

Financial Statements

The Bedford and Kempston Free School Limited (A company limited by guarantee)

For the year ended 31 August 2012

THURSDAY



A11

A209K83L

17/01/2013

#225

COMPANIES HOUSE

Company No 07337888

Charitable company information

Company registration number: 07337888

Registered office: Bedford Free School
Cauldwell Street
BEDFORD
MK42 9AD

Directors

M Barnes
M Buddle
Y Dallas
L J Godden
R D Hamilton
M P Harris
D A Hill
P Jones
M Pompa
I M Pryce
S Sohanpal
R N Syson
M G Leham (appointed 10 September 2012)

Bankers: Barclays Bank plc

Lloyds TSB Bank plc

Auditor: Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Grant Thornton House
Kettering Parkway
Kettering Venture Park
KETTERING
Northants
NN15 6XR

Index

	PAGE
Report of the governors	3 - 8
Governance Statement	9 - 11
Statement on Regularity, Propriety and Compliance	12
Report of the independent auditor	13 - 14
Independent reporting accountants' assurance report	15 - 16
Principal accounting policies	17 - 18
Statement of financial activities (including income and expenditure account	19 - 20
Balance sheet	21
Cash flow statement	22
Notes to the financial statements	23 - 30

Report of the Governors

The Governors present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2012

Constitution and principal activities

Constitution

The School is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are the primary governing documents of the School. The School was incorporated on 6 August 2010 and commenced operation as a School on 1 September 2012.

The Governors act as the Trustees for the charitable activities of The Bedford and Kempston Free School Limited and are also the Directors of the Charitable Company for the purposes of company law. The Charitable Company is known as The Bedford and Kempston Free School Limited.

Details of the Governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

Members' liability

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

Governors' Indemnities

Subject to the provisions of the Companies Act 2006 every Governor or other officer or auditor of the School shall be indemnified out of the assets of the School against any liability incurred by him in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the School.

Principal activities

The School's object is specifically restricted to the following:

- a) To advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

Method of Recruitment and Appointment or Election of Governors

The members of the School shall comprise:

- a) The signatories to the Articles of Association
- b) 1 person appointed by the Secretary of State, in the event that the Secretary of State appoints a person for this purpose
- c) The Chairman of Governors
- d) Any person appointed under Article 16

Method of Recruitment and Appointment or Election of Governors (continued)

The members may agree unanimously in writing to appoint such additional Members as they think fit and may unanimously (save that the agreement of the Member(s) to be removed shall not be required) in writing agree to remove any such Member

The Principal is treated for all purposes as being an ex officio Governor

The Parent Governors are elected by parents of registered pupils at the School. A Parent Governor must be a parent of a pupil at the School at the time when he is elected. The Governing Body will make all necessary arrangements for, and determine all other matters relating to, an election of Parent Governors, including any question of whether a person is a parent of a registered pupil at the School. Any election of Parent Governors which is contested shall be funded by secret ballot.

The arrangements made for the election of a Parent Governor will provide for every person who is entitled to vote in the election to have an opportunity to do so by post or, if he prefer, by having his ballot paper returned to the School by a registered pupil at the School. Where a vacancy for a Parent Governor is required to be filled by election, the Governing Body will take such steps as are reasonably practical to secure that every person who is known to them to be a parent of a registered pupil at the School is informed of the vacancy and that it is required to be filled by election, informed that he is entitled to stand as a candidate and vote at the election, and given an opportunity to do so.

The term of office for any Governor is 4 years, save that this time limit shall not apply to either the Principal. Subject to remaining eligible to be a particular type of Governor, any Governor may be re-appointed or re-elected.

A Governor may cease to hold office if he resigns his office by notice to the School (but only if at least three Governors will remain in office when the notice of resignation is to take effect). A Governor will cease to hold office if they are removed by the person or persons who appointed him. This does not apply in respect of a Parent Governor.

No person is qualified to be a Governor unless they are aged 18 or over at the date of their election or appointment. No current pupil of the School shall be a Governor.

