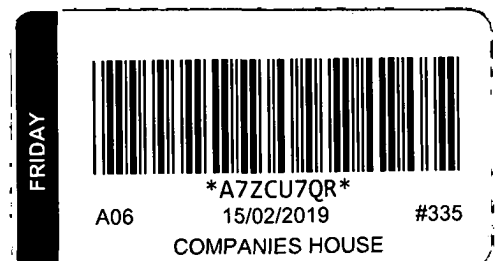


UNITED CHURCH SCHOOLS TRUST
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018



UNITED CHURCH SCHOOLS TRUST

(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITABLE COMPANY, ITS TRUSTEES AND ADVISERS FOR THE YEAR ENDED 31 AUGUST 2018

Trustees

Mrs A Crowe, Chair (resigned 8 February 2018)
Ms M Curnock Cook (appointed 1 May 2018)
Dr R Given-Wilson, Chair (appointed 15 March 2018)
Mr J B Gordon
Mr R Greenhalgh
Mrs L Heaven (resigned 14 December 2017)
Mr M Litchfield
Mrs S Squire

Biographies for Trustees can be found at www.unitedlearning.org.uk

Company registered number 02780748

Charity registered number 1016538

Registered office

Worldwide House
Thorpe Wood
Peterborough
PE3 6SB

Company secretary Mr S Whiffen

Chief executive officer Mr J Coles

Senior management team

Mr J Coles, Chief Executive Officer
Ms M Coalter, Director of People
Dame S Coates, Director of Secondary Education
Mr D Ellison-Lee, Director of Primary Education
Mrs L Johnston, Chief Financial Officer
Mr D Norrish, Group Director of Technology
Ms A Paige, Director of Strategy and Performance

Independent auditor

Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Victoria House
199 Avebury Boulevard
Milton Keynes
MK9 1AU

Bankers

Barclays Bank PLC
One Snowhill
Snowhill Queensway
Birmingham
B4 6GN

UNITED CHURCH SCHOOLS TRUST

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITABLE COMPANY, ITS TRUSTEES AND
ADVISERS (continued)
FOR THE YEAR ENDED 31 AUGUST 2018**

Advisers (continued)

Solicitors

Hewitsons LLP
Elgin House
Billing Road
Northampton
NN1 5BA

Stone King LLP
3rd Floor
Bateman House
82-88 Hills Road
Cambridge
CB2 1LQ

UNITED CHURCH SCHOOLS TRUST

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees (who are also directors of the Charitable Company for the purposes of the Companies Act) present their annual report together with the audited financial statements of United Church Schools Trust (Limited by Guarantee) (the Charitable Company) for the year ended 31 August 2018. The Trustees confirm that the Trustees' Report and financial statements of the Charitable Company comply with the current statutory requirements, the requirements of the Charitable Company's governing document and the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) ("SORP 2015").

Constitution and objects

The United Church Schools Trust (Limited by Guarantee) is registered with the Charity Commission (No. 1016538) and is constituted as a company limited by guarantee (registered in England and Wales), governed by Memorandum and Articles of Association, which were last amended in 2004. The Charitable Company is established for charitable purposes and in accordance with its Memorandum of Association its principal activity is to provide a liberal, practical and general education for children which includes religious instruction in the doctrine and duties of Christianity.

Members of the Board (hereafter called "Trustees")

The present membership of the Board is set out under Reference and Administrative Details. All Trustees served throughout the year except where indicated. The following Trustees were appointed or retired from the Board:

Trustee	Date of resignation or retirement
Mrs A Crowe	Resigned 8 February 2018
Ms M Curnock Cook	Appointed 1 May 2018
Dr R Given-Wilson	Appointed 15 March 2018
Ms L Heaver	Resigned 14 December 2017

Each member of the Board of Trustees holds one share in United Church Schools Foundation Limited ("UCSF") the ultimate parent undertaking.

Appointment of Trustees

The Board has the power to appoint any person as an additional Trustee or to fill a casual vacancy. A Trustee holds office for three years, after which they must resign. They may remain in office for a further three years with the consent of the Board. Following this, they shall be eligible for re-election annually upon the proposal of the Chair.

The training and induction provided for new Trustees is dependent upon their existing experience. Where necessary, induction will provide training on charity, educational, legal and financial matters. All new Trustees are given tours of the United Learning Group's ("the Group") schools and academies and the chance to meet with staff and students. They are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Trustees. Induction is tailored specifically to the individual. The Company Secretary works with the Trustees to identify training needs and steps to keep the trustees updated regarding the regulatory environment.

Governance

The Board of Trustees have delegated their powers and functions to a committee of Trustees known as the Group Board. All the Trustees of United Church Schools Trust ("UCST") are members of the Group Board. Members of the Group Board also include persons who are Trustees of United Learning Trust ("ULT") a subsidiary Charitable Company. The Group Board of Directors has formally met 9 times during the year and the UCST Board of Trustees held 4 independent meetings. Attendance during the year at the meetings of the

UNITED CHURCH SCHOOLS TRUST

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Trustees was as follows:

	Group Board meetings attended	Out of a possible	UCST meetings attended	Out of a possible
Mrs A Crowe	3	3	2	2
Ms M Curnock Cook	3	4	-	1
Dr R Given-Wilson	1	5	1	2
Mr B Gordon	9	9	3	4
Mr R Greenhalgh	9	9	4	4
Mrs L Heaver	2	2	1	2
Mr M Litchfield	9	9	4	4
Mrs S Squire	7	9	4	4

The Board of Trustees delegates clear responsibilities to the Schools' Local Governing Bodies ("LGBs"), whose purpose is to provide support and challenge to the school on behalf of the Board. The functions and duties of the LGBs are set out in the LGB Members' Handbook. The Group Board maintains links with the LGBs through the Company Secretary, and designated Directors for the schools. The Chairs and Vice Chairs of the LGBs are invited to attend meetings of the Education Board, which meet three times in the academic year and provide advice on strategy and education, relevant continuing professional development and the opportunity for sharing of best practice with their peers. The Education Board meetings further enhance communications between LGBs and the Trustees.

Current governance arrangements have been reviewed. The Group's scheme of delegation has been updated and is currently going through our internal approval process. The Group Board has carried out a self-evaluation in the year, which provided reassurance about its effectiveness. The review also includes an evaluation of the quality of the data provided to the Board and its Committees. An evaluation of the effectiveness of the Chair of the Group Board has also been undertaken.

Board Committees

The Group Board has four committees, which advise on matters defined by their terms of reference. The Committees are the Finance Committee, the Risk and Audit Committee, the Nominations and Salaries Committee and the Education Standards and Performance Committee. The minutes of all committees are made available to the Board of Directors at meetings of the Group Board. The Chair of the Risk and Audit Committee reported to the Board of Directors at meetings of the Group Board twice in the year.

The Finance Committee's purpose is to:

- ensure that the Charitable Company properly plans the use of its finances and is adequately funded to undertake projected expenditure;
- review and recommend the annual budgets for approval by the Board of Trustees;
- monitor financial performance against agreed budgets;
- ensure, with the Risk and Audit Committee, that the Charitable Company's financial statements are supported accurately by management accounts;
- monitor and review the Charitable Company's arrangements in relation to investments and make recommendations to the Board of Trustees in relation to the appointment and removal of investment advisors.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Attendance at meetings in the year was as follows:

Committee member	Meetings attended	Out of a possible
Mr N Davidson (Chair)	3	5
Dr S Critchley	5	5
Mrs A Crowe	3	3
Mr M George	4	5
Sir A Greener	2	2
Mr B Gordon	4	5
Mr R Greenhalgh	5	5
Mr M Litchfield	5	5
Mr N Robson	5	5

The Risk and Audit Committee advises the Group Board. Its purpose is to:

- ensure the implementation of a risk management and disaster recovery framework for the Group;
- ensure the accuracy of the Charitable Company's annual financial statements;
- ensure effective audit functions are in place (both external and internal);
- ensure adequate risk management processes are in place;
- ensure an adequate internal control environment is established.

