



ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2018

KNOWLEDGE SCHOOLS TRUST

(A Company Limited by Guarantee)

TUESDAY



A7XNJVRV

A20

22/01/2019

#172

COMPANIES HOUSE

Annual Report and Financial statements - Contents**Year ended 31 August 2018**

Contents	Page
Reference and Administrative Details	2
Trustees' Report	4
Organisational Structure	5
Trustees' Report continued	6
Governance Statement	12
Statement on Regularity, Propriety and Compliance	16
Statement of Trustees' Responsibilities	17
Independent Auditor's Report to the members of Knowledge Schools Trust	18
Independent Reporting Accountant's Assurance Report on Regularity to Knowledge Schools	
Trust and the Education and Skills Funding Agency	21
Statement of Financial Activities incorporating Income & Expenditure Account	23
Balance Sheet	24
Cash Flow Statement	25
Notes to the Financial Statements, incorporating:	
Statement of Accounting Policies	26
Other Notes to the Financial Statements	30

Reference and Administration Details

Year ended 31 August 2018

Members

Ms Caroline Bondy
 Ms Kathryn Cooper
 Ms Suzanna Hobart
 Mr Cosmo Lush
 Mr Toby Young

Trust Directors (Trustees)

Mr Cosmo Lush (Chair)*
 Dame Sally Anne Coates
 Mr Alexander Conabeare*

**Members of the Finance and Operations Committee*

Ms Jane Emmett
 Ms Penny Hunt
 Mr Ian Hunter*
 Ms Chloe Mawson
 Ms Laura McGaughey*
 Ms Catherine Whelan*
 Mr Toby Young (resigned 27.3.18)
 Ms Suzie Hobart

Company Secretary

Mr Yusuf Lunat

Company Name & registration number

Knowledge Schools Trust (the Trust) - 07493696

Principal address & registered Office

Cambridge Grove, Hammersmith, London, W6 0LB

Trust Senior Management Team:

Chief Executive Officer (Accounting officer)

Mr Ian Hunter

Finance Director

Mr Yusuf Lunat (resigned 28.09.18)

Ms Anne Wickham (appointed 01.10.18)

Operations Director

Ms Stacey George

WLFS Local Governing Body

Ms Catherine Whelan * Chair
 Ms Nicola Arnold *
 Mr Matthew Conrad (appointed 22.11.17)
 Ms Kathryn Cooper
 Ms Sarah Delafield Cook (appointed 22.11.17)
 Mr Mark Feltham (resigned 5.7.18)

**Members of the Finance and General Purposes Committee*

Ms Caroline Ffiske
 Ms Ruth Fonseca
 Ms Tiffany Hancock*
 Mr Anthony Henwood
 Mr Simon Hix
 Mr Oliver Knight (appointed 22.11.17)
 Ms Amaya Lopez (resigned 14.03.18)
 Ms Katrina Troy (resigned 14.03.18)
 Mr Robert Wilne (appointed 05.07.18)

Headteacher of WLFS

Mr Hywel Jones (resigned 19.01.18)
 Ms Clare Wagner (appointed 01.01.18)

WLFS Primary and ECFS Primary Local Governing Body

Mr Alexander Conabeare* - Co-Chair
 Ms Chloe Mawson - Co-Chair
 Ms Julianne Daglish* (appointed 20.11.17)
 Ms Lilli Landau (appointed 03.09.17, resigned 31/08/18)
 Ms Emma Madden
 Ms Abbe Martineau* (appointed 03.09.17)
 Mr Nick Plowright (appointed 03.09.17)
 Mr Jan Weber* (resigned 11.6.18)

KPA Local Governing Body

Ms Suzanna Hobart*
 Ms Tosin Adedayo (resigned 09.10.17)
 Mr James Caldecourt (resigned 2.1.18)
 Ms Jane Emmett
 Mr Vivian Haines
 Mr James Lewisohn
 Ms Michelle Lin
 Mr Jan Weber* (resigned 11.6.18)
 Ms Judith Wilkinson (appointed 09.10.17, resigned 31.8.18)

