

Company Number 5115594

Charity Number 110592

FOLKESTONE ACADEMY
(a company limited by guarantee)

TRUSTEES REPORT AND ACCOUNTS

YEAR ENDED 31 AUGUST 2006

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FOLKESTONE ACADEMY
LEGAL AND ADMINISTRATIVE INFORMATION

Trustees

Roger De Haan CBE-DL (chairman)

Graham Badman (appointed 21 February 2006)

Professor Sonia Blandford (appointed 9 September 2005)

David Melville CBE (appointed 9 September 2005)

Secretary

Richard Fraser

Registered office

Strand House

125 Sandgate High Street

Folkestone CT20 3BZ

Solicitors

Withers LLP

16 Old Bailey

London EC4M 7EG

Bankers

National Westminster Bank plc

37 Old Dover Road

Canterbury CT1 3JB

Auditors

Baker Tilly UK Audit LLP

18 Mount Ephraim Road

Tunbridge Wells TN1 1ED

FOLKESTONE ACADEMY REPORT OF THE TRUSTEES

The Trustees of Folkestone Academy, who are also the directors of the company, present their audited financial statements for the year ended 31 August 2006

The Trustees have adopted the provisions of Statement of Recommended Practice (Revised 2005) "Accounting and Reporting by Charities" in preparing this report and financial statements

Constitution and Principal Activities

The Folkestone Academy, a company limited by guarantee and a registered charity, was established on 29 April 2004 (company number 5115594, charity number 110592). The company's memorandum and articles of association are the primary governing documents of the Academy. Members of the Academy are nominated either by the Secretary of State for Education and Skills or by Roger De Haan, the principal sponsor of the Academy. The articles of association require the members of the company to appoint at least three governors to be responsible for the affairs of the company and the management of the Academy.

The principal activity of the Academy is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, operating and developing a school offering a broad and balanced curriculum including an emphasis on Arts, European Culture and Languages. The Academy will commence operation during 2007 in a newly constructed building on the site of the existing Channel School in Folkestone.

The Academy has adopted a "Scheme of Government" approved by the Secretary of State for Education and Skills. The Scheme of Government specifies amongst other things, the basis for admitting students to the Academy, the catchment area from which the students are drawn and that the curriculum should comply with the substance of the national curriculum.

Objectives

The sole activity of the company is the operation of the Folkestone Academy to provide education for pupils of different abilities. The principal objectives of the Academy are

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

FOLKESTONE ACADEMY REPORT OF THE TRUSTEES (CONTINUED)

Trustees

Trustees are appointed by a majority resolution of the board of trustees. The trustees are as follows

G Badman
S Blandford
R De Haan
D Melville

S Eccles was appointed a trustee on 9 September 2005 and subsequently retired on 30 June 2006

R De Haan is a member of the company but holds no beneficial interest therein

All the trustees are also governors of the Academy and exercise their powers and functions as governors with a view to fulfilling a largely strategic role in running the Academy

Potential new trustees are considered for appointment by the board who assess the skills they possess and the contribution they can make to the success of Folkestone Academy. New trustees are given a tour of the Academy site and the chance to meet staff, the headmaster and the chairman of the board with a view to ensuring the trustee has a good understanding of the Academy's philosophy and its day to day operation.

Although no formal training programme exists for governors within the Academy, governors are encouraged to participate in training programmes, either through their principal employer or participation in ad hoc training courses.

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.

Reserves Policy

The policy of the trustees is to maintain a level of reserves that will be adequate to provide a stable base for the continuing operation of the Academy whilst ensuring that excessive funds are not accumulated. Through a combination of future government funding and financial support from sponsors, the trustees are satisfied that the company's reserves will be sufficient for its current purposes. The reserves as at 31 August 2006 amounted to £7,886,000.