Attendance at meetings in the year was as follows:

Committee member	Meetings attended	Out of a possible
Professor C Coulson-Thomas (Chair)	4	4
Mrs K Bowles	4	4
Dr S Critchley	4	4
Mr D D'Arcy Hughes	3	4
Mr N MacDonald	3	4

A Group Nominations and Salaries Committee exists to oversee the appointments of the Group Chair and Directors and to approve senior salaries and remuneration. The Committee is chaired by the Chair of the Group Board and includes Board members of UCSF, UCST and ULT with the Chief Executive attending. It is advised by the Director of People and the Company Secretary as appropriate.

The Committee regularly reviews the terms of office, skills and attributes of the Board of Directors. On the basis of this, the Committee plans succession in order to ensure that the Board has available to it the range of skills and experience required to discharge its responsibilities. The Committee makes recommendations to the Board as to the need for new Directors and leads the process of recruitment of Directors as required, making recommendations of appointment to the Board. The Committee ensures that appointment is on merit, but also seeks to ensure that the Board reflects the diversity of the communities it serves.

In considering Executive pay, the Committee takes account of the needs of the organisation for skills, experience and personal capabilities to enable it to achieve its objectives and the price of such skills in the labour market. The Committee considers that in order to attract and retain leaders with the skills to achieve organisational objectives, senior pay must be competitive in the marketplace, taking account of the pay rates of comparably senior and skilled employees in other organisations – particularly in comparable organisations in education, in public service and in the charitable sector, and taking account of the transferability of skills into other sectors. The Committee is also mindful of the need for charities and organisations in receipt of public funding to set pay rates which are publicly defensible and seen to be appropriate.

The Committee considers annual pay in relation to the performance of the organisation, and of individuals against their objectives and in their broader contribution and in any changes to job role.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Attendance at meetings in the year was as follows:

Committee member	Meetings attended	Out of a possible
Mr R Greenhalgh (Chair)	3	3
Mrs A Crowe	1	1
Sir A Greener	1	1
Mr N Robson	3	3
Mr D Robinson	2	3
Mrs S Squire	1	1

The Group Education Standards and Performance Committee's purpose is to:

- ensure that the highest possible standards of education are set and maintained across all schools to ensure all pupils make the best progress they can;
- advise the Group Board with respect to group strategic educational priorities and key performance indicators;
- support the Chief Executive Officer in the creation, implementation and monitoring of the Group strategic educational priorities and key performance indicators;
- review, on a regular basis, the performance, constitution, membership, terms of reference and scheme of delegation of local/regional governing bodies to ensure they are operating at maximum effectiveness.

The Committee has been appointed by the Directors and will comprise no more than seven and no fewer than three members, a majority of whom will be Directors.

Attendance at meetings in the year was as follows:

Committee member	Meetings attended	Out of a possible
Mr N Robson (Chair)	3	3
Dame Y Bevan	2	3
Mr J Coles	2	3
Mrs A Crowe	1	1
Mr R Greenhalgh	2	2
Mrs L Heaver	1	1
Dame R Keeble	1	1

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Charitable Company's 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 Charitable Company for the year from 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the Charitable Company is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Charitable Company's significant risks that has been in place for the year from 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

The Charitable Group has a risk register that identifies the key strategic risks facing the Group, the actions taken to mitigate those risks and the owners of those actions. Risk control is exercised by the senior management team, which reviews the risk register on a monthly basis. The Risk and Audit Committee considers the risk register at each of their meetings. Its views are reported to the Board of Trustees via the Committee's minutes and the Chair's reports to the Group Board.

The Risk and Control Framework

The Charitable Company'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 Board of Trustees;
- regular reviews by the management and the Finance Committee of reports which indicate financial performance against the forecasts and major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The Group employs an internal auditor who has a direct reporting line to the Chair of the Risk and Audit Committee. The internal audit service operates with best practice professional standards and guidelines. The internal auditor independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Trust's objectives, and contributes to the proper, economic, efficient and effective use of resources.

The internal auditor's role includes giving advice on internal control and performing a range of checks on the Charitable Company's core financial systems. In particular, the checks carried out in the current period included testing of payroll and purchase systems, testing of control accounts, bank reconciliations and fixed assets, testing of compliance with the scheme of delegation and internal control, a review of financial reporting, fraud investigations, testing of other fundamental financial and non-financial systems and departments, and a review of strategic and operational risks.

On a quarterly basis, the internal auditor reports to the Board of Directors through the Risk and Audit Committee on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities.

For the year ended 31 August 2018, based on the work undertaken, an internal audit opinion of reasonable assurance was given on the adequacy and effectiveness of the organisation's risk management, internal control and governance arrangements. The internal audit plan for the year ended 31 August 2018 was delivered as planned and no material control issues were identified.

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

Chief Executive

The Trustees delegate the day to day responsibility of the running of the Charitable Company to the Chief Executive Officer.

UNITED CHURCH SCHOOLS TRUST

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Connected charities

There is a relationship between United Church Schools Trust (Limited by Guarantee) and other charities as set out in note 24.

Strategic report

Strategies and activities

The principal object of the Charitable Company is set out on page 3.

About United Learning

Founded in 1883 as an educational charity anchored in the Church of England, the Charitable Company manages the operation of a group of Independent Schools to provide education for students of different abilities between the ages of 2 and 18. Its admission policies welcome people from all employment, faiths and backgrounds. In 2001, it created a subsidiary charity, United Learning Trust ("ULT") to extend its work into some of the most challenging inner city areas through the City Academy programme.

As at 31 August 2018, the Charitable Company sponsors 51 state sector academies through ULT.

The overall aim of the Charitable Company is to promote excellent education, providing strong schools, which enable all young people to make a success of their lives. The roots of our charity can be traced back 135 years, and over this period, we have founded and developed a large number of schools, focused on the most important social and educational challenges of the day. Our strength as a group of schools lies in the unique collaboration between the state and independent sectors, in our national reach and growing regional clusters and in our dedication to continuous improvement and our pursuit of excellence. Our track record in some of the country's most challenging schools is based on structures and systems which ensure high expectations, rigour, enthusiasm and breadth.

As of 31 August 2018, United Learning – the trading name of the Charitable Group – comprises 12 independent schools operated within the Charitable Company, 51 state sector academies operated within the ULT and a central office function that serves all our schools.

Operating review

Framework for Excellence

Our 'Framework for Excellence' sets out the principles of an excellent education that we follow as a Group. At the heart of this framework are two principles which articulate what we think schools should provide for young people: 'powerful knowledge' and 'education with character'. The first is about giving young people the knowledge, understanding and cognitive skills they will need to make a success of their lives; the second is about the development of the broader traits, personal qualities and dispositions they will need.

Powerful Knowledge

Our most important purpose is to teach young people things they would not learn outside school, which free them to think and act more powerfully in their lives. This includes succeeding in examinations and gaining subject-based knowledge, but goes beyond it.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Improved Academic Performance

In terms of external examinations, our independent schools continue to perform well, with strong outcomes at the top grades.

At A Level:

- 18% of entries were awarded A* (2017: 20.4%)
- 46.3% of entries were awarded A*-A (2017: 48.1%)
- 73.3% of entries were awarded A*-B (2017: 70.6%)
- The overall pass rate was 99.3% (2017: 98.9%)

Notable performances were seen at:

- **AKS** which saw the biggest improvement in the Group with the number of entries achieving A*-A and A*-C increased by 10 percentage points to 36% and 86% respectively;
- **Hampshire Collegiate School** where the number of entries achieving A*-A increased by 5 percentage points to 21%;
- **Ashford School** where 52% of entries achieved A*-A grades – up 4 percentage points;
- **Guildford High School** which maintained its strong performance with 100% of entries achieving A*-C grades.