The Governors each school year, at their first meeting in that year, elect a Chair and Vice Chair from among their number. A Governor who is employed by the School is not eligible for election as Chair or Vice Chair. The Chair or Vice Chair shall hold office until his successor has been elected. The Chair or Vice Chair may at any time resign his office by giving notice in writing to the Secretary. Where the Chair is absent from any meeting and there is at the time a vacancy in the office of Chair, the Vice Chair shall act as the Chair for the purposes of the meeting.

Organisational structure

The management structure consists of three levels, the Governors, the Head Teacher and the Leadership Team. The Head Teacher's role is to give strategic advice and support to the Governors and the Leadership Team.

The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

Our vision

Bedford Free School aims to become a centre of educational and personal excellence for students between Year 7 and Year 11, playing a key role at the heart of the community it serves

We will create a culture in which the highest expectations and aspirations surround all of our students, delivering on the rightful demand from parents in Bedford Free School for an excellent education opportunity for their children

Our School will have a positive, 'can-do' culture built around

- Respect for all
- Honesty from all
- High Expectations
- Support for the individual

A 'Work Hard' ethic

At Bedford Free School, we believe that every student is a unique individual who possesses talents and gifts that can be developed within the right learning environment. The journey may be tough, but we are prepared to work hard for our students – and we will expect them to work hard in return.

Within a learning environment where high expectations in everything from achievement to attendance and behaviour are the status quo, our aim is that students who come to Bedford Free School will exceed expectations and break through any barriers to achieve their full potential.

As a new school, we won't be burdened by unhelpful traditions or obstructive cultures – we can get things right, from day one. From how meal breaks are managed to the relationships between staff, students and their families, we are designing a school that places each individual student's needs at its heart. And because we are a Free School, we have the freedom and flexibility to make it happen.

Our learning will not be geared solely towards exam results, but will consider the enrichment and development of our students as a whole. This wider curriculum will provide our students with a more fully-rounded education that takes into account personal and social development.

As our students come to the end of their journey at Bedford Free School, they will be given the opportunity and support to make the appropriate post-16 choice for them, be it onwards to further study at sixth form, university and beyond, into apprenticeships or vocational training at college or employment.

Our vision is to give our students that choice, so they can make the most of their future.

Ideal for working families

Bedford Free School is ideal for working families, providing school days that fit in with modern family life. Our School will teach students between 8.30am-4.15pm, with facilities available from 8.00am-6.00pm, perfect if you want to drop off and pick up your child before and after work.

The longer school day will mean we can teach more to our students and improve access to education beyond the core subjects of maths, English, science, humanities, language, music, sports science and ICT. This enhanced curriculum will develop important qualities such as resilience, independence, problem-solving and leadership skills so that students leave us as fully rounded individuals ready for the world of work or higher level studies.

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 School's objectives and aims and in planning future activities for the year. The trustees consider that the School's aims are demonstrably for the public benefit.

Equal opportunities 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 policy of the School is to support recruitment and retention of students and employees with disabilities. The School does this by adapting the physical environment, by making support resources available and through training and career development.

Achievements and Performance

Admissions

The School has completed its first term of operation and has continued to admit additional students throughout this time. The total number of students in the year ended 31 December 2012 numbered 193 (against a maximum of 200).

Results

Students will not sit external exams until the summer of 2014 at the earliest. However, the school has set stretching and ambitious targets for the interim year in order to ensure that all students make excellent progress and meet the highest levels of attainment.

For 2012/13 the targets for the two year groups are as follows:

Year 7: 90% students at level 4+, 60% level 5+, and 30% level 6+.

Year 9: 85% students at level 5+, and 60% level 6+.

These are targets significantly above the results predicted by student prior attainment and Cognitive Ability Tests. Achieving these targets would be a great achievement in our first year – and staff are forecasting already that we will meet or exceed them.