*Members of the Finance and General Purposes Committee

Executive Headteacher of all the primary schools

Laura Lund

Independent Auditor

Grant Thornton UK LLP
 Victoria House, 4th Floor
 199 Avebury Boulevard
 Milton Keynes
 MK9 1AU

Bankers

Lloyds Bank
 25 Gresham Street
 London
 EC2V 7HN

Solicitors

Stone King LLP
 16 St John's Lane
 London
 EC1M 4BS

Trustees' Report**Year ended 31 August 2018**

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year from 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a Trustees' report and a Directors' report under company law.

Knowledge Schools Trust is an independent trust set up to provide children in West London with a knowledge rich education, regardless of background or ability. The Trust currently has four schools:

- the West London Free School (WLFS), a secondary school with sixth form, which opened in 2011 and on 31 August 2018, the end of its seventh year of operation, had 837 pupils on roll of which 202 pupils were in the Sixth Form;
- the West London Free School Primary (WLFS Primary), which opened in 2013 and on 31 August 2018, the end of its fifth year of operation, had 300 pupils on roll;
- the Earl's Court Free School Primary (ECFS Primary), which opened in September 2014 and on 31 August 2018, the end of its fourth year of operation, had 120 pupils on roll; and
- Kensington Primary Academy, which opened in September 2016 and at 31 August 2018, the end of its second year of operation, had 116 pupils on roll, of which 26 pupils were in nursery.

STRUCTURE, GOVERNANCE AND MANAGEMENT**Constitution**

The West London Free School Academy Trust changed its name to Knowledge Schools Trust on 24th July 2017. Knowledge Schools Trust is a non-registered exempt UK Charity and a company limited by guarantee, incorporated on 14 January 2011, with the company registration number 07493696. The primary governing documents of the charity are its Memorandum and Articles of Association dated 18 April 2013, when the Trust adopted new Articles of Association as part of the process of changing from a single academy trust to a multi-academy trust.

The Directors of the Trust act as the Trustees for the charitable activities of the Trust and are also the Trustees of the charitable company, known as Knowledge Schools Trust, for the purposes of company law.

Members' Liabilities

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

Trustees' Indemnities

There are no qualifying indemnity provisions in force for the benefit of one or more directors of the company.

Method of Recruitment and Appointment or Election of Trustees

Details of the Trustees who served during the year are included in the Reference and Administrative section of this document, commencing on page 2.

As specified in Trust's Articles of Association, the Members may nominate and appoint up to 12 Trustees. New Trustees may also be appointed by a majority vote of the existing Trustees. Potential Trustees are assessed with regard to the needs of the Trust and the particular skills and experience that they offer.

Policies and Procedures Adopted for the Induction and Training of Trustees

Policies and procedures relating to the induction and training of Trustees are reviewed annually and updated in light of best practice guidance issued by the Trust's regulators. Induction for new Trustees includes visits to the schools in the Trust, meetings with the headteachers and the existing Trustees, as well as meetings and discussions with the Trust's Officers. In addition, existing relevant guidance is given to new Trustees.