At GCSE, the grading structure for most subjects changed this year to a numeric value with a 4 equivalent to a C in previous years. The overall percentage of entries awarded A*-A/7+ and A*-C/4+ remained unchanged from 2017 at 56% and 94% respectively. The percentage of students achieving the headline measure of five or more A* to C/9-4 including English and maths remained very high at 91%.

Particular GCSE success was seen at:

- **Guildford High School** where 98% of entries achieved A*-A/7+ grades;
- At **Surbiton High School** the equivalent figure was 77%;
- **Ashford School** which saw the number of students achieving 5+ A*-C/9-4 including English and maths improve by 6 percentage points to 94%;
- **Dunottar School** where the number of entries achieving A*-A/7+ grades rose 12 percentage points to 38%.

Over the course of the year, four schools received ISI Regulatory Compliance inspections. **Banstead Prep School, Lincoln Minster School, St Ives School and Surbiton High School** were judged to be compliant in all areas.

A Common Curriculum

Over the past four years, we have developed a common curriculum for our schools, spanning both primary and secondary phases and covering a range of core subjects: English, maths, science, history, geography, MFL, computing, art and PE.

These curricula are sequenced in such a way as to develop subject mastery and to encourage regular, deliberate practice from students. This is to ensure that every child across our Group gets the same core grounding in the body of knowledge needed to succeed in further study and beyond.

Over the past year in particular, we have developed shared exemplification for each of these subjects to support teachers in aiming for excellence, as well as common summative assessments to monitor pupils' progress.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Education with Character

Alongside the intellectual development of young people encompassed within our concept of 'powerful knowledge', we place significant weight on the development of the whole person. We want young people to emerge from school with the personal qualities and wider skills to make the most of their cognitive abilities.

Across our Group, we expect all our pupils to contribute to their school and to society; to try things which they think they cannot do; to persist in the face of difficulty; to become resilient in overcoming obstacles; to manage themselves; to work independently on things which challenge them; to work with others and in teams; to be courageous and caring; to lead. We encourage our schools to develop each student's personal integrity, to ensure they learn to make the right choices even when the rules are not clear.

Our schools have also continued to devise and develop their individual pupil charters – the promise they make to children about what they can expect to experience each year in addition to their normal classroom learning. As part of this, schools have dedicated extracurricular programmes and bring the curriculum to life with visits from external speakers and trips out into their local communities and beyond.

Furthermore, we encourage sustained and meaningful collaboration between our schools and others through a range of group-wide activities, initiatives and competitions designed to further develop their confidence and soft skills and to ready them for the next stages of their school careers.

Through the United Learning Partnership Fund, our pupils have enjoyed exceptional academic, sporting and cultural experiences. This has included:

- Premiering **Wassail!**, a specially-commissioned choral work by Alexander L'Estrange, at Southwark Cathedral and the Royal Northern College of Music. The two events brought together over 1,000 staff and students from across our schools and won the Classic FM Best Classical Music Education Initiative award;
- **RideABC**, a group-wide national bike challenge in aid of Sport Relief – taking two central office staff members 600 miles via over 20 of our schools – celebrating the importance of sport, dance and physical wellbeing;
- **UnitedApp** which challenged Year 9 students group-wide to design their own educational app idea;
- **UnitedIDEAS** which, building on the success of UnitedApp, offered primary pupils the chance to develop 'world-changing' ideas;
- Preparing students for university success through termly residential courses over a four year period, as part of **United Access**;
- Showing Sixth Formers what university can offer them through the **Fellowship Programme**;
- A series of weekly lectures designed to broaden students' interests and understanding as part of the **Scholars Club**;
- Working in partnership with **BBC Ten Pieces** for the Group's annual cultural festival to open up the world of classical music to young people;
- Nurturing storytelling and performance techniques through local and regional **StorySLAM** competitions;
- Celebrating students' artistry through our annual **Group Art Competition**, which runs alongside the International High School Arts Festival;
- A set of centrally-run schemes as part of our **SITUPS** programme, delivering interventions using sport as the tool or hook to support students in our schools. This included a new pilot programme, devised in partnership with the Dame Kelly Holmes Trust (DKHT), targeted at students receiving the Pupil Premium;
- Regional cluster-based **sports competitions**;
- Continued **Sports Ambassador** visits across our schools.

UNITED CHURCH SCHOOLS TRUST

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Outstanding People and Leadership

Successful Staff Engagement

Our success as a group is dependent on the excellent people and leadership at all levels of our schools – across the country and centrally. This was reflected in the response rate to our Group Staff Survey which remained high at 82%. Likewise, our Overall Employee Engagement score (defined by Ipsos Mori as “an employee’s willingness to put discretionary effort into their work in the form of time, thought and energy”) was 75%. Scores on staff’s pride in their school, motivation and attitudes towards the Group’s aims and values well exceeded the UK, public sector and education norms.

Key findings include:

- 91% of staff agreed that their school strives to provide an excellent education;
- 88% said they are proud to work in their school/department;
- 82% said they understood their department/team’s objectives;
- 85% said they valued their school/department’s culture.

Developing Leaders

Our flagship Leadership Development Residential helps develop Middle and Senior Leaders towards promotional opportunities. These popular two-day training programmes are always fully subscribed and continue to be consistently evaluated as good or outstanding, with 58 leaders attending over the course of the year.

The 4 colleagues who took part in the pilot for our Trainee Headship Programme completed their training and school placements; this is a senior leadership opportunity for our most experienced Vice Principals and Deputy Heads. This offer forms part of our talent management strategy, as well as our school improvement work, which seeks to grow our group leadership pipeline. Next year, a further 9 colleagues will start the programme, which going forward includes the opportunity to complete the National Professional Qualification for Headship.

Our System Leadership programme entered year two of the programme, with 14 school leaders who are operating at a system level, attending business management training via Ashridge Business School. This three-year initiative is a central part of our growth strategy. In order to achieve our ambitions, we will need a strong supply of talented leaders able to operate at system level, whether as an Executive Head or in regional or national roles within the Group.

17 schools have also now completed our Middle Leaders Schools Programme, following its successful introduction in 2016. Another 8 of our schools are signed up to the programme for next year.

United Teaching

During the year, 59 people signed up to United Teaching, our Initial Teacher Training Scheme, with 56 of these graduating successfully and 74% of those working in our schools as NQTs. Of those who graduated during the academic year, 92% of trainees completed their course rated Good or Better, with 54% judged to be Outstanding.

Ahead of the 2018/19 academic year, just under a further 100 trainees were recruited and attended our Summer Institute.

Growth of the Group

On 1 September 2017, the Banstead Preparatory School opened following the merger of The Priory School and Bramley School, along with Greenacre Junior School.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Going concern

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

Financial Review

The total surplus for the year amounted to £3,566k (2017: deficit of £699k). Included within these results was an actuarial gain on defined benefit pension scheme of £212k (2017: £74k) and an actuarial loss on other pension commitments of £98k (2017: £275k).

The schools operated by the Charitable Company during the year are as follows:

AKS

Ashford School
Banstead Preparatory School
Bournemouth Collegiate School
Dunottar School
Guildford High School
Hampshire Collegiate School
Hull Collegiate School
Lincoln Minster School
Rowan Preparatory School
St. Ives (Haslemere)
Surbiton High School

The Charitable Company is a sponsor of ULT which is a subsidiary undertaking of the Charitable Company. ULT's aim is to found and manage academies under the government initiative. Academies opened to date are listed on the United Learning website.

Funds

The value of restricted funds to be utilised in future years includes £498,000 (2017: £498,000) for prize and scholarship funds and other donated funds and £1,729,000 (2017: £1,729,000) for the sponsorship fund. Unrestricted funds amount to £18,308,000 (2017: £14,742,000) including designated funds of £262,000 (2017: £262,000). The assets are held in pursuance of the Charitable Company's objectives.