To ensure that standards are continually raised the School operates a quality Assurance and Self-Evaluation programme that includes:

- Lesson observations
- Learning reviews
- Work scrutiny and evaluations of marking/assessments
- Feedback from pupils about their work and teaching
- Focussed pupil intervention programme
- Comparison of results from entry to Key Stage 3 to GCSE to assess the added value
- Regular surveys with students and parents
- Inspections by Ofsted and the Department for Education

Operational performance

In the year ending 31 August 2012 the School has successfully completed all requirements of a DfE readiness to open meeting enabling it to open as a school from 1 September 2012. The School has secured a leasehold premise and has successfully recruited 24 inspirational staff members ready to teach its first intake of around 200 students.

Key Objectives for next year include:

- Achieve the planned, full, student numbers of 400 for September 2013
- Successfully complete the refurbishment work of Cauldwell House as we fully occupy the building
- Meet or exceed the targets for student attainment and progress
- Achieve the above within the budget laid down

Post balance sheet event

Bedford Free School started to operate as a Free School from 1 September 2012 and has 195 pupils enrolled to date

The School was granted planning permission on 23 November 2012 and intends to purchase the freehold of its registered office in January 2013

Statement of Governors'/Trustees' responsibilities

The governors (who act as trustees for charitable activities of Bedford Free School and are act as directors of the Charitable Company for the purposes of company law) are responsible for preparing the governors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the DfE and applicable law and regulations

Company law requires the governors to prepare financial statements for each financial year. Under company law the governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of its incoming resources and application of resources, including its income and expenditure, for that year. In preparing these financial statements, the governors are required to select suitable accounting policies and then apply them consistently, observe the methods and principles in the Charities SORP, make judgments and 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 governors are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Governors is aware

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

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 Education Funding Agency (EFA)/DfE have been applied for the purposes intended.

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

Auditors

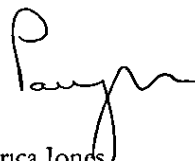
The auditors, Grant Thornton UK LLP, are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting

Approved by order of the members of the Governing Body on 21/12/12 and signed on its behalf by

ON BEHALF OF THE BOARD



Ian Pryce
Chair



Patrica Jones
Chair of the Finance and Estates Committee

Governance statement

Scope of Responsibility

Attendance at Full Governors Meetings: 2011 – 2012

Name	18.01.12	20.02.12	19.03.12	16.04.12	14.05.12	18.06.12	19.07.12	Total
Mr Mark Leham	X	X	X	X	X	X	X	7/7
Mr Ian Pryce	NA	X	X	X	X	X	NA	5/7
Mr Nigel Syson	X	X	X	X	X	X	X	7/7
Mrs Yvonne Dallas	NA	X	X	X	X	X	X	6/7
Mrs Lorna Godden	NA	NA	X	X	NA	X	X	4/7
Mrs Marjorie Harris	X	X	X	X	X	NA	X	6/7
Mr David Hill	X	X	X	X	X	X	X	7/7
Mrs Patricia Jones	X	X	X	X	X	X	X	7/7
Mrs Micky Pompa	X	X	X	X	X	X	X	7/7
Mrs Sharmila Sohanpal	X	X	NA	NA	NA	X	NA	3/7
Mrs Michelle Barnes	X	X	X	X	X	X	X	7/7
Mr Robert Hamilton	X	X	X	NA	NA	X	NA	4/7
Mr Mark Buddle	X	X	X	NA	X	X	X	6/7

Key

X = Attended meeting

NA = Non-attendance

The governors acknowledge they have overall responsibility for ensuring that The Bedford and Kempston Free School has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform to 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 Bedford Free School and the Secretary of State for Education. The Principal is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

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 Bedford and Kempston Free School for the year ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Governing Body has reviewed the key risks to which the School is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the School's significant risks that has been in place for the year ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

The Risk and Control Framework

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

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed a Member, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the School's financial systems. On a quarterly basis, the RO reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

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 Responsible Officer, the work of the external auditor, the financial management and governance self-assessment process, the work of the executive managers within the School who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Estates Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

