward at 31 August 2014</b>						
		<b>791</b>	<b>(1,223)</b>	<b>20,299</b>	<b>19,867</b>	<b>21,670</b>

All of the School's activities derive from continuing operations during the above two financial periods.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.



## Balance sheet 31 August 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Fixed assets</b>					
<b>Tangible fixed assets</b>					
Assets in use	10		20,154		21,045
Capital projects in progress			8		-
<b>Investments</b>	11		-		-
			<b>20,162</b>		<b>21,045</b>
<b>Current assets</b>					
Catering stocks		9		8	
Debtors	12	311		312	
Current asset investments		-		1,000	
Cash at bank and in hand		2,519		1,625	
		<b>2,839</b>		<b>2,945</b>	
<b>Creditors: amounts falling due within one year</b>	13	<b>(906)</b>		<b>(968)</b>	
<b>Net current assets</b>			<b>1,933</b>		<b>1,977</b>
<b>Net assets excluding pension liability</b>			<b>22,095</b>		<b>23,022</b>
Pension scheme liability	20		<b>(2,228)</b>		<b>(1,352)</b>
<b>Net assets including pension liability</b>			<b>19,867</b>		<b>21,670</b>
<b>Funds</b>					
Restricted fixed asset fund (Financing)			20,162		21,045
Restricted fixed asset fund (Available)			137		599
	14		<b>20,299</b>		<b>21,644</b>
Restricted general funds		1,005		688	
Pension Reserve		(2,228)		(1,352)	
			<b>(1,223)</b>		<b>(664)</b>
Total restricted funds	14		<b>19,076</b>		<b>20,980</b>
Unrestricted general fund			791		690
			<b>19,867</b>		<b>21,670</b>

The financial statements on pages 22 to 24 were approved by the governors, and authorised for issue on 8 December 2014 and are signed on their behalf by:



Paul Burger  
Chair of Governors

The BRIT School Limited  
Company Registration Number 2369239 (England and Wales)

## Cash Flow Statement 31 August 2014

	Note	2014 £'000	2013 £'000
Net cash Inflow/(outflow) from operating activities	A	(123)	822
Returns on investments and servicing of finance	B	15	24
Capital expenditure	C	2	(463)
Increase/(Decrease) in cash	D	(106)	383

### Notes to the cash flow statement for the year to 31 August 2014:

#### A Reconciliation of Net Income to Net Cash Inflow from Operating Activities

Net (deficit)/income	(1,045)	403
Depreciation (note 10)	1,288	908
Capital grants from DfE and other capital income	(407)	(953)
Interest receivable (note 4)	(15)	(24)
FRS 17 pension cost less contributions payable (note 20)	103	101
FRS 17 pension finance income (note 20)	15	28
(Increase) in stocks	(1)	(1)
(Increase)/decrease in debtors	1	399
Increase/(decrease) in creditors	(62)	(39)
	(123)	822

#### B Returns on Investments and Servicing of Finance

Interest received	15	24
Net cash inflow from returns on investment and servicing of finance	15	24

#### C Capital Expenditure and Financial Investment

Purchase of tangible fixed assets	(405)	(1,416)
Capital grants from DfE/EFA	52	318
Capital funding received from sponsors and others	355	635
Receipts from sale of tangible fixed assets	-	-
Net cash outflow from capital expenditure and financial investment	2	(463)

#### D Analysis of changes in net funds

	At 1 September 2013 £'000	Cash flows £'000	At 31 August 2014 £'000
Current asset investments	1,000	(1,000)	-
Cash at bank and in hand	1,625	894	2,519
	2,625	(106)	2,519

**Basis of preparation**

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2013 to 2014 issued by EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

**Going concern**

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

**Income**

All incoming resources received in the year are recognised in income except for £15,000 received from the BRIT Trust to fund bursaries to former students; this is not treated as the School's income because the Trust considers that the School acts as administrator and paying agent only, with the beneficiaries being the recipients of the bursary.

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not matched to relevant expenditure during the period is shown in the restricted general fund on the balance sheet. The annual recurrent grant from the EFA, which is intended to meet recurrent costs, is credited directly to the statement of financial activities. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

**Expenditure**

Expenditure is charged to the statement of financial activities on an accruals basis and includes any irrecoverable VAT.