Organisational Structure

Year ended 31 August 2018

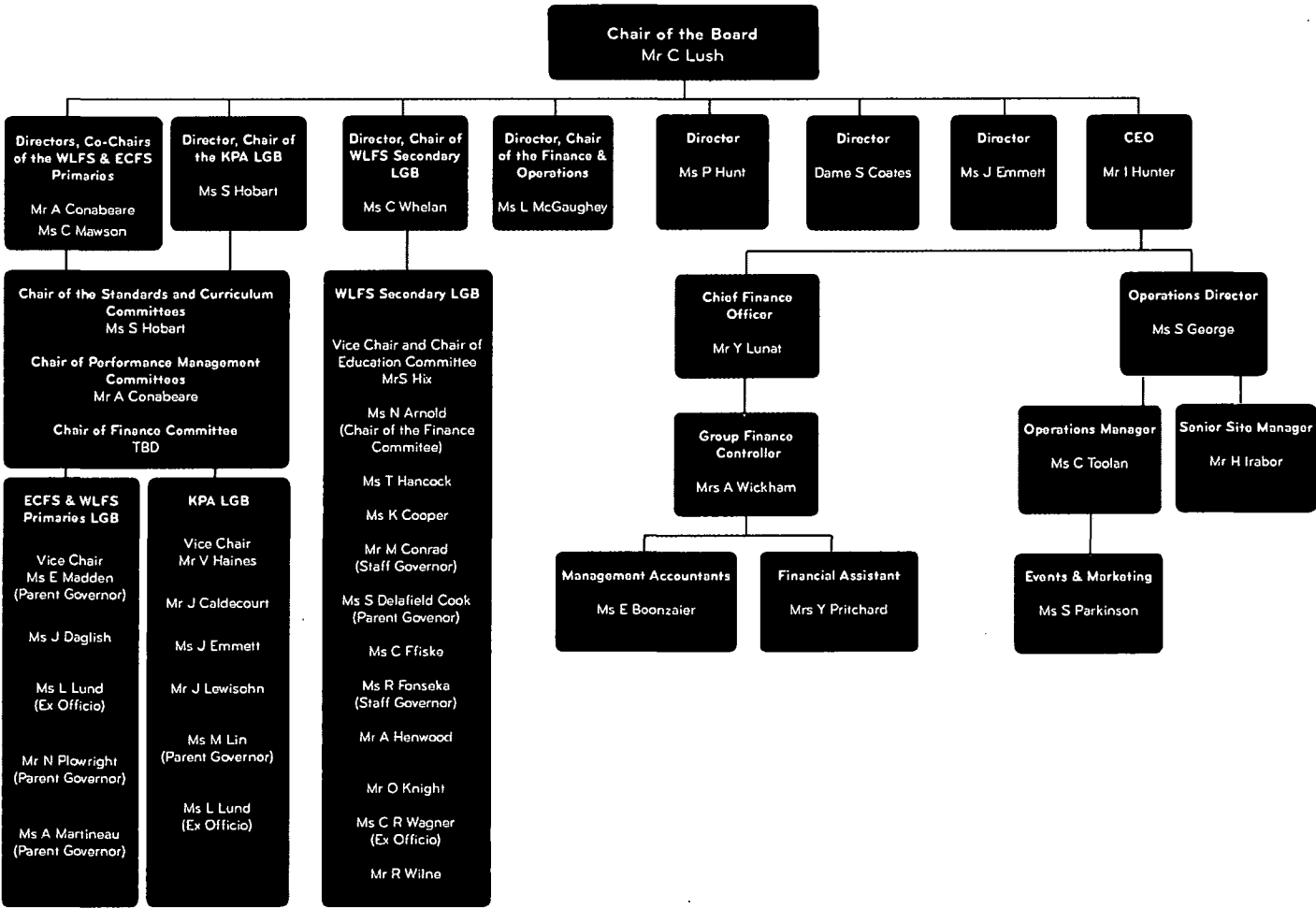
Organisational Structure

Since becoming a multi-academy trust, the Trust has established a scheme of delegation that delineates the roles and responsibilities of the Board of Trustees, the Local Governing Bodies (LGBs) and the head teachers of the schools within the Trust. The Chief Executive of Knowledge Schools Trust is the Accounting Officer.

The Trust has enshrined its scheme of delegation in a Terms of Reference document (available on its website) that describes how responsibilities are distributed between the Board, the LGBs and the head teachers in the following areas: Governance/Management, Education, Employment/Human Resources, Budgets, Sites/Facilities/ICT, Admissions/Exclusions and Marketing/Communications.

The diagram below shows the current organisational structure of Knowledge Schools Trust.