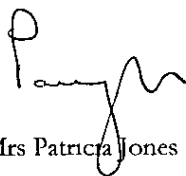
Approved by order of the members of the Governing Body on 6 December 2012 and signed on its behalf by

ON BEHALF OF THE BOARD



Mr Ian Pryce

Chair of Governors



Mrs Patricia Jones

Chair of the Finance and
Estates Committee

Statement on Regularity, Propriety and Compliance

As accounting officer of The Bedford and Kempston Free School I have considered my responsibility to notify the School governing body and the Education Funding Agency of material irregularity, impropriety and non compliance with EFA terms and conditions of funding, under the funding agreement in place between the 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's governing body 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 Academy's funding agreement and the Academies Financial Handbook.

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



Mr Mark Lehan
Accounting Officer

21 December 2012



Report of the independent auditor to the members of The Bedford and Kempston Free School Limited (limited by guarantee)

(registered number 07337888)

We have audited the financial statements of The Bedford and Kempston Free School Limited for the year ended 31 August 2012 which comprise the principal accounting policies, the Statement of Financial Activities (including the Income and Expenditure Account), the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Annual Accounts Direction 2011/12 issued by the DfE and applicable law.

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

Respective responsibilities of governors and auditor

As explained more fully in the Statement of Governors' Responsibilities set out on page 7, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Free School's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, have been prepared in accordance with the requirements of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the Financial Reporting and Annual Accounts Requirements issued by the DfE in respect of the relevant financial year,



Report of the independent auditor to the members of The Bedford and Kempston Free School Limited (limited by guarantee)

(registered number 07337888)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Steve Robinson
Senior Statutory Auditor
for and behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Kettering

21 DECEMBER 2012



Independent Reporting Accountant's Assurance Report on Regularity to The Bedford and Kempston Free School Limited and the Education Funding Agency

In accordance with the terms of our engagement letter 20 November 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Bedford and Kempston Free School Limited during the year 1 September 2011 to 31 August 2012 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 Bedford and Kempston Free 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 Bedford and Kempston Free School Limited and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the The Bedford and Kempston Free School Limited and the EFA, for our work, for this report, or for the conclusion we have formed

Respective responsibilities of The Bedford and Kempston Free School Limited's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Bedford and Kempston Free School Limited's funding agreement with the Secretary of State for Education and the Academies Financial Handbook as published by DfE in 2006, 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 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2011 to 31 August 2012 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 2011/12 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter

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

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

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



Independent Reporting Accountant's Assurance Report on Regularity to The Bedford and Kempston Free School Limited and the Education Funding Agency

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2011 to 31 August 2012 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

GRANT THORNTON UK LLP

Steve Robinson
Senior Statutory Auditor
for and behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Kettering

21 December 2012

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice). The financial statements also follow the recommendations in the Statement of Recommended Practice: Accounting and Reporting by Charities (the SORP 2005) issued in March 2005.

The principal accounting policies of the charitable company are set out below.

Fund accounting

Unrestricted Funds are those monies that may be used towards meeting the objectives of the charitable company at the discretion of the Governors.

Restricted Funds comprise grants from the DfE and other donations to be used for specific purposes.

Incoming resources

Grants receivable

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the year is shown in the relevant funds on the balance sheet.

Other donations

Other donations are included in the statement of financial activities on a cash received basis or on an accruals basis where they are assured with reasonable certainty and are receivable at the balance sheet 31 August 2012.

Interest receivable

Interest receivable is included within the statement of financial activities on a receivable basis.

Resources expended

Resources expended are recognised in the year in which they are incurred and include irrecoverable VAT. They have been classified under headings that aggregate all costs relating to that activity.

Allocation of costs

In accordance with the Charities SORP, expenditure has been analysed between the cost of generating funds, the charitable company's charitable activities 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. Central staff and support costs are allocated on the basis of time spent on each activity and depreciation charges on the basis of the proportion of the assets' use which is utilised by each activity.