**Allocation of costs**

In accordance with the Charities SORP, expenditure has been analysed between cost of generating funds, the School's educational operations and governance. Items of expenditure which involve more than one cost category have been apportioned on a reasonable, justifiable and consistent basis for the cost category concerned. These include maintenance of premises, occupancy costs, salaries and depreciation, where apportionment is made based on capacity of accommodation utilised and estimate of time expended.

## Principal Accounting Policies 31 August 2014

### Governance costs

Governance costs include expenditure on administration of the School and compliance with constitutional and statutory requirements, including audit, strategic management and governors' meetings and reimbursed expenses, and an appropriate apportionment of related indirect costs.

### Bursaries expended

Bursaries paid out as the agent of the BRIT Trust are not included in expenditure.

### Funds

The unrestricted fund, being the general fund, is monies which may be used towards meeting the objectives of the School at the discretion of the Governors.

The restricted funds comprise income received from the DfE and other donors which are to be used for specific purposes as explained in note 14.

### Fixed assets

Tangible fixed assets acquired since the School was established are included in the financial statements at cost. Assets inherited on establishment of the School are assumed to be fully depreciated and are not included in the financial statements.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to the restricted fixed assets fund (financing fixed assets acquired) and depreciation is charged to this fund.

Assets costing less than £500 are written off in the year of acquisition. All other assets are capitalised.

Tangible fixed assets are written off over their estimated useful lives on a straight line basis at the following annual rates:

◆ Leasehold land	0.8% p.a.
◆ Long leasehold buildings:	
▪ Fabric and substantial building works	2% p.a.
▪ All other refurbishment works *	5% p.a.
◆ Furniture and equipment	20% p.a.
◆ Computer equipment and software	50% p.a.
◆ Technical equipment	33.33% p.a.

\* Some refurbishment work was undertaken in a period when the lease had less than 20 years to run, in which case this work was depreciated over the then remaining life of the lease (typically 18 or 19 years). These depreciation rates were not adjusted when the lease was extended. The Governors do not consider that the effect of not making this adjustment is material in the context of £20 million of fixed assets.

#### **Investments**

The School's shareholding in BRIT School Productions Limited is included in the balance sheet at cost of the share capital owned.

#### **Leased assets**

Rentals payable under operating leases are charged to the statement of financial activities as incurred.

#### **Stocks**

Stocks, when significant, are valued at the lower of cost and net realisable value. Insignificant stocks are not valued at the year end.

#### **Pension costs**

All staff are eligible to join one of two defined benefit pension schemes as detailed in note 20.

#### ***Teachers' Pension Scheme (TPS)***

Full time and part time teaching staff employed under a contract of service are eligible to contribute to the TPS. The TPS, a statutory, contributory, final salary scheme is administered by Capita Teachers' Pensions on behalf of the DfE. As the School is unable to identify its share of the underlying (notional) assets and liabilities of the scheme, it has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the School in the year.

#### ***London Borough of Croydon Pension Fund***

Non teaching members of staff are offered membership to the London Borough of Croydon Pension Fund. This is a defined benefit pension scheme and the School is able to identify its share of the assets and liabilities and the requirements of the FRS 17 have been followed.

The London Borough of Croydon Pension Fund assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or a liability on the balance sheet. Any change in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

**Taxation**

The Company is an exempt charity and as such its income and gains falling within Sections 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

**Consolidation**

The company has not prepared group financial statements because the activities of the subsidiary are not, in the opinion of the Governors, material to the understanding of the company's activities.

## Notes to the financial statements 31 August 2014

### 1 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State the School was subject to limits at 31 August 2014 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes. The School has not exceeded the limits on the use of GAG carried forward during the year ended 31 August 2014.

### 2 Funding for the CCTA's educational operations

	2014 £'000	2013 £'000
<b>DfE Annual grant</b>	<b>7,835</b>	<b>7,637</b>
<b>Other DfE grants</b>		
Earmarked Annual grant – rent	222	222
16 – 19 Bursary	65	54
Pupil Premium	58	39
Extended schools grant applied	5	-
Capital grants	52	318
	<b>402</b>	<b>633</b>
<b>Other government grants</b>		
LEAs to fund Statements of Special Educational Need	93	62
	<b>93</b>	<b>62</b>
<b>Funding for educational operations</b>		
Catering income	257	238
Community classes	194	180
Received from Bournemouth University to fund Foundation Degree	100	89
Peripatetic lessons	98	74
Curriculum productions	43	26
Advisory work with other schools	-	1
	<b>692</b>	<b>608</b>
<b>Total</b>	<b>9,022</b>	<b>8,940</b>