Funds

The company balance sheet analyses its reserves between Restricted and Unrestricted Funds. The Restricted Funds comprise of the amount of grants received from the DfES and sponsors which is earmarked for specific purposes, less any expenditure incurred to date (depreciation in the case of capital grants). Such funds may only be used for the purpose designated by the party providing the grant. All other income and expenditure is accounted for through the Unrestricted General Fund.

Investment Policy

The company's policy is to invest surplus funds in low risk short term bank deposits.

FOLKESTONE ACADEMY REPORT OF THE TRUSTEES (CONTINUED)

Equal Opportunities

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

Operating and Financial Review

The Academy did not operate as a school during the year. The main focus of activity was the continuing construction of the new Academy school building which is scheduled to be completed in the Summer of 2007. The Academy will commence educational activities in Autumn 2007.

All other activity during the year related to preparatory work undertaken in the run up to towards the opening of the new school. The funding requirement to construct the new school is being met through a combination of grants from the Department for Education and Skills together with sponsorship from Roger De Haan and Kent County Council.

Capital expenditure incurred during the year amounted to £7.9 million. In respect of other activities, a modest net surplus of £2,000 arose during the year.

Looking ahead, the principal challenge in the coming year is to ensure that the new school building and the related educational infrastructure are completed on time, ready to accept its first pupils at the beginning of financial year 2007/08.

Risk Management

The trustees have examined the major strategic, business and operational risks which the Academy faces and have put in place systems, policies, procedures and controls in order to manage and mitigate these risks. Appropriate insurances are in place.

Statement of Trustees Responsibilities

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements, the trustees are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

**FOLKESTONE ACADEMY
REPORT OF THE TRUSTEES (CONTINUED)**

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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.

Statement as to Disclosure of Information to Auditors

The trustees who were in office as at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditor is unaware. The trustees have confirmed that they have taken all steps that they ought to have taken as trustees to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

The trustees, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989 s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office as auditor and a resolution proposing its re-appointment will be put to the Annual General Meeting.



Roger De Haan
Trustee
On behalf of the Trustees
3 May 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOLKESTONE ACADEMY

We have audited the financial statements on pages 7 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 10

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described on page 3, the trustees (who are also the directors of Folkestone Academy for the purposes of company law) are responsible for the preparation of the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We report to you whether in our opinion the information given in the trustees' report is consistent with the audited accounts.

We read other information contained in the trustees' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

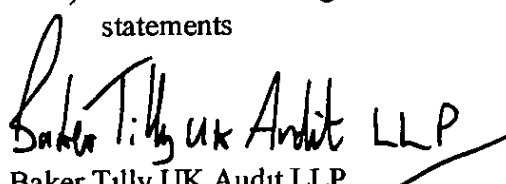
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOLKESTONE ACADEMY (continued)

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion,

- a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Academy as at 31 August 2006, and of its incoming resources and application of resources including its income and expenditure in the year then ended and have been properly prepared in accordance with the Companies Act 1985,
- b) the financial statements have been prepared in accordance with the Financial Reporting and Annual Accounts Requirements issued by the Department for Education and Skills in respect of the relevant financial year,
- c) proper accounting records have been kept by the Academy throughout the financial year,
- d) grants made by the Department for Education and Skills have been applied for the purposes intended, and
- e) the information given in the trustees' report is consistent with the financial statements



Baker Tilly UK Audit LLP

Registered Auditor

Chartered Accountants

Hanover House

18 Mount Ephraim Road

Tunbridge Wells

Kent

TN1 1ED

11 May 2007

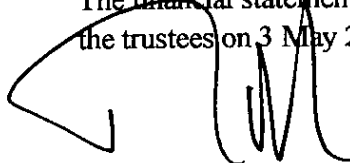
FOLKESTONE ACADEMY
STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account)
YEAR ENDED 31 AUGUST 2006