Governance costs

Governance costs include the costs attributable to the charitable company's compliance with constitutional and statutory requirements, including audit, strategic management and Directors' meetings and reimbursed expenses. Such costs include both direct and allocated support costs.

Tangible fixed assets

Tangible fixed assets are included in the financial statements at cost. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet) and the fund is reduced by the depreciation charge over the life of the assets.

Depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land or assets under construction. The rates generally applicable are:

Buildings	50 years
Computers	4 years

Taxation

The charitable company is a registered charity and as such is exempt from Income and Corporation taxes under the provisions of the Income and Corporation Taxes Act 1988. The cost of Value Added Tax incurred by the charitable company has been included in the Income and Expenditure Account.

Retirement Benefits

Defined Benefit Schemes

The charitable company has applied the Amendment to FRS17 Retirement Benefits which is effective for accounting years commencing on or after 6 April 2008. The amendment to FRS17 primarily affects disclosures in relation to defined benefit pension schemes. However for quoted securities the fair value is now taken to be the current bid price rather than the mid-market value. This change has affected disclosure only and has not led to any prior year adjustment.

Teachers' Pension Scheme

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

Statement of financial activities (including income and expenditure account)

	Note	Unrestricted funds £	Restricted general fund £	Restricted fixed asset fund £	Total 2012 £	Total 2011 £
Incoming resources						
Income from generated funds						
Voluntary income	1	15	-	-	15	-
Income from charitable activities						
Funding for the Free School's educational operations	2	-	114,886	346,334	461,220	1,848
Total incoming resources		15	114,886	346,334	461,235	1,848
Resources expended						
Charitable activities						
Free Schools operating costs	3	-	114,831	-	114,831	1,843
Governance costs	5	-	4,060	-	4,060	-
Total resources expended	3	-	118,891	-	118,891	1,843
Net incoming/(outgoing) resources before transfers		15	(4,005)	346,334	342,344	5

The accompanying accounting policies and notes form part of these financial statements.

Statement of financial activities (including income and expenditure account)

	Unrestricted funds £	Restricted general fund £	Restricted fixed asset fund £	Total 2012 £	Total 2011 £
Net incoming/(outgoing) resources before other recognised gains and losses	15	(4,005)	346,334	342,344	5
Reconciliation of funds					
Total funds brought forward at 1 September 2011	5	-	-	5	-
Funds carried forward at 31 August 2012	20	(4,005)	346,334	342,349	5

All the Free School's results are derived from acquisitions in the current financial year

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

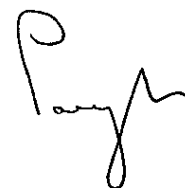
	Note	2012 £	2011 £
Fixed assets			
Tangible assets	8	346,334	-
Current assets			
Debtors	9	82,604	-
Cash at bank and in hand		<u>110,819</u>	<u>5</u>
		193,423	5
Creditors: amounts falling due within one year	10	<u>(197,408)</u>	<u>-</u>
Net current liabilities		<u>(3,985)</u>	<u>5</u>
Total assets less current liabilities		342,349	5
Defined benefit pension liability	21	<u>-</u>	<u>-</u>
Net assets including pension liability		<u>342,349</u>	<u>5</u>
Funds			
Restricted funds			
- Fixed asset funds	11	346,334	-
- General fund	11	<u>(4,005)</u>	<u>-</u>
Total restricted funds		<u>342,329</u>	<u>-</u>
Unrestricted funds			
- General fund	12	<u>20</u>	<u>5</u>
Total unrestricted funds		<u>20</u>	<u>5</u>
Total funds		<u>342,349</u>	<u>5</u>

The financial statements were approved by the Board and authorised for issue on 21/12/12 and signed on its behalf by

Ian Pryce
Chair



Patricia Jones
Chair of Finance



Company registration number 07337888

The accompanying accounting policies and notes form part of these financial statements.