### 3 Voluntary income

	2014 £'000	2013 £'000
BRIT Trust	335	720
Donations from parents	23	24
Donation in kind from Deloitte	20	-
ERA/BARD	2	2
	<b>380</b>	<b>746</b>

## Notes to the financial statements 31 August 2014

### 4 Investment income

	2014 £'000	2013 £'000
Interest receivable	15	24
Gift aid from BRIT School Productions Limited (note 11)	18	1
	<b>33</b>	<b>25</b>

### 5 Total resources expended

	Staff costs £'000	Other costs £'000	Subtotal £'000	Depreciation £'000	Total 2014 £'000	Total 2013 £'000
Cost of generating funds	48	1	49	1	50	46
CCTA's educational operations						
Provision of education	5,031	1,675	6,706	1,066	7,707	6,833
Support costs	1,451	772	2,223	218	2,506	2,234
	6,482	2,447	8,929	1,284	10,213	9,067
Governance	157	57	214	3	217	195
	6,687	2,505	9,192	1,288	10,480	9,308

### 6 Analysis of other costs

Provision of Education	2014 £'000	2013 £'000
Included in expenditure in the income and expenditure account and in Other costs per note 5:		
Educational supplies and services	683	602
Occupancy costs and rent	691	677
Maintenance costs	129	139
Supplies and services	172	175
	<b>1,675</b>	<b>1,593</b>
<b>Support costs</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Included in expenditure in the income and expenditure account and in Other costs per note 5:		
Educational supplies and services	41	75
Occupancy costs and rent	116	114
Maintenance costs	25	27
Supplies and services	590	493
	<b>772</b>	<b>709</b>



## Notes to the financial statements 31 August 2014

### 6 Analysis of other costs (cont)

Governance costs and Cost of generating funds	2014 £'000	2013 £'000
Included in expenditure in the income and expenditure account and in Other costs per note 5:		
Occupancy costs and rent	2	2
Maintenance costs	-	-
Supplies and services	42	29
Auditor's remuneration	11	17
Governors' meetings expenses	1	1
Other expenditure	2	1
	<b>58</b>	<b>50</b>

Included above is £896 (2013: £892) costs relating to generating funds.

### 7 Staff costs

	Total 2014 £'000	Total 2013 £'000
Staff costs comprise:		
Wages and salaries	5,128	4,660
Social security costs	394	381
Pension costs	753	628
	<b>6,275</b>	<b>5,669</b>
Peripatetic, supply and agency staff costs	336	325
Staff restructuring costs	76	-
	<b>6,687</b>	<b>5,994</b>

Staff costs include a £118,000 charge (2013: £129,000) in respect of the FRS 17 adjustment (see Note 20).

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £41,326 (2013: nil). Two of the non-statutory/non-contractual payments exceeded £5,000 individually, and these were for £21,517 and £19,809.

	2014	2013
Average numbers of full time equivalent persons employed by the School during the year were:		
Provision of education	88	80
Support costs	40	37
CCTA's educational operations	128	117
Governance and cost of generating funds	2	2
Total employees	<b>130</b>	<b>119</b>

	2014	2013
Average numbers of persons employed by the School during the year were:		
Provision of education	102	89
Support costs	47	41
CCTA's educational operations	149	130
Governance and cost of generating funds	2	2
Total employees	<b>151</b>	<b>132</b>

## Notes to the financial statements 31 August 2014

### 7 Staff costs (cont)

Five employees earned more than £60,000 per annum during 2014 (2013 - five). The total emoluments of these employees were in the following ranges:

	2014	2013
£70,001 - £80,000	1	1
£80,001 - £90,000	2	2
£90,001 - £100,000	-	1
£100,000 - £110,000	1	-
£120,001 - £130,000	1	1

Four of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014 employer's pension contributions for these staff amounted to £53,400 (2013: £51,473). The other employee participated in the Local Government Pension Scheme; employer's pension contributions amounted to £14,864 (2013: £12,077).

### 8 Trustees' and governors' emoluments

No trustee received any remuneration in the year. Three trustees and governors of the School (2013 - four) received payment from the School amounting to £881 (2013 - £554) in respect of reimbursed expenses relating to travel to meetings.