Incoming resources	Note	Restricted Funds				2005 £'000
		Unrestricted Fund 2006 £'000	General Fund 2006 £'000	Fixed Assets 2006 £'000	Total 2006 £'000	
Grants receivable	4	-	289	7,884	8,173	-
Investment income	6	3	-	-	3	-
		<u>3</u>	<u>289</u>	<u>7,884</u>	<u>8,176</u>	<u>-</u>
Resources expended						
Cost of generating funds		-	-	-	-	-
Charitable Activities						
Academy's Educational Operations	7	-	279	-	279	-
Governance		1	10	-	11	-
Total charitable expenditure		<u>1</u>	<u>289</u>	<u>-</u>	<u>290</u>	<u>-</u>
Total resources expended		<u>1</u>	<u>289</u>	<u>-</u>	<u>290</u>	<u>-</u>
Net income resources before transfers	3	<u>2</u>	<u>-</u>	<u>7,884</u>	<u>7,886</u>	<u>-</u>
Transfer between funds		-	-	-	-	-
Net movement in funds		<u>2</u>	<u>-</u>	<u>7,884</u>	<u>7,886</u>	<u>-</u>
Balance at 1 September 2005		-	-	-	-	-
Balance at 31 August 2006		<u>2</u>	<u>-</u>	<u>7,884</u>	<u>7,886</u>	<u>-</u>

**FOLKESTONE ACADEMY
BALANCE SHEET
31 AUGUST 2006**

	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	9	<u>7,884</u>	<u>-</u>
Current assets			
Debtors	10	115	-
Cash at bank and in hand		<u>18</u>	<u>-</u>
		133	-
Creditors: amounts falling due within one year	11	<u>131</u>	<u>-</u>
Net current assets		2	-
Total assets less current liabilities		<u>7,886</u>	<u>-</u>
Funds			
Restricted Funds			
DfES	12	-	-
Buildings	12	<u>7,884</u>	<u>-</u>
		7,884	-
Unrestricted General Fund		<u>2</u>	<u>-</u>
		7,886	-

The financial statements on pages 7 to 13 were approved and authorised for issue by the trustees on 3 May 2007



Roger De Haan

FOLKESTONE ACADEMY
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2006

		2006	2005
	Notes	£'000	£'000
Cash inflow from operating activities			
Receipts			
Capital grant from DfES		7,820	-
Implementation grant DfES		237	-
		<u>8,057</u>	<u>-</u>
Payments			
Implementation payments		222	-
Net cash inflow from operating activities		<u>7,835</u>	<u>-</u>
Returns on investments and servicing of finance			
Investment income received		3	-
Capital expenditure and financial investment			
Payments to acquire fixed assets		7,820	-
Increase in cash in year	(a)	<u>18</u>	<u>-</u>

(a) Analysis of changes in net funds

	At	Cash	At
	31 August	Flows	31 August
	2005	2006	2006
	£'000	£'000	£'000
Cash at bank and in hand	<u>-</u>	<u>18</u>	<u>18</u>
(including short term deposits)			

FOLKESTONE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice (Revised 2005) "Accounting and Reporting by Charities" and the Charities Act 1993

Accounting convention

The financial statements have been prepared under the historical cost convention

Grants Receivable

Grants receivable are included in the accounts on an accruals basis. The balance of income received for specific purposes but not matched to relevant expenditure during the period is shown as a restricted fund on the balance sheet.

Sponsorship

The value of sponsorship provided to the Academy is recognised in the statement of financial activities in the period in which it is receivable

Investment Income and Interest Receivable

Investment income and interest receivable are included in the statement of financial activities on an accruals basis

Resources Expended

Resources expended are accounted for on an accruals basis

Allocation of costs

In accordance with the SORP, expenditure has been analysed between the cost of generating funds, the Academy's charitable activities and governance. Items of expenditure which involve more than one cost category are apportioned on a reasonable, justifiable and consistent basis for the cost category concerned. Central staff 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 Academy's compliance with constitutional and statutory requirements, including audit, professional fees and insurances.