Cash flow statement

	Note	2012 £	2011 £
Net cash inflow from operating activities	15	110,814	5
Capital expenditure	16	(346,334)	-
Financial investment	17	<u>346,334</u>	<u>-</u>
Increase in cash	18	<u><u>110,814</u></u>	<u><u>5</u></u>

All of the cash flows are derived from acquisitions in the current financial year

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Voluntary income

	Unrestricted Funds £	Restricted Funds £	2012 Total £	2011 Total £
Other donations	15	-	15	-
	<u>15</u>	<u>-</u>	<u>15</u>	<u>-</u>

2 Funding for the School's educational operations

	Unrestricted Funds £	Restricted Funds £	2012 Total £	2011 Total £
DfE/EFA capital grant				
Free School main building grants	-	346,334	346,334	-
DfE/EFA revenue grants				
- Other DfE/EFA grants	-	114,886	114,886	1,848
	<u>-</u>	<u>114,886</u>	<u>114,886</u>	<u>1,848</u>
	<u>-</u>	<u>461,220</u>	<u>461,220</u>	<u>1,848</u>

3 Analysis of total resources expended

	Staff costs £	Non pay expenditure Premises £	Other costs £	Total 2012 £	Total 2011 £
Free Schools educational operations					
Direct costs	67,618	-	11,083	78,701	-
Allocated support costs	11,316	906	23,908	36,130	1,843
	<u>78,934</u>	<u>906</u>	<u>34,991</u>	<u>114,831</u>	<u>1,843</u>
Governance costs including allocated support costs	-	-	60	60	-
Finance costs	-	-	4,000	4,000	-
	<u>78,934</u>	<u>906</u>	<u>39,051</u>	<u>118,891</u>	<u>1,843</u>

Net incoming resources for the year include

	2012 £	2011 £
Audit services		
- audit	<u>4,000</u>	<u>-</u>

4 Charitable activities – Free School's educational operations

	Unrestricted Funds £	Restricted Funds £	2012 Total £	2011 Total £
Direct costs				
Teaching and educational support staff costs	-	67,618	67,618	-
Educational supplies	-	3,511	3,511	-
Staff development	-	6,908	6,908	-
Educational consultancy	-	664	664	-
	-	78,701	78,701	-
	Unrestricted Funds £	Restricted Funds £	2012 Total £	2011 Total £
Allocated support costs				
Support staff costs	-	11,316	11,316	-
Maintenance of premises and equipment	-	540	540	-
Security and transport	-	366	366	-
Catering	-	367	367	-
Other support costs	-	23,541	23,541	1,843
	-	36,130	36,130	1,843
	-	114,831	114,831	1,843

5 Governance costs

	Unrestricted Funds £	Restricted Funds £	2012 Total £	2011 Total £
Audit fees		4,000	4,000	-
Governors' reimbursed expenses	-	60	60	-

6 Staff costs and numbers

Staff costs during the year were as follows

	2012 £
Wages and salaries	63,778
Social security costs	6,249
Other pension costs	8,907
	<u>78,934</u>

Staff costs (continued)

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

	2012 No	2011 No
Charitable activities		
Teachers	<u>2</u>	<u>-</u>

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2012, pension contributions for these staff amounted to £7,677

7 Governors' remuneration and expenses

Principal and staff governors only receive remuneration in respect of services they undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments, other than expenses, from the Free School in respect of their role as governors. The value of the Principal's remuneration was £43,333. The value of the governor's remuneration was £nil.

Related party transactions involving the trustees are set out in Note 22

8 Tangible fixed assets

	Leasehold land and buildings £	Computer equipment £	2012 Total £
Cost			
Additions	<u>339,064</u>	<u>7,270</u>	<u>346,334</u>
At 31 August 2012	<u>339,064</u>	<u>7,270</u>	<u>346,334</u>
Depreciation			
Charged in the year	-	-	-
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
At 31 August 2012	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at 31 August 2012	<u>339,064</u>	<u>7,270</u>	<u>346,334</u>

9 Debtors

	2012 £	2011 £
Prepayments	704	-
Sundry debtors and accrued income	70,706	-
Accrued income	11,194	-
	<u>82,604</u>	<u>-</u>