The School has two staff governors, but they are not directors or trustees of the company/charity. The Principal attends meetings of the Governing Body but is not a governor, director or trustee.

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

### 9 Trustees' and Officers' Insurance

In accordance with normal commercial practice the School has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2014 was £1,103 (2013: £1,086). The cost of this insurance is included in the total insurance cost.

## Notes to the financial statements 31 August 2014

### 10 Tangible fixed assets – Assets in use

	Leasehold land £'000	Long leasehold buildings £'000	Furniture and equipment £'000	Computer equipment and software £'000	Technical equipment £'000	Total £'000
<b>Cost</b>						
At 1 September 2013	500	24,474	886	1,531	2,930	<b>30,321</b>
Additions	-	20	62	197	118	<b>397</b>
Disposals	-	-	-	-	-	-
At 31 August 2014	<b>500</b>	<b>24,494</b>	<b>948</b>	<b>1,728</b>	<b>3,048</b>	<b>30,718</b>
<b>Depreciation</b>						
At 1 September 2013	87	5,590	542	863	2,194	<b>9,276</b>
Charge for year	4	547	90	370	277	<b>1,288</b>
Disposals	-	-	-	-	-	-
At 31 August 2014	<b>91</b>	<b>6,137</b>	<b>632</b>	<b>1,233</b>	<b>2,471</b>	<b>10,564</b>
<b>Net book values</b>						
At 31 August 2014	<b>409</b>	<b>18,357</b>	<b>316</b>	<b>496</b>	<b>576</b>	<b>20,154</b>
At 31 August 2013	<b>413</b>	<b>18,884</b>	<b>344</b>	<b>668</b>	<b>736</b>	<b>21,045</b>

### 11 Investments

	2013 £	2012 £
Investments in wholly owned subsidiary companies at cost:		
. Brit School Productions Ltd	<b>2</b>	<b>2</b>

The School's wholly owned subsidiary company, BRIT School Productions Limited (Company No. 2846847), was incorporated in England and Wales on 23 August 1993. In the year to 31 August 2014, the subsidiary earned a profit of £18,210 (2013: £1,120). At 31 August 2014, the net assets of the subsidiary amounted to £2, represented by issued share capital of 2 ordinary shares of £1 each. Consolidated financial statements have not been prepared as the Governors are of the opinion that the results of the subsidiary are not material to an understanding of the School's financial statements.

A summary of the results for the year end and the position at the year end of BRIT School Productions Limited is shown below.

	2014 £	2013 £
Turnover	<b>18,710</b>	1,620
Expenditure	<b>(500)</b>	(500)
Profit on ordinary activities before Gift Aid	<b>18,210</b>	1,120
Gift Aid	<b>(18,210)</b>	(1,120)
Profit on ordinary activities after Gift Aid	-	-
Retained profit brought forward at 1 September 2013	-	-
Retained profit carried forward at 31 August 2014	-	-

Notes to the financial statements 31 August 2014

**11 Investments (continued)**

	2014	2013
	£	£
<b>Balance sheet</b>		
Current assets	18,712	1,622
Current liabilities	(18,710)	(1,620)
Net current assets	<u>2</u>	<u>2</u>
Called up share capital	2	2
Profit and loss account	—	—
	<u>2</u>	<u>2</u>

**12 Debtors**

	2014	2013
	£'000	£'000
Trade debtors	127	8
Amounts due from BRIT School Productions Limited	18	1
Sundry debtors	68	222
Prepayments	98	81
	<u>311</u>	<u>312</u>

**13 Creditors: amounts falling due within one year**

	2014	2013
	£'000	£'000
Trade creditors	50	285
Sundry creditors	394	378
Accruals and deferred income	462	305
	<u>906</u>	<u>968</u>

**Deferred Income**

	2014	2013
	£'000	£'000
Deferred income at 1 September 2013	115	69
Resources deferred in the year	107	115
Amounts released from previous years	(115)	(69)
Deferred income at 31 August 2014	<u>107</u>	<u>115</u>

Deferred income is made up of unused pupil premium grant of £29,000 carried forward into 2014/15 and payments received before 31 August 2014 in respect of the 2014/15 academic year, particularly in respect of peripatetic music lesson fees (£57,000).