Plans for future periods

On 1 November 2018, the Charitable Company welcomed Princess Helena College and Coworth Flexland Prep School.

On 2 October 2018, the Charitable Group announced that Bournemouth Collegiate School would be leaving the Group and would become the flagship UK school for the international schools group, Bright Scholar. This move was completed successfully on 1 December 2018.

The Charitable Company aims to continue to increase the number of pupils educated at its schools. This will be through organic growth and through mergers with other schools. The Charitable Company will continue to strive to improve the levels of performance of its students at all levels and will continue its efforts to ensure its primary students are well prepared for their secondary education and its secondary students are able to obtain jobs or a place in higher education, as they choose, once they leave its schools.

UNITED CHURCH SCHOOLS TRUST

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Funding

The Trustees are satisfied that the Charitable Company's assets attributable to each of its individual funds are available and adequate to fulfil its obligations in relation to those funds.

Risk assessment

During the year under review, the Trustees and senior management have formally identified, and documented, the major risks to which the Charitable Company is exposed. Those risks have been reviewed by the Risk and Audit Committee and risk management strategies have been implemented. Risk management is embedded in the day to day processes of the Charitable Company and its subsidiaries.

Principal risk areas for the Charitable Company are the protection of pupils and employees, and of assets and data. Procedures and governance to minimise these risks are constantly being reviewed and updated.

Financial risk management objectives and policies

Safeguarding

The Charitable Company has Safeguarding and Child Protection policies in place, which focus on the need to ensure that its pupils are safe, feel safe and are fully supported in this respect by their School. These policies, which are available on line, also provide a framework for its schools to develop secure processes for identifying and supporting pupils at risk of abuse. The implementation and effectiveness of these policies and procedures, which adhere to Department for Education guidelines on safeguarding and child protection, are regularly monitored and reviewed. To further mitigate this risk, the Group has a central safeguarding officer.

Health and safety

The health and safety of the school sites is of paramount importance. Health and safety risks are carefully assessed to minimise the possibility of accidents.

Financial pressures

The Charitable Company is reliant upon the parents paying its school fees promptly. An economic downturn could have a direct impact on parents' ability to pay those fees. Senior management and the Trustees therefore aim to keep abreast of economic conditions both in the UK and abroad. Overheads are carefully monitored to ensure that resources are used effectively.

The markets in which the Charitable Company's schools operate are highly competitive. Consequently, the schools constantly review their processes to ensure that their pupils receive a first class education that helps them to perform to their full ability in all aspects of school life.

A large proportion of the Charitable Company's costs relate to staff salaries, which are relatively fixed each year. There is a risk that a significant drop in revenue may lead to an inability to cover such costs.

The Charitable Company also belongs to the Local Government Pension Scheme ("LGPS") run by the relevant Local Authority for non-teaching staff. Under the application of FRS 102, the contributions made by the Charitable Company to these funded defined benefit schemes currently results in pension deficits recorded in the Statement of Financial Activities. Under FRS 102, the Charitable Company is required to account for the requirement benefits when it is committed to provide them, even if the actual provision will be many years into the future. Whilst FRS 102 is seen as a better reflection of the obligations of the employer to fund pension promises to employees, it does not reflect the actual accounting arrangements of the Pension Fund. It requires the Charitable Company to recognise the total value of all pension obligations that have accumulated (including deferred pensions) at 31 August each year.

A better reflection of a pension fund's actual position comes from the more detailed triennial assessment made

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

by the fund actuary. This assesses and examines the ongoing financial position of the Pension Fund. The actuarial valuation can differ considerably from the FRS 102 valuation. It is the triennial actual valuation that is used to review contribution rates to the Fund from the Charitable Company, to ensure that existing assets and future contributions will be sufficient to meet future pension payments, and thus creates a risk in terms of increased contribution rates.

Management closely monitor all costs against budgets on a monthly basis. Variance analysis is undertaken to consider the impact of varying income when the budgets are being prepared.

Data protection

Policies and procedures are in place to ensure compliance with General Data Protection Regulations, with information security policies covering the risk of breach or loss of access.

Financial risk management objectives and policies

The Charitable Company uses various financial instruments including cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Charitable Company's operations.

The main risks arising from the Charitable Company's financial instruments are liquidity risk and interest rate risk.

Financial risk management is managed by the Central Office Finance Department who act as the Charitable Company's treasury function ensuring that surplus funds are deposited to maximise interest receivable. In addition, it uses the Charitable Company's facilities in the most efficient manner. Those facilities are designed to ensure that the Charitable Company has sufficient available funds for day-to-day operations and for planned expansion and capital expenditure.

The Charitable Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by overdraft facilities.

The Charitable Company finances its operations through retained surpluses and overdraft facilities.

The Charitable Company is exposed to price risk in terms of fees but is content that these are in line with those in the sector, and budgets accordingly. The principal credit risk for the Charitable Company arises from its debtors. Strict payment terms are enforced by the Charitable Company's credit control department and debt collection is outsourced as necessary. Credit risk is further managed through regular contact with any families in financial difficulty in an effort to assist.

Liquidity and cash flow risks are managed through the appropriate and carefully managed use of financial instruments with our principal bankers.

Policies

As part of managing our risks and to ensure good governance we outline some key policies below.

UNITED CHURCH SCHOOLS TRUST

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Reserves

It is the policy of the Charitable Company to hold reserves in its unrestricted funds, which have not yet been committed or designated for any particular purpose. The Trustees have set aside these reserves in order to protect the future operations of the Charitable Company from the effects of any unforeseen variations in its income streams as part of a policy of good financial management practice. The Trustees have set the level of these reserves after undertaking a thorough assessment of the Charitable Company's needs and have concluded that a level of six weeks' expenditure is prudent, which is approximately £12.24m. At 31 August 2018, there were cash reserves of £17,992k (2017: £24,983k). Reserves defined as net current assets/(liabilities) amount to £14,917k (2017: £13,339k).

Investment policy

The Charitable Company's cash reserves are used to set off against borrowings in other group companies to minimise interest charges to the Group. Cash balances are invested with Barclays Bank. During the year the investment strategy produced returns in line with the Charitable Company's expectations and market rates.

Environmental policy

The Charitable Company believes that protection of the environment is an integral part of good educational practice. The Charitable Company is fully committed to its responsibility for minimising the environmental impacts of its operations, and will continuously aim to improve its environmental performance through the careful management of the Estate.

The Charitable Company seeks to engage all members of the school community to develop a sustainable approach to their work and activities so as to help it achieve its aims. The Charitable Company's commitment includes the environmentally prudent management of its buildings and operations, collaboration with suppliers to improve its indirect environmental impacts, and environmental programmes and education for its employees and pupils. These commitments will be set out in an Environmental Sustainability Strategy.

The Charitable Company recognises that good environmental management must be an integral and fundamental part of its corporate business strategy.

Pay policy for key management personnel

Details of the pay policy in respect of key management personnel is included in the Governance section on page 5.

Employee involvement and employment of the disabled

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. Regular meetings are held with staff in our schools to brief them on major issues and discuss local issues. Each school also ensures that all staff are kept fully briefed through a variety of mechanisms, including staff meetings, notice boards, newsletters and the group intranet United Hub.

All new staff joining the Charitable Company are fully inducted and annually the Charitable Company runs two induction programmes, lasting two days, for all teachers new to United Learning. The Charitable Company carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and the Directors.

The Charitable Company has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

The Charitable Company has in place a National Recognition Agreement with the main teaching and support unions. Regular joint meetings of the Joint Negotiating Committee (JNC) are held with this group where matters of mutual interest are discussed and agreed upon.

The union members of the JNC report back to their members through locally appointed representatives. Each school also ensures all staff are kept fully briefed by using a variety of methods including staff meetings and newsletters.