Knowledge Schools Trust Organisational Structure



Trustees' Report continued

Year ended 31 August 2018

Arrangements for setting pay and remuneration of key management personnel

The key management personnel of the Trust responsible for directing and controlling the Trust are the Trustees and the Senior Management Team. Trustees are not remunerated for their services as Directors of the Trust, but the Senior Management Team are.

There is a Remuneration Committee consisting of four Trustees that meets from time to time to agree the remuneration of key management personnel (including the head teachers) in line with market rates and the achievement of performance objectives.

Trade union facility time**Relevant union officials**

Number of employees who were relevant union officials during the review period	Full-time equivalent employee number
0	0

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1%-50%	0
51%-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	0
Total pay bill	£5,889,889
% of total pay bill spent on facility time	0

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	0%
---	----

Related Parties and other Connected Charities and Organisations

Knowledge Schools Foundation Trust, a company that raises money for Knowledge Schools Trust, is a registered charity with the registered company number 07292254. Related party transactions involving Trustees are set out in notes 10 and 28 to the financial statements.

OBJECTIVES AND ACTIVITIES**Objects and Aims**

The Trust's aims are to advance education in the United Kingdom for the public benefit by establishing, maintaining, managing and developing schools offering a classical liberal education.

Objectives, Strategies and Activities

The Trust's objectives are to offer a knowledge rich education to all pupils regardless of background or ability; to ensure the Trust remains in financial surplus; to maintain budgetary discipline; and to ensure all the schools under its umbrella are over-subscribed. Trustees intend to expand the number of schools within the Trust and regularly discuss how to achieve this.

Ensuring our objectives are met

The Trust's schools are subject to regular inspection by Ofsted. In addition, all schools are required to have a pre-opening inspection by Ofsted, as well as receive regular monitoring visits from the Department for Education (DfE). Lesson observations take place and a head teacher performance review system is in place. Academic progress is monitored and the head teachers of the schools report regularly on progress to their LGBs, which in turn report to the Board. Other evaluation measures include examination results, assessments of pupil progress, sporting and other successes, attendance rates and application rates. The West London Free School was inspected by Ofsted in May 2017 and was rated "Good". The West London Free School Primary was inspected by Ofsted in May 2015 and was rated "Outstanding" in every area, and the Earl's Court Free School Primary was inspected in June 2017 and was rated "Outstanding" in every area.

Public Benefit

In setting the objectives and planning the activities of the Trust, the Trustees have complied with the duty in section 17 of the Charities Act 2011 to have due regard for the Charity Commission's general guidance on public benefit in exercising their powers and duties. The objectives, activities, achievements and performance above explain the ways in which The Trust fulfils this obligation.

STRATEGIC REPORT

Achievements and Key Performance Indicators

The Trustees are satisfied that its key aims and objectives have been attained, including ending the year in surplus.

The West London Free School posted its third, and strongest, set of GCSE results in August 2018. The WLFS's provisional Progress 8 score was the highest it has ever achieved, at +0.33 [2017: +0.02, 2016: +0.13], as was its Attainment 8 score of 57.1 and the greatest proportion (56.3%) of pupils achieving the EBacc [39% in 2017 and 46% in 2016]. 79% of pupils achieved passed both Maths and English [2017: 78%, 2016: 77%]. Pupils from all backgrounds – including PPI, SEN and low prior attainers – all made good progress (with positive Progress 8 scores). The results in certain subjects, specifically Science, English, History, Music and Religious Education, were exceptional. The highlights include:

- The number of overall pass rates across all qualifications increased to 87% in 2018 (up by 7% from 2017)
- 88% of pupils passed English Literature, with 40% achieving top grades (Grade 7 to 9)
- Everyone taking triple science achieved above a Grade 6, with around 70% achieving a top Grade 7 to 9
- The number of passes in French doubled to 82% (from 43% in 2017)
- 93% of pupils passed History with almost half achieving a top grades (Grade 7 to 9)
- Over 90% of pupils taking Music and Divinity achieved top grades (Grade 7 to 9)