14 Restricted funds

		Balance at 1 September 2013 £'000	Incoming resources £'000	Expenditure £'000	Gains, Losses and transfers £'000	Balance at 31 August 2014 £'000
<b>General funds</b>						
General Annual Grant (GAG)	*	649	7,900	(8,052)	(115)	382
Other DfE grants		-	285	(285)	-	-
Private sector general fund		35	-	-	584	619
Other Income	*	-	516	(516)	-	-
NATHDA Fund		4	-	-	-	4
		688	8,701	(8,853)	469	1,005
Pension reserve		(1,352)	-	(118)	(758)	(2,228)
		(664)	8,701	(8,971)	(289)	(1,223)
<b>Fixed assets funds</b>						
Funding fixed asset purchases		21,045	29	(1,288)	376	20,162
Available for use: Private sector sponsorship		375	338	-	(713)	-
Available for use: DfE capital grants		135	43	-	(132)	46
Available for use: Other		89	2	-	-	91
		21,644	412	(1,288)	(469)	20,299
<b>Total restricted funds</b>		<b>20,980</b>	<b>9,113</b>	<b>(10,259)</b>	<b>(758)</b>	<b>19,076</b>

Transfers:

- £115,000 is transferred from *General Annual Grant (GAG)* to *Funding fixed asset purchases* in respect of fixed assets purchased from GAG.
- £129,000 is transferred from *Available for use: Private sector sponsorship* to *Funding fixed asset purchases* in respect of fixed assets purchased using funds donated by the British Record Industry Trust.
- £132,000 is transferred from *Available for use: DfE capital grants* to *Funding fixed asset purchases* in respect of fixed assets purchased using Formula Capital Grant received in previous years.
- £584,000 is transferred from *Available for use: Private sector sponsorship* to *Private sector general fund* as a result of new guidance on the permissible uses of these funds as described below.

The General Annual Grant (GAG) must be used for the normal running costs of the School including salaries and related costs, overheads, repairs and maintenance and insurance. The School is allowed to carry forward up to 12% of the current GAG (£940,164). Of the carried forward amount, up to 2% of total GAG (£156,694) can be used for general purposes at the discretion of the School, but any balance over 2% must be used for capital purposes.

During 2014, £114,649 of GAG monies was used by the School for the purchase of fixed assets (2013 - £305,346).

**14 Restricted funds (cont)**

Other EFA Grants consist of an Earmarked Annual Grant to meet the costs of the School's long leasehold of its East Wing (£221,469) and Pupil Premium of £83,700, of which £25,816 was not used in the year, and will be used in 2014/15.

Private Sector General Fund: the opening balance of £35,000 was donated by the British Record Industry Trust in 2001/02 in order to bolster the School's reserves. It may not be spent without the Trust's agreement. The balance of £584,000 transferred from capital funds to restricted general funds arises from a change in guidance from the Trust as to how their donations could be spent. The School has believed that these funds could be applied only to capital items, so they have been retained in capital reserves. However, the Trust has reviewed its constitution and the School was informed in July 2014, after the last donation received in the year, that Trust donations (including those already received) may be used for either recurrent or capital items. As a result, the reserve represented by unspent Trust donations is shown as being transferred from capital funds to restricted general funds; the funds are deemed to be restricted because they cannot be spent without the Trust's written approval. The Trust has indicated that approval will be given only to the funding of specific special projects or classes of expenditure.

Other income offsets expenditure which would otherwise be financed from GAG, and as such an amount equal to the expenditure has been deducted from the GAG line to be dealt with on this line.

The NATHDA fund represents a donation from Norbury and Thornton Heath Dramatic Association for the support of students undertaking their first independent projects on leaving the School.

For more details concerning the pension reserve, see Note 20.

Restricted fixed assets were funded by government grants and donations. The "Funding fixed asset purchases" line equals the net book value of the School's fixed assets.

**15 Analysis of net assets between funds**

Fund balances at 31 August 2014 are represented by:

	Unrestricted fund £'000	Restricted general funds £'000	Restricted fixed assets funds		Total £'000
			Financing £'000	Available £'000	
Tangible fixed assets	-	-	20,162	-	20,162
Investments	-	-	-	-	-
Current assets	794	1,911	-	137	2,839
Current liabilities	-	(906)	-	-	(906)
Pension scheme liability	-	(2,228)	-	-	(2,228)
	791	(1,223)	20,162	137	19,867

**16 Capital commitments**

The School had capital commitments of £37,089 at 31 August 2014 (2013 - £44,605).