In accordance with the Charitable Company's Equal Opportunities policy, the Charitable Company has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the Charitable Company's offices.

Details of the Charitable Group's Gender Pay report can be found on its website at unitedlearning.org.uk

Fundraising

United Learning has a soft fundraising approach. In prior years, the Charitable Group has received large donations from individuals, but generally, we do not actively fundraise.

Our current approach is to work to with partners and suppliers from time to time to offer fundraising packages for specific events and programmes such as our annual student and staff award ceremony and our Enterprise Programme. In addition, this year we completed a one-off national fundraising event in partnership with Sport Relief.

Our schools occasionally fundraise for themselves or charities via events such as performances, non-school uniforms day, and fêtes.

With the exception of the above, the Charitable Group does not contact or seek funding from the public or individuals, nor do we work with professional fundraisers. Occasionally, the Group is approached by trusts or individuals who are interested in working with us, and we will provide them with programme and funding information in order to explore funding opportunities that meet both parties' objectives and ethos. In prior years, we have submitted joint bid applications to trusts and funding bodies, such as the Department for Education and the Careers and Enterprise Company along with other charities.

We are members of the Fundraising Regulator Fundraising Preference Service to monitor our fundraising complaints. We did not receive any complaints this year.

Public benefit

The Trustees confirm that they have referred to the Charity Commission's guidance on Public Benefit when reviewing the Charitable Company's aims and objectives and in planning future activities for the year.

The Charitable Company aims to educate as many young people as possible irrespective of their backgrounds.

The main strands to its work are:

- Sponsorship of Academies
- Bursaries and other financial assistance
- United Learning Partnership Fund, nurturing collaboration between schools and giving students and staff exceptional academic, sporting and cultural experiences

UNITED CHURCH SCHOOLS TRUST

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2018

Academies

The Charitable Company is the sponsor of, and works very closely with, ULT in managing a group of academies. Through interaction in all of the schools and academies, the two Charitable Companies work together to give pupils in these academies every opportunity to succeed during their education. This involves such activities as group meetings at every level to share best practice and the sharing of educational resources over United Hub, the Group intranet.

Access Policy

The Charitable Company works very hard to offer education to as many pupils as possible throughout England. Through its bursary policy, it widens the number of pupils attending UCST schools. Having set up and by working very closely with ULT, pupils in state funded academies enjoy the same educational resources available throughout the Charitable Companies' schools. The two Charitable Companies' schools all access United Hub, which enables teachers at any of the schools in the Group to collaborate, share resources and challenges, positively impacting on workload.

Bursary Policy

The ability to offer education to children of families who would not be able to afford the school fees is very important to the Charitable Company. As a result of the desire to help children in this way the Charitable Company continued to operate its schemes of means tested financial assistance and its separate schemes of scholarships and family discounts, where parents have more than one child at one of our schools. Means tested assistance is available to those who would not otherwise be able to afford the fees and, equally importantly, in cases of hardship where pupil's education or future prospects might be at risk. Bursaries range in value from 5% to 100% of the school fee. During the year, UCST granted £1.10m (2017: £1.11m) to pupils attending its schools under means tested assistance. This equated to 1.19% of fees received (2017: 1.23%). Further details of our Bursary Policy and how to apply are on our website.

Statement of Trustees' (collectively known as the Board) responsibilities

The Trustees (who are also directors of United Church Schools Trust for the purposes of company law) 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 the incoming resources and application of resources, including the income and expenditure, of the Charitable Company 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 (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in operation.

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 the maintenance and integrity of the corporate and financial information

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**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018**

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.

Disclosure of information to auditor

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as each Trustee is aware, there is no relevant audit information of which the Charitable Company's auditor is unaware, and
- the Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the Charitable Company's auditor is aware of that information.

This report was approved by the Trustees, on 6 February 2019 and signed on their behalf by:

Dr R Given-Wilson, Chair
Trustee

A handwritten signature in black ink, appearing to be 'R Given-Wilson', written over a large, faint, stylized 'R' or '2' shape.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED CHURCH SCHOOLS TRUST

Opinion

We have audited the financial statements of United Church Schools Trust (the 'Charitable Company') for the year ended 31 August 2018 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED CHURCH SCHOOLS TRUST

doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report or the Strategic Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 our audit.

Responsibilities of trustees for the financial statements

As explained more fully in the Statement of Trustees' (collectively known as the Board) responsibilities on pages 17 - 18, the Trustees (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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED CHURCH SCHOOLS TRUST

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the charitable company'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 charitable company'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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Gareth Norris FCA (Senior statutory auditor)
for and on behalf of

Grant Thornton UK LLP

Statutory Auditor

Chartered Accountants

Milton Keynes

Date: 8 February 2019

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**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Income from:					
Donations and legacies	4	3,962	-	3,962	(1,145)
Charitable activities	2,3	107,438	-	107,438	106,483
Total income		111,400	-	111,400	105,338
Expenditure on:					
Charitable activities		108,046	-	108,046	106,111
Total expenditure	5	108,046	-	108,046	106,111
Net income / (expenditure) before other recognised gains and losses		3,354	-	3,354	(773)
Actuarial gain on defined benefit pension schemes and other pension commitments	22	212	-	212	74
Net movement in funds		3,566	-	3,566	(699)
Reconciliation of funds:					
Total funds brought forward		14,742	2,227	16,969	17,668
Total funds carried forward		18,308	2,227	20,535	16,969

The notes on pages 25 to 49 form part of these financial statements.

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REGISTERED NUMBER: 02780748

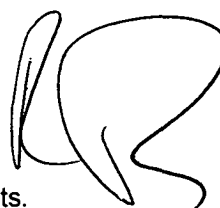
**BALANCE SHEET
AS AT 31 AUGUST 2018**

	Note	£000	2018 £000	£000	2017 £000
Fixed assets					
Intangible assets	10		1,280		566
Tangible assets	11		5,704		4,730
Investments	12		36		36
			<u>7,020</u>		<u>5,332</u>
Current assets					
Stocks	13	20		-	
Debtors	14	54,465		40,979	
Cash at bank and in hand	19	17,992		24,983	
			<u>72,477</u>	<u>65,962</u>	
Creditors: amounts falling due within one year	15	(57,560)		(52,623)	
Net current assets			<u>14,917</u>		<u>13,339</u>
Total assets less current liabilities			<u>21,937</u>		<u>18,671</u>
Defined benefit pension scheme liability	22		<u>(1,402)</u>		<u>(1,702)</u>
Net assets including pension scheme liabilities			<u>20,535</u>		<u>16,969</u>
Charity Funds					
Restricted funds	16		2,227		2,227
Unrestricted funds:	16				
Unrestricted funds excluding pension liability	16	19,710		16,444	
Pension reserve		(1,402)		(1,702)	
Total unrestricted funds			<u>18,308</u>		<u>14,742</u>
Total funds			<u>20,535</u>		<u>16,969</u>

The financial statements were approved and authorised for issue by the Trustees on 6 February 2019 and signed on their behalf, by:

Dr R Given-Wilson, Chair

The notes on pages 25 to 49 form part of these financial statements.



UNITED CHURCH SCHOOLS TRUST**(A company limited by guarantee)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Net cash used in operating activities	18	<u>(2,784)</u>	<u>(671)</u>
Cash flows from investing activities:			
Purchase of intangible fixed assets		(810)	(566)
Proceeds from the sale of tangible fixed assets		5	85
Purchase of tangible fixed assets		(2,721)	(1,831)
Net cash acquired in business combinations		-	1,157
Purchase of fixed asset investments		<u>(16)</u>	<u>-</u>
Net cash used in investing activities		<u>(3,542)</u>	<u>(1,155)</u>
Cash flows from financing activities:			
Interest paid		<u>(665)</u>	<u>(944)</u>
Net cash used in financing activities		<u>(665)</u>	<u>(944)</u>
Change in cash and cash equivalents in the year		(6,991)	(2,770)
Cash and cash equivalents brought forward		<u>24,983</u>	<u>27,753</u>
Cash and cash equivalents carried forward	19	<u><u>17,992</u></u>	<u><u>24,983</u></u>

The notes on pages 25 to 49 form part of these financial statements.