The WLFS posted its first set of A-level results in the summer of 2018 Overall, progress and attainment is likely to be in line with both national and local averages with a high proportion (29%) of grades awarded as A or A*. Of the 86 students in Year 13, almost 90% of entered university to study a range of subjects – such as Law, History, Economics, International Relations, Music, Medicine and Criminology. 60% of students entered Russell Group or equivalent institutions. Three students met their Oxbridge offers. One is now reading Medicine at Cambridge whilst the other two are at Oxford reading Philosophy & Theology and Modern Foreign Languages. A small number of students also entered Art College or apprenticeships. The highlights of the A-level results include:

- Over half of students taking Spanish, French and History achieved As or A*s.
- Over 80% of students taking Classical Civilisation, English Language, French, History, Latin, Music, Religious Studies and Spanish achieved grades A* to C.

The pupils' achievements are a testament to their hard work and focus, as well as the efforts of our exceptional teaching and support staff. Progress in Years 7-10 is in line with this level of exam success in year 11. Across the whole school, 26% of pupils had musical tuition in one or more instruments [2016-17: 31%], which compares with less than 10% of secondary school pupils nationally. The fall in the percentage of pupils learning musical instruments in 2017-18 reflects a lower take up in the Sixth Form. Attendance at the Secondary in 2017-18 was 91% (2016-17: 95%). The school remains over-subscribed by a ratio of 10:1 [2016-17: 10:1].

In the Primaries, WLFS Primary and Earl's Court Free School Primary, pupil performance continues to be exceptional. Both primaries in Early year Foundation Stage Profile, Year 1 Phonics Screening Check and Key Stage 1 results achieved above the Local and National average, as demonstrated in the table below.

Early Years Foundation Stage Profile	West London Free School Primary	Earl's Court Free School Primary	Local Authority (H&F)	National
% achieving GLD	80%	79%	74%	71%

Year 1 Phonics Screening Check	West London Free School Primary	Earl's Court Free School Primary	Local Authority (H&F)	National
% reaching the required standard	97%	97%	85%	82%

Key Stage 1 results – 2017 - 2018		West London Free School Primary	Earl's Court Free School Primary	Local Authority (H&F)	National
Reading	EXS	90%	93%	79%	75%
	GDS	42%	37%	27%	26%
Writing	EXS	82%	93%	72%	70%
	GDS	37%	33%	18%	-
Maths	EXS	92%	97%	79%	76%
	GDS	38%	37%	23%	22%

EXS: Working at the 'Expected' standard

GDS: Working at a 'Greater Depth' within the 'Expected' standard

Average attendance across the primary schools is 96%. 31% of pupils learn to play a musical instrument.

Key Financial Performance Indicators

The schools' LGBs, as well as the Board, regularly review the following financial performance indicators:

- Balance of incoming and outgoing resources
- Year-to-date spend against forecast
- Spend per pupil
- Distribution of spend across categories (e.g. salaries, educational supplies, extra-curricular activities)
- Monthly cash flow and cash balance
- Levels of donations to the schools
- On-going capital investment

Going Concern

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

FINANCIAL REVIEW

The Trustees take a cautious approach to the financial management of the Trust and consequently the Trust had an operating surplus after discharging its objects and aims as outlined above. This is in line with Charity Commission guidance, DfE guidance and with the Trustees' desire that funds be spent for the intended purpose. The Trust's principal source of funds is the DfE under the terms of the Trust's funding agreements.

Reserves policy

The Trust's reserve policy is that, in any particular year, the total reserves should not fall below 10% of the total of General Annual Grant income and nursery funding for that year. At 31 August 2018, the level of reserves was above this threshold.

Unrestricted General Fund Reserves

At 31 August 2018, the value of the free reserves held as unrestricted general funds was £472,868 (2017: £244,092). There

Trustees' Report continued**Year ended 31 August 2018**

is currently no target level for unrestricted reserves held. As and when this reserve grows, the Trustees will review reserves held to target necessary improvements throughout its property portfolio and to its operational and organisational structure that improve the teaching facilities and environment throughout the schools.