**17 Lease commitments**

Operating leases

At 31 August 2014 the charity had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
	£	£
Operating leases which expire:		
Within two to five years	—	—
Thereafter	<b>290,340</b>	290,340
	<b>290,340</b>	290,340

The leases referred to above run until 2117, with the option on either side to break the lease, with the approval of the Secretary of State for Education, on 29 September 2036 and every five years thereafter. Rent increases are every five years in line with the Retail Price Index.

**18 Contingent liabilities**

In the event, during the period of the Funding Agreement, of the sale or disposal by other means, of any asset for which a capital grant was received, the School shall if it does not re-invest the proceeds, repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the School serving notice, the School shall repay to the Secretary of State sums determined by reference to:

- a) the value at that time of the School's site and premises and other assets held for the purpose of the School; and
- b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

**19 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 £1 for the debts and liabilities contracted before he/she ceases to be a member.

**20 Pension Commitments**

The School's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the London Borough of Croydon Pension Fund, a constituent member of the Local Government Pension Scheme (LGPS), for non-teaching staff. Both are defined-benefit schemes. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2013.

**20 Pension Commitments (cont)**

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

**Teachers' Pension Scheme (TPS)**

*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 similar schools 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. The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate. The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.



**Pension Commitments** (continued)

**Teachers' Pension Scheme (TPS)** (continued)

*Teachers' Pension Scheme Changes*

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

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

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

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

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The School is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the School has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The School has set out above the information available on the scheme.

**London Borough of Croydon Pension Fund**

The London Borough of Croydon Pension Fund, a constituent fund of the LGPS, is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £290,449, of which employer's contributions totalled £206,105 and employees' contributions totalled £84,344. The agreed contribution rates for future years are 17.9% for employers and between 5.5% and 12.5% for employees, depending on the level of their pensionable pay.

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

## Notes to the financial statements 31 August 2014

### Pension Commitments (continued)

#### London Borough of Croydon Pension Fund (continued)

The most recent actuarial valuation of the Scheme was as at 31 March 2013. The School's assets and liabilities are kept separate from other employers'; the valuation disclosed a deficit of £631,000, which is to be recouped over 22 years with current additional payments of £35,000 a year (in total, not per member).

#### Principal actuarial assumptions

	2014 %	2013 %
	per annum	per annum
Rate of increase in salaries	3.40	4.60
Rate of increase in pension payments	2.60	2.80
Discount rate	3.70	4.60
Inflation assumption: CPI	2.60	2.80
Commutation of pensions to lump sums:		
• For pre-April 2008 service	50	50
• For post-April 2008 service	75	50

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

	2014 years	2013 years
Longevity at age 65 for current pensioners		
. Men	22.3	22.9
. Women	24.4	25.7
Longevity at age 65 for future pensioners		
. Men	24.4	24.9
. Women	26.7	27.7

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are:

Change in assumptions at year ended 31 August 2014	Approximate % increase to Employer Liability	Approximate monetary amount (£)
0.5% decrease in Real Discount Rate	12%	737
1 year increase in member life expectancy	3%	186
0.5% increase in the Salary Increase Rate	4%	265
0.5% increase in the Pension Increase Rate	7%	458

The assets in the School's share of the scheme (estimated at 0.5% of the overall scheme) and the expected rates of return were:

20 Pension Commitments (cont)

London Borough of Croydon Pension Fund (cont)

	Expected return at 31 August 2014 %	Fair value at 31 August 2014 £000	Expected return at 31 August 2013 %	Fair value at 31 August 2013 £000
Equities	6.4	2,508	6.8	2,382
Bonds	3.7	956	4.4	1,075
Property	4.5	319	4.7	192
Cash	3.3	199	3.6	192
<b>Total market value of assets</b>		<b>3,982</b>		<b>3,841</b>
Present value of scheme liabilities - Funded		<b>(6,210)</b>		<b>(5,193)</b>
<b>Deficit in the scheme</b>		<b>(2,228)</b>		<b>(1,352)</b>

None of the fair values of the assets shown above include any of the School's own financial instruments or any property occupied by, or other assets used by, the School. The equity investments and bonds which are held in scheme assets are quoted and are valued at the current bid price.