UNITED CHURCH SCHOOLS TRUST

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

United Church Schools Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

1.2 Consolidation

Consolidated financial statements have not been prepared as consolidated financial statements for the Charitable Company's ultimate parent undertaking, United Church Schools Foundation Limited, are publicly available from the Charitable Company's registered office and incorporate the results of the Charitable Company and its subsidiary undertakings. These financial statements therefore represent the results of United Church Schools Trust only.

1.3 Income

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

Donated services or facilities are recognised when the Charitable Company has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the Charitable Company of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), volunteer time is not recognised.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the Charitable Company which is the amount the Charitable Company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.4 Expenditure

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

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Charitable activities are costs incurred in the Charitable Company's educational operations. Governance costs are those incurred in connection with administration of the Charitable Company and compliance with constitutional and statutory requirements.

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

Grants payable are charged in the year when the offer is made except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

All expenditure is inclusive of irrecoverable VAT.

1.5 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charitable Company and which have not been designated for other purposes.

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

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charitable Company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.6 Company status

The Charitable Company is a company limited by guarantee. United Church Schools Foundation Limited (Company number 00018582) is the ultimate parent undertaking and sole member of the Charitable Company. In the event of the Charitable Company being wound up, the liability in respect of the guarantee is limited to £1 per member of the Charitable Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

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

1.8 Intangible fixed assets and amortisation

Intangible assets are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation begins when the intangible asset is available for use, and is charged straight line over the useful economic life.

1.9 Tangible assets and depreciation

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

Leasehold improvements	-	Term of the lease
Motor vehicles	-	4 years
Fixtures and fittings	-	10 years
Computer equipment	-	3 years

Tangible assets donated to the Charitable Company are capitalised based on their fair values which then represents the deemed historic cost of the asset.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

1.10 Investments

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.11 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.12 Interest receivable

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

1.13 Operating leases

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

1.14 Taxation

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

1.15 Debtors

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

1.16 Cash at Bank and in hand

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

1.17 Liabilities and provisions

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.18 Financial instruments

The Charitable Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activities.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Charitable Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.19 Pensions

The Charitable Company make contributions to a number of defined contribution pension plans for non-teaching staff and the pension charge represents the amounts payable by the Charitable Company to the fund in respect of the year.

Retirement benefits to teaching staff are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Charitable Company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.20 Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Actuarial valuations for Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Unfunded pension obligations

The Charitable Company has also made provision for unfunded pension obligations. The key assumptions made in computing this provision comprise mortality assumptions and discount rates, with the total obligation arising as a result having been disclosed in note 22. Any changes in these assumptions would impact the carrying amount of the liability.

Depreciation of tangible fixed assets

Depreciation is computed based on the best estimate of the useful economic lives of the relevant assets and their ultimate residual value.

Provision for bad debts

An allowance for doubtful debts is maintained for estimated losses resulting from the inability of the Charitable Company's fee debtors to make required payments. The Charitable Company applies a policy for providing for bad debts which is periodically reviewed based on an assessment of actual outcomes against those expected.

1.21 Exceptional items

Costs classified as exceptional relate to costs which are non-recurring and outside of the normal charitable activities of the company as disclosed in note 9.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

2. School fees receivable and catering income

	2018	2017
	£000	£000
Gross fee income receivable	102,477	99,340
Scholarships, bursaries and reduced fees	(9,675)	(9,247)
	92,802	90,093
Catering income	1,954	1,928
	94,756	92,021

In 2018, of the total school fees receivable and catering income, £94,756k (2017: £92,021k) was to unrestricted funds and £NIL (2017: £NIL) was to restricted funds.

3. Other educational related income

	2018	2017
	£000	£000
Accounting services to other schools and academies	8,677	7,765
Other support services to other schools and academies	71	780
Pupil registration fees	288	278
Charges for additional classes	1,043	980
Other school income	2,257	4,279
Rents and lettings	346	380
	12,682	14,462

In 2018, of the total other educational related income, £12,682k (2017: £14,462k) was to unrestricted funds and £NIL (2017: £NIL) was to restricted funds.

4. Voluntary income

	2018	2017
	£000	£000
Other sponsorship and donations received	2,977	541
Gift aid from subsidiary undertakings	985	1,115
Net liabilities transferred from other charities	-	(2,801)
	3,962	(1,145)

In 2018, of the total voluntary income, £3,962k (2017: £1,145k) was to unrestricted funds and £NIL (2017: £NIL) was to restricted funds.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

5. Analysis of total resources expended

	Staff costs £000	Other costs £000	Depreciation £000	Total 2018 £000	Total 2017 £000
Schools operating costs					
Educational supplies	54,917	8,003	-	62,920	62,538
Recruitment and support	-	390	-	390	460
Staff development	-	59	-	59	73
Examination fees	-	364	-	364	353
Technology costs	2,873	1,603	-	4,476	3,950
Premises costs	4,051	10,246	-	14,297	13,851
Insurance	-	393	-	393	427
Catering	58	4,979	-	5,037	4,853
Marketing	724	1,583	-	2,307	2,340
Legal and professional	-	1,140	-	1,140	865
Other support costs	10,461	3,369	-	13,830	13,622
Depreciation and amortisation	-	-	1,864	1,864	1,455
Loss on disposal of tangible fixed assets	-	-	-	-	119
Bank interest and charges	-	710	-	710	964
	73,084	32,839	1,864	107,787	105,870
Governance costs					
Auditor costs - Audit fees	-	40	-	40	35
Company Secretariat costs	158	57	-	215	196
Members meeting and travel	-	4	-	4	10
	158	101	-	259	241
	73,242	32,940	1,864	108,046	106,111

In 2018, of the total resources expended, £108,046k (2017: £106,111k) was to unrestricted funds and £NIL (2017: £NIL) was to restricted funds.

Analysis of resources expended (continued)

Total resources expended include:

	2018 £000	2017 £000
Auditor's remuneration		
Audit services	40	35
Depreciation:		
Tangible fixed assets, owned	1,768	1,455
Amortisation: Intangible fixed assets	96	-
Loss on disposal of tangible fixed assets	-	119
Operating lease rentals	1,044	1,050

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

6. Net interest

	2018	2017
	£000	£000
Other interest paid	665	944

7. Staff costs

Staff costs were as follows:

	2018	2017
	£000	£000
Wages and salaries	60,394	59,600
Social security costs	5,424	5,273
Other pension costs (note 22)	6,892	6,854
Agency fees	532	332
	73,242	72,059

During the year, there were redundancy or termination payments made which amounted to £320k (2017 - £736k).

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

	2018	2017
	Number	Number
	2,451	2,380

The number of higher paid employees was:

	2018	2017
	Number	Number
In the band £60,001 - £70,000	38	41
In the band £70,001 - £80,000	16	13
In the band £80,001 - £90,000	8	8
In the band £90,001 - £100,000	8	5
In the band £100,001 - £110,000	4	4
In the band £110,001 - £120,000	1	2
In the band £120,001 - £130,000	2	2
In the band £130,001 - £140,000	2	2
In the band £140,001 - £150,000	4	2
In the band £150,001 - £160,000	2	2
In the band £160,001 - £170,000	1	1
In the band £200,001 - £210,000	-	1
In the band £220,001 - £230,000	1	-
In the band £230,001 - £240,000	1	1

Key management personnel, as listed on page 1, are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Remuneration payable to these individuals totalled £1,259,731 (2017: £1,394,192).