The Trust holds no other unrestricted reserves.

Restricted Reserves

The Trust aims to set a budget each year that will achieve a cumulative revenue (general restricted funds) surplus after all costs of between 2% and 5%. It is intended that the reserves will be held to allow the Trust in future periods to target necessary improvements throughout its property portfolio and to its operational and organisational structure that improve the teaching facilities and environment throughout the schools.

On 31 August 2018, the level of reserves held as restricted general funds was a deficit of £358,361 (31 August 2017: deficit of £528,431) and the level of reserves held as restricted fixed asset funds, was £60,090,158 (31 August 2017: £34,248,655), as shown in the Balance Sheet. The reason for the deficit in restricted general funds is due to the pension reserve being in deficit. After adjusting for the pension the restricted general funds was a surplus of £544,639 (31 August 2017: surplus of £473,569)

Pension Reserve

At 31 August 2018, The Trust's share of the underlying Local Government Pension Scheme assets and liabilities was in deficit by £903,000 (31 August 2017: £1,002,000).

Investment Policy

The Trust manages and holds its bank and petty cash balances and makes investment decisions with regards to use of those funds which are directed towards the provision of educational activities in line with the curricula of the schools and the identified support needs. The surplus cash reserves are prudently invested in interest-bearing bank deposits or similar. The Trust has no other investments.

Principal Risks and Uncertainties

The Board continues to keep the schools' activities under review to identify principal risks and regularly reviews the Trust's risk register. The Board monitors the effectiveness of the system of internal controls (including insurance cover as appropriate), to ensure the risks already identified can best be mitigated. The major risks to which The Trust is exposed, as identified by the Trustees, have been reviewed and systems or procedures have been established to manage those risks.

The financial and risk management objective of The Trust is to ensure effective financial management at the schools, such that the schools deliver their objectives within their budgets. To this end, The Trust ensures its schools comply with its Financial Regulations and Scheme of Delegation document, the guidance in the Academies' Financial Handbook, wider government guidance (e.g. on procurement) and charities regulation.

Principal risks and actions to mitigate these risks include:

- Lack of demand for places leading to the schools operating at less than 100% capacity
 - Mitigation: the schools ran an effective marketing and community outreach operation throughout the year and as a result were full during this financial year, except for our sixth form.
- Uncertainty around running costs
 - Mitigation: The Trustees and the management accountants within the schools maintain a rigorous and effective set of financial procedures to support their overall financial and risk management objectives. In addition, contingencies are in place in the schools' budgets that minimise the impact of unforeseen costs during the year.

Trustees' Report continued

Year ended 31 August 2018

- The management of financial risks such as credit, cash flow and liquidity risk are not considered principal risks due to the nature of the Trust's funding profile. These areas are closely monitored at the schools and at Trust level on a monthly basis.

As disclosed above, The Trust's share of the underlying Local Government Pension Scheme assets and liabilities was in deficit by £903,000 at 31 August 2018.

Fundraising

The majority of the fundraising that is done for the benefit of Knowledge Schools Trust is done via four independent charities. The schools within the Trust have Parent Teacher Associations which raise money from parents and other sources. In addition, the Knowledge Schools Foundation Trust (KSFT) receives donations from parents, a few interested sponsors and high net worth individuals and foundations. KSFT has a contractual arrangement with an individual who raises funds which in some cases needs to be done in the name of the schools. The KSFT manages this process.

The Parent Teacher Associations and the KSFT comply with the Code of Fundraising practice. No fundraising complaints have been received by any of the charities.

In addition to the fundraising done via these four charities, West London Free School has also successfully applied for a grant from the Big Lottery Grant Fund.

Plans for Future Periods

In September 2017, Kensington Primary Academy accepted its second cohort of reception pupils as well as opening a nursery class for 26 pupils. It will continue to grow by 30 pupils each year until it reaches its full capacity of 236 pupils (including the nursery) in 2023/24. The West London Free School Primary and the Earl's Court Free School Primary are also growing each year, by 60 and 30 pupils respectively, and they will become fully fledged in 2019/20 and 2020/21 with 420 pupils and 210 pupils respectively.