Tangible Fixed Assets

Tangible fixed assets are included at cost and are depreciated on a straight line basis over their expected useful lives as follows

Freehold buildings	- 50 years
Fixtures and fittings	- 10 years
Computers	- 3 years

FOLKESTONE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

2 Taxation

As a registered charity, the company is not subject to taxation as it does not trade for tax purposes

3 Net Income for Year

Net income is stated after charging

	2006	2005
	£'000	£'000
Audit fee	1,000	-

4 Grants Receivable

	2006	2005
	£'000	£'000
Capital grant-new building	7,884	-
Implementation grant	289	-
	<u>8,173</u>	<u>-</u>

5 Staff Costs

	2006	2005
	£'000	£'000
Principal		
Salary	41	-
Social security	5	-
Pension	6	-
	<u>52</u>	<u>-</u>

The principal was the only remunerated employee during the year
 No trustee received remuneration or expenses during the year

6 Investment Income

	2006	2005
	£'000	£'000
Bank interest received	3	-

7 Charitable Expenditure

	2006	2005
	£'000	£'000
Professional fees	184	-
Staff costs	52	-
Recruitment	29	-
Other	14	-
	<u>279</u>	<u>-</u>

FOLKESTONE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

8 Pensions

As the school did not operate during the period, the company did not operate a pension scheme. The intention is that the company will participate in the Teacher's Pension Scheme and a Local Government Pension scheme. The only employee existing during the year participated in the Teacher's Pension scheme through temporary arrangements operated through Kent County Council.

9 Tangible Fixed Assets

	Land & Buildings	Fixtures & Fittings	Computers	Total
	£'000	£'000	£'000	£'000
Cost				
At 31 August 2005	-	-	-	-
Additions	7,884	-	-	7,884
At 31 August 2006	7,884	-	-	7,884
Depreciation				
At 31 August 2005	-	-	-	-
Charge for year	-	-	-	-
At 31 August 2006	-	-	-	-
Net book value				
At 31 August 2006	7,884	-	-	7,884
At 31 August 2005	-	-	-	-

Land and buildings comprise costs incurred to date in the construction of the new Academy building. No depreciation has been charged as the asset is in the course of construction. All fixed asset expenditure incurred to date has been funded by way of DfES grant.

10 Debtors

	2006	2005
	£'000	£'000
Capital Grant receivable from DfES	63	-
Implementation Grant receivable from DfES	52	-
	<u>115</u>	<u>-</u>

11 Creditors-amounts falling due within one year

	2006	2005
	£'000	£'000
Trade creditors	78	-
Accruals	48	-
Other tax and social security	5	-
	<u>131</u>	<u>-</u>

FOLKESTONE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

12 Restricted Funds

The Restricted Fund comprises the following balances

	31 August			31 August
	2005	Income	Expenditure	2006
	£'000	£'000	£'000	£'000
DfES Implementation grant	-	289	(289)	-
Sponsor	-	-	-	-
Buildings	-	7,884	-	7,884
Total	-	8,173	(289)	7,884

13 Analysis of Net Assets Between Funds

Fund balances at 31 August 2006 are represented by

	<-----Restricted----->			Unrestricted	Total
	DfES	Sponsor	Buildings	General	Funds
	£'000	£'000	£'000	£'000	£'000
Tangible fixed assets	-	-	7,884	-	7,884
Current assets	67	-	63	3	133
Creditors due within one year	(67)	-	(63)	(1)	(131)
Net Assets	-	-	7,884	2	7,886

15 Capital Commitments

The company is committed to spend a further £28.4 million in order to complete the construction and equipping of the new Academy building. The funding for this expenditure has been committed by the DfES and the Academy's principal sponsor, Roger De Haan.

16 Related Parties

The Roger De Haan charitable trust has committed £2.25 million towards the cost of construction of the new Folkestone Academy building. This amount is scheduled to be paid in instalments in the period up to the end of 2007. Roger De Haan, the chair of the trustees of the Folkestone Academy, is also a trustee of the Roger De Haan Charitable Trust.

17 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.