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**NOTES TO THE FINANCIAL STATEMENTS
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During the year, the following amounts were paid in respect of higher paid employees as shown above:

	2018	2017
	£000	£000
Pension contributions to defined contribution and teachers' pension schemes	937	931

During the year, 24 higher paid employees (2017 - 21) participated in defined contribution schemes, 64 (2017 - 61) participated in the teachers' superannuation scheme (operated by the Teachers' Pension Agency), and none (2017 - none) participated in the local government pension scheme.

Payment to Trustees

No Trustee, or person with a family or business connection with a Trustee, received remuneration in the year, directly or indirectly, from either the Charitable Company or a company controlled by the Charitable Company.

Expense reimbursements paid to 5 (2017 - 6) Trustees during the year amounted to £4,393 (2017 - £10,472) and all related to travel and subsistence costs.

8. Interest on Local Government Pension Scheme

	2018	2017
	£000	£000
Interest on pension scheme liabilities	(52)	(49)
Interest income on pension scheme assets	38	29
	(14)	(20)

9. Exceptional costs

On 1 March 2017, the Charitable Company welcomed Priory School (Banstead) and Bramley School, two preparatory schools in Surrey. Subsequent to joining the Charitable Company, these schools, together with Greenacre Schools' juniors merged their operations to form Banstead Preparatory School which opened on 1 September 2017. Exceptional costs incurred in merging the schools' operations during the year ended 31 August 2018 amounted to £642,621 (2017: £823,742).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

10. Intangible fixed assets

	Software development £000
Cost	
At 1 September 2017	566
Additions	810
At 31 August 2018	1,376
Amortisation	
At 1 September 2017	-
Charge for the year	96
At 31 August 2018	96
Carrying amount	
At 31 August 2018	1,280
At 31 August 2017	566

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**NOTES TO THE FINANCIAL STATEMENTS
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11. Tangible assets

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 September 2017	969	8,301	4,070	715	14,055
Additions	764	1,225	679	79	2,747
Disposals	-	(237)	(518)	(191)	(946)
At 31 August 2018	1,733	9,289	4,231	603	15,856
Depreciation					
At 1 September 2017	276	5,065	3,345	639	9,325
Charge for the year	183	847	680	58	1,768
On disposals	-	(237)	(524)	(180)	(941)
At 31 August 2018	459	5,675	3,501	517	10,152
Net book value					
At 31 August 2018	1,274	3,614	730	86	5,704
At 31 August 2017	693	3,236	725	76	4,730

All fixed assets were used for charitable purposes.

12. Fixed asset investments

	Listed investments £000	
Valuation		
At 1 September 2017 and 31 August 2018		36
Investments at valuation comprise:		
	2018 £000	2017 £000
Listed investments	36	36

All the fixed asset investments are held in the UK.

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**NOTES TO THE FINANCIAL STATEMENTS
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Subsidiary undertakings

At 31 August 2018, the Charitable Company held more than 20% of the following:

	Holding	Capital and reserves	Surplus/ (deficit) for the period	Nature of the business	Class of share capital held
	%	£000	£000		
St. Ives (Haslemere) Limited	100	-	-	Education	-
United Learning Trust	100	483,757	66,138	Education	-
Bradtime Limited	100	2	(2)	Lettings	Ordinary £1
Priory School (Banstead) Trust Limited	100	-	-	Dormant	-
Adventure Lifesigns Training Limited	50	(24,665)	(25,456)	Education	Ordinary 50p

13. Stocks

	2018 £000	2017 £000
Finished goods and goods for resale	20	-

14. Debtors

	2018 £000	2017 £000
Trade debtors	30,863	29,186
Amounts owed by group undertakings	18,973	7,884
Amounts owed by connected charities	-	84
Other debtors	3,468	2,227
Prepayments and accrued income	1,161	1,598
	54,465	40,979

15. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	3,953	3,655
Amounts owed to group undertakings	2,202	1,522
Other taxation and social security	1,475	1,513
Other creditors	14,477	9,910
Accruals and deferred income	35,453	36,023
	57,560	52,623

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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**NOTES TO THE FINANCIAL STATEMENTS
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Deferred income

	2018	2017
	£000	£000
Deferred income at 1 September 2017	30,246	28,942
Resources deferred during the year	31,837	30,246
Amounts released from previous years	(30,246)	(28,942)
Deferred income as at 31 August 2018	31,837	30,246

Deferred income relates to fees invoiced in advance for the Autumn term.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

16. Statement of funds

Statement of funds - current year

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Designated funds					
Other designated funds	262	-	-	-	262
General funds					
General funds - all funds	16,182	111,400	(108,134)	-	19,448
Pension reserve	(1,702)	-	88	212	(1,402)
	14,480	111,400	(108,046)	212	18,046
Total unrestricted funds	14,742	111,400	(108,046)	212	18,308
Restricted funds					
Sponsorship fund	1,729	-	-	-	1,729
Other donated funds	498	-	-	-	498
	2,227	-	-	-	2,227
Total of funds	16,969	111,400	(108,046)	212	20,535

Designated funds are accumulated surpluses from prior years available for use by the School that generated the funds.

The Sponsorship fund has been formed to gather together the external donations received towards the Charitable Company's support for the academies of United Learning Trust.

Other donated funds include a number of individual donations towards specific building and other projects within the Group.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

16. Statement of funds (continued)

Statement of funds - prior year

	<i>Balance at 1 September 2016 £000</i>	<i>Income £000</i>	<i>Expenditure £000</i>	<i>Gains/ (Losses) £000</i>	<i>Balance at 31 August 2017 £000</i>
Designated funds	262	-	-	-	262
General funds					
Unrestricted funds	16,871	105,338	(106,027)	-	16,182
Pension reserve	(1,692)	-	(84)	74	(1,702)
Total unrestricted funds	15,179	105,338	(106,111)	74	14,480
Restricted funds					
Sponsorship fund	1,729	-	-	-	1,729
Other donated funds	498	-	-	-	498
	2,227	-	-	-	2,227
Total of funds	17,668	105,338	(106,111)	74	16,969

17. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000
Intangible fixed assets	1,280	-	1,280
Tangible fixed assets	5,704	-	5,704
Fixed asset investments	36	-	36
Current assets	70,250	2,227	72,477
Creditors due within one year	(57,560)	-	(57,560)
Provisions for liabilities and charges	(1,402)	-	(1,402)
	18,308	2,227	20,535

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

17. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year

	<i>Unrestricted funds</i>	<i>Restricted funds</i>	<i>Total funds</i>
	<i>2017</i>	<i>2017</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Intangible fixed assets	566	-	566
Tangible fixed assets	4,730	-	4,730
Fixed asset investments	36	-	36
Current assets	63,735	2,227	65,962
Creditors due within one year	(52,623)	-	(52,623)
Provisions for liabilities and charges	(1,702)	-	(1,702)
	<u>14,742</u>	<u>2,227</u>	<u>16,969</u>

18. Reconciliation of net movement in funds to net cash flow from operating activities

	2018	2017
	£000	£000
Net income/(expenditure) for the year (as per Statement of Financial Activities)	3,354	(773)
Adjustment for:		
Depreciation and amortisation charges	1,864	1,455
Interest paid	679	964
Loss on the sale of fixed assets	-	119
Increase in stocks	(20)	-
Increase in debtors	(13,304)	(9,411)
Increase in creditors	4,745	5,267
Defined benefit pension scheme cost less contributions payable	(102)	64
Liabilities / (assets) acquired from other charities	-	1,644
Net cash used in operating activities	<u>(2,784)</u>	<u>(671)</u>

19. Analysis of cash and cash equivalents

	2018	2017
	£000	£000
Cash in hand	17,992	24,983
Total	<u>17,992</u>	<u>24,983</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

20. Contingent liabilities

At 31 August 2018, the Charitable Company was party to cross-guarantees on bank loans and overdrafts of the parent undertaking totalling £28,907,070 (2017 - £49,719,559).

21. Capital commitments

There were no capital commitments at 31 August 2018 or 31 August 2017.