10 Creditors: amounts falling due within one year

	2012 £	2011 £
Accruals and deferred income	<u>197,408</u>	<u>-</u>

11 Restricted funds

	Balance at 31 August 2011 £	Incoming resources £	Resources expended £	Balance at 31 August 2012 £
Restricted general funds				
Other DfE/EFA grants	-	114,886	(118,891)	(4,005)
	<u>-</u>	<u>114,886</u>	<u>(118,891)</u>	<u>(4,005)</u>
Restricted fixed asset funds				
DfE/EFA capital grants	-	-	-	-
Opening fixed assets	-	346,334	-	346,334
	<u>-</u>	<u>346,334</u>	<u>-</u>	<u>346,334</u>
Total restricted funds	<u>-</u>	<u>461,220</u>	<u>(118,891)</u>	<u>342,329</u>

12 Unrestricted funds

	Balance at 31 August 2011 £	Incoming resources £	Resources expended £	Balance at 31 August 2012 £
Unrestricted funds				
Unrestricted funds	5	15	-	20
	<u>5</u>	<u>15</u>	<u>-</u>	<u>20</u>
Total unrestricted funds	<u>5</u>	<u>15</u>	<u>-</u>	<u>20</u>

13 Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by

	Unrestricted general fund £	Restricted general fund £	Restricted fixed asset fund £	2012 Total funds £	2011 Total funds £
Tangible fixed assets	-	-	346,334	346,334	-
Current assets	20	193,403	-	193,423	5
Current liabilities	-	(197,408)	-	(197,408)	-
Pension liability	-	-	-	-	-
Total net assets	20	(4,005)	346,334	342,349	5

14 Capital commitments

	2012 £	2011 £
Contracted for, but not provided in the accounts	60,000	-

These commitments will be funded by future EFA grants under the Master Funding Agreement and supplemental funding agreements with the Secretary of State with initial sponsorship donations

15 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2012 £	2011 £
Surplus on continuing operations after depreciation of assets	342,344	5
Capital grants from DfE and other capital income	(346,334)	-
Increase in debtors	(82,604)	-
Increase in creditors	197,408	-
Net cash inflow from operating activities	110,814	5

16 Capital expenditure and financial investment

	2012 £	2011 £
Purchase of tangible fixed assets	(346,334)	-
Net cash outflow from capital expenditure and financial investment	(346,334)	-

17 Financial investment

	2012 £	2011 £
Capital grants from DfE/EFA	346,334	-
Net cash inflow from financial investment	346,334	-

18 Analysis of changes in net funds

	At 1 September 2011 £	Cash flows £	At 31 August 2012 £
Cash at bank and in hand	5	110,814	110,819

19 Contingent liabilities

There are no contingent liabilities

20 Members liability

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

21 Retirement benefits

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Government Actuary ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

Retirement benefits (continued)

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the year 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 investigation, 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 year 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, 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 cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multiemployer pension scheme. The Free School is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Free 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 Free School has set out above the information available on the scheme and the implications for the Free School in terms of the anticipated contribution rates.

22 Related party transactions

Owing to the nature of the Free School's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Free School's financial regulations and normal procurement procedures.

Bedford College is considered to be a related party because Ian Pryce, who is Chair of Governors for Bedford School, is also a principal of Bedford College. Total expenses paid to Bedford College during the year were £86,852 (2011 - £nil).

Nigel Syson, who is one of the Governors, was also reimbursed £60 (2011 - £nil) during the year for his expenses.

The School was granted planning permission on 23 November 2012 and intends to purchase the freehold of its registered office in January 2013.

During the year the School has benefited from a sub-lease agreement of its registered office with Bedford College while it awaits the announcement of its planning appeal.

23 Post balance sheet event

Bedford Free School started to operate as a Free School from 1 September 2012 and has 195 pupils enrolled to date.

The School was granted planning permission on 23 November 2012 and intends to purchase the freehold of its registered office in January 2013.