The expected long term return on cash is equal to bank base rates. The expected return on bonds is determined by reference to UK long dated gilt and bond yields. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions.

The actual return on scheme assets was £438,000 (2013: £384,000).

	2014 £'000	2013 £'000
<b>Amounts recognised in the statement of financial activities</b>		
Current service cost	(315)	(229)
Past service cost	-	-
Total operating charge	<b>(315)</b>	<b>(229)</b>
<b>Analysis of pension finance income/(costs)</b>		
Expected return on pension scheme assets	231	168
Interest on pension liabilities	(246)	(196)
<b>Pension finance income/(costs)</b>	<b>(15)</b>	<b>(28)</b>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £1,083,000 loss (2013: £325,000 loss).

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

Notes to the financial statements 31 August 2014

**20 Pension Commitments (cont)**

**London Borough of Croydon Pension Fund (cont)**

	2014 £'000	2013 £'000
<b>Deficit at 1 September 2013</b>	<b>(1,352)</b>	<b>(1,313)</b>
Current service cost	(315)	(229)
Employer contributions	212	128
Past Service gain	-	-
Net interest on assets	(15)	(28)
Actuarial gain/(loss)	(758)	90
<b>Deficit at 31 August 2014</b>	<b>(2,228)</b>	<b>(1,352)</b>

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

	2014 £'000	2013 £'000
<b>At 1 September 2013</b>	<b>3,841</b>	<b>3,386</b>
Expected return on assets	231	168
Actuarial (loss)/gain	(314)	216
Employer contributions	212	128
Employee contributions	86	65
Benefits paid	(74)	(122)
<b>At 31 August 2014</b>	<b>3,982</b>	<b>3,841</b>

The estimated value of employer contributions for the year ended 31 August 2015 is £314,000.

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
<b>History of experience gains and losses</b>					
Fair value of assets	3,982	3,841	3,386	3,054	2,841
Present value of scheme liabilities	(6,210)	5,193	4,699	3,650	4,200
Deficit in scheme	(2,228)	(1,352)	(1,313)	(596)	(1,359)
Difference between the expected and actual return on assets	(314)	216	96	(60)	157
Experience (losses)/gains on liabilities	(17)	-	(45)	589	-

**21 Related Party Transactions**

The School received £350,000 from its sponsor, the British Record Industry Trust (the BRIT Trust). Five of the BRIT Trust's trustees are also Governors of the School. In accepting this donation, the School has not breached any of the requirements of the EFA's Academies Financial Handbook.

In accordance with the terms of our engagement and further to the requirements of the Education Funding Agency (EFA), as included in the Academies Accounts Direction 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The BRIT School Limited during the period 1 September 2013 to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The BRIT School Limited and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The BRIT School Limited and those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The BRIT School Limited and the EFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of The Brit School Limited's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of The BRIT School Limited's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts direction 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Academies: Accounts Direction 2014 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 matter 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 School's income and expenditure.

As a firm we have taken the decision to use the Mercia work programme for regularity audit as approved by the ICAEW. The work undertaken to draw to our conclusion includes:

- Identification and assessment of the design and operational effectiveness of controls in place.
- Assessment and review of the policies and procedures in place and implementation thereof.
- Assessment that the policies and procedures have been implemented.
- Considered the activity represented by the expenditure and considered whether any may represent a breach of terms included within the funding agreement and the School's charitable objects.
- Confirmed that the results of procedures throughout the audit did not provide any evidence that related party transactions and controlling party, if any, is incomplete.
- Considered whether the movements, including the level of disposals, and depreciation of fixed assets appear reasonable in view of our knowledge of the School, its funding and consent received for disposals.
- Verified a sample of grants receivable to grant documentation, especially noting any restrictions as to timing or other recognition of the income, and any claw back clauses.
- Considered whether income appeared to be derived from activities outside of the School's charitable objects and wider framework of authorities.
- Ensured that bank accounts are operated within the terms of the governing document, delegated powers, and the bank mandates.
- Considered the systems in place to ensure compliance with terms of funding and other relevant authorities (e.g. terms of the Academies Financial Handbook or terms relevant to non-core funding streams).
- Ensured that the overall level of retained funds is acceptable in view of the School's needs and plans, and that the accumulated funds are justifiable and permissible under the terms of funding.

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Wilkins Kennedy LLP*

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Date: 15/12/14.....