22. Pension commitments

The Charitable Company operates defined contribution schemes for the benefit of its employees. The assets of the schemes are managed and held externally on behalf of the scheme members in funds independent from those of the Charitable Company. Employer contributions payable to the schemes during the year amounted to £1.211m (2017 - £1.236m). Employee and employer contributions payable to the schemes at the Balance Sheet date amounted to £70k (2017 - £789k) and are included within creditors.

The Charitable Company operates two defined benefit pension schemes: the Teachers' Pension Scheme for England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff of one school, which is managed by the Local Authority.

Provisions for unfunded pensions included within the total defined benefit pension scheme liability amounted to £985k (2017 - £1,092k). The current service cost amounted to £nil (2017 - £162k) and actuarial losses recognised through other comprehensive income amounted to £98k (2017 - £275k). Benefits paid during the year amounted to £103k (2017 - £88k).

The current mortality assumptions in respect of unfunded pensions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on the retirement age of 65 are between 19-21 years. The discount rate applied in calculating the obligation is 2.5%, with future pension increase and inflation being 3.9%.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

22. Pension commitments (continued)

elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge (previously 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year, the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 September 2019.

The employer's pension costs paid to TPS in the period amounted to £5.620m (2017 - £5.395m).

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

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The Charitable Company has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Charitable Company has set out above the information available on the scheme.

Local Government Pension Scheme

The Charitable Company is one of several employing bodies included within the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. Contributions to the scheme are determined by qualified actuaries on the basis of triennial valuations using the projected unit method.

The total employer's contribution made for the year ended 31 August 2018 was £61,000 (2017: 72,000). The agreed contribution rates for the year ended 31 August 2018 were from 5.5% to 9.9% for employees and from 13.6% to 27.3% for employers.

The Charitable Company also has an unfunded defined benefit pension scheme which is provided for in the financial statements.

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

	2018	2017
Discount rate at 31 August	2.80 %	2.40 %
Future salary increases	3.60 %	3.70 %
Future pension increases	2.20 %	2.20 %
Inflation assumption	2.10 %	2.20 %

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22. Pension commitments (continued)

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

	2018	2017
Retiring today		
Males	22.7	23.0
Females	25.4	25.6
Retiring in 20 years		
Males	25.0	25.2
Females	28.0	27.9

The assets in the LGPS were:

	Fair value at 31 August 2018 £000	<i>Fair value at 31 August 2017 £000</i>
Equities	743	691
Bonds	67	66
Property	155	164
Cash	15	72
Other	710	581
Total market value of LGPS assets	<u>1,690</u>	<u>1,574</u>

The actual return on scheme assets was £95,000 (2017 - £164,000).

The amounts recognised in the Statement of Financial Activities incorporating income and expenditure account are as follows (for both the LGPS and unfunded pension scheme):

	2018 £000	2017 £000
Current service cost	(61)	(61)
Interest on assets	38	29
Interest on obligation	(52)	(49)
Past service cost in respect of unfunded pension deficit	-	(162)
Administration expenses	(1)	(1)
Total	<u>(76)</u>	<u>(244)</u>
Actual return on scheme assets	<u>95</u>	<u>164</u>

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22. Pension commitments (continued)

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

	2018	2017
	£000	£000
Opening defined benefit obligation	3,276	3,070
Current service cost	61	61
Interest cost	52	49
Contributions by scheme participants	12	12
Actuarial (gains)/losses	(155)	61
Past service cost in respect of unfunded pension obligation	-	162
Benefits paid	(51)	(51)
Benefits paid - unfunded obligation	(103)	(88)
Closing defined benefit obligation	3,092	3,276

Changes in the fair value of LGPS scheme assets were as follows:

	2018	2017
	£000	£000
Opening fair value of scheme assets	1,574	1,378
Interest on assets	38	29
Actual return less interest	57	135
Contributions by employer	61	72
Contributions by scheme participants	12	12
Benefits paid	(51)	(51)
Administration expenses	(1)	(1)
	1,690	1,574

The Charitable Company expects to contribute £62,000 to its defined benefit pension scheme in 2019.

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22. Pension commitments (continued)

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	2018 £000	2017 £000
Defined benefit obligations (including unfunded pension deficit)	(3,092)	(3,276)
LGPS assets	1,690	1,574
Net deficit	<u>(1,402)</u>	<u>(1,702)</u>
Experience adjustments on LGPS and unfunded liabilities	155	(61)
Experience adjustments on LGPS assets	<u>57</u>	<u>135</u>

	2018 £000	2017 £000
LGPS net deficit	417	610
Unfunded pension scheme liability	985	1,092
Total	<u>1,402</u>	<u>1,702</u>

23. Operating lease commitments

At 31 August 2018 the total of the Charitable Company's future minimum lease payments under non-cancellable operating leases was:

	2018 £000	2017 £000
Amounts payable: Land and buildings		
Within 1 year	261	225
Between 1 and 5 years	805	631
After more than 5 years	267	302
Total	<u>1,333</u>	<u>1,158</u>
Amounts payable: Other		
Within 1 year	1,050	819
Between 1 and 5 years	1,626	1,715
After more than 5 years	1	11
Total	<u>2,677</u>	<u>2,545</u>

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24. Related party transactions

United Church Schools Foundation Limited is the sole member of United Church School Trust (UCST).

During the year, United Church Schools Foundation Limited charged interest totalling £665k (2017: £908k) and rent totalling £2,586k (2017: £2,460k) to the Charitable Company.

United Church School Trust (UCST) is the sole member of United Learning Trust (ULT).

The Charitable Company provided central services to ULT. The total amount charged during the year totalled £8,314k (2017: £7,590k) and was computed so as to equal the actual costs incurred on a per pupil basis.

At the year end date, balances amounting to £18,973k (2017: £7,884k) were due to the Charitable Company, and balances amounting to £2,202k (2017: £1,522k) were due from the Charitable Company by other entities in the Charitable Group of which United Church Schools Foundation Limited is the ultimate parent. These balances arise as a result of direct recharges of costs where resources are centrally procured, with the underlying transactions not therefore representing related party transactions.

During the prior year, the operations of St. Ives (Haslemere) Limited and certain assets and liabilities were transferred into the Charitable Company for £Nil consideration. This donation did not require the Charitable Company to alter its existing activities. The fair value of net liabilities transferred was £2,613,000 and was debited against voluntary income in the prior year.

There was a relationship between United Church Schools Trust (UCST) and Caterham School because the former had the right to nominate Caterham School's "A" trustees. This right ceased on 21 December 2017 after which date the two parties are no longer related. Administrative charges receivable during the period they were related amounted to £52k (2017: £170k) and amounts owed to UCST by Caterham School amounted to £84,000 at the prior year balance sheet date.

There have been no other transactions with related parties that require disclosure under either FRS 102 or Charities SORP (FRS 102) (effective 1 January 2015).

25. Ultimate parent undertaking and controlling party

The Board consider that the ultimate and immediate parent undertaking of the Charitable Company is United Church Schools Foundation Limited (Company number: 00018582) by virtue of the fact that it is the sole member and therefore has the ability to appoint or remove trustees. The principal objects of United Church Schools Foundation Limited are the same as those of the Charitable Company.

In the opinion of the Directors, there is no ultimate controlling party.

The largest group of undertakings for which group accounts have been drawn up is that headed by United Church Schools Foundation Limited. Copies of the group accounts can be obtained from Worldwide House, Thorpe Wood, Peterborough, PE3 6SB.

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26. Post balance sheet events

On 1 November 2018, the Charitable Company welcomed Princess Helena College and Coworth Flexland Prep School.

On 2 October 2018, the Charitable Group announced that Bournemouth Collegiate School would be leaving the Group and would become the flagship UK school for the International Schools Group, Bright Scholar. This move was completed successfully on 1 December 2018.