We are pleased also to have approval from the DfE to open a further secondary school in Cambridge which is expected to open in 2023. We continue to work with the DfE to open new schools or bring existing schools into our Trust in a managed and sustainable manner. Over the medium term (2018-22), the Trustees intend to increase the number of schools under the Trust's management via a blend of new free schools and bringing established schools on board.

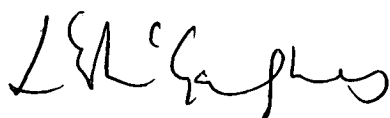
Auditor

In so far as the Trustees are aware:

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

A Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 22 December 2018 and signed on the Board's behalf by:

Signature:



Ms Laura McGaughey
Trustee

Governance Statement**Year ended 31 August 2018****Scope of Responsibility**

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

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive, as accounting officer, for ensuring financial controls conform to the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to them in the funding agreements between the Trust and the Secretary of State for Education. The Chief Executive is also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees formally met four times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Dame Sally Anne Coates	2	3
Mr Alexander Conabeare*	3	3
Ms Jane Emmett	3	3
Ms Penny Hunt	3	3
Mr Ian Hunter*	2	3
Ms Suzanna Hobart	3	3
Mr Cosmo Lush* (Chair)	3	3
Ms Chloe Mawson	1	3
Ms Laura McGaughey*	3	3
Ms Catherine Whelan*	3	3
Mr Toby Young* (resigned 27/3/18)	2	2

*Members of the Finance and Operations Committee

Governance Reviews

The Trust reviews its governance on an annual basis and has undertaken a self-evaluation during the year.

The Trust intends to conduct its next self-evaluation in the year to 31 August 2019.

Governance Statement**Year ended 31 August 2018**

The Finance and Operations Committee is a sub-committee of the main Board of Trustees. Its purpose is to ensure that all funds are spent for their proper purpose; that financial regulations are adhered to in all material respects and that budgets are monitored on a monthly and termly basis. The F&OC has formally met three times during the year. Attendance during the year at meetings of the F&OC was as follows:

Trustee	Meetings attended	Out of a possible
Ms Laura McGaughey (Chair)	2	3
Mr Alex Conabeare	1	1
Mr Cosmo Lush	3	3
Mr Ian Hunter	2	3
Mr Jan Weber	2	2
Mr Toby Young (resigned 27/3/18)	2	2
Ms Catherine Whelan	3	3

Review of Value for Money

As accounting officer, the Chief Executive has responsibility for ensuring that the Trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the Trust's use of its resources has provided good value for money during each academic year and reports to the Board of Trustees.

Economies of Scale

In 2017-18, the Trust has continued to build on potential economies of scale derived from having four schools within the Trust, by centralising HR and further consolidating finance activities. The Trust has also introduced a new finance system for management and statutory reporting.

Prudent Financial Management

Since 2011, the Trust has used its facilities efficiently and generated extra income from them wherever possible. In 2015-16 the Trust appointed a lettings management company to oversee general lettings and the level of lettings income has climbed steadily ever since, reaching £220,000 in 2017-18.

Where possible, essential services are secured at a Trust level rather than at an individual school level in order to save money. All budget holders within the schools are required to familiarise themselves with the Trust's internal financial guidance document, the Financial Regulations and Scheme of Delegation, and follow the policies and procedures it sets out.

The Trust does not pay excessive salaries. In 2017-18, no employee was paid a salary (excluding bonuses) of more than £100,000.

Better procurement

Both revenue and capital budgets are subjected to close budgetary monitoring and value for money tests, with the schools' expenditure being overseen by the Finance and General Purposes Committees of their Local Governing Bodies and the Finance and Operations Committee of the Trust. The Trust reviews available frameworks and assesses suitability on a case-by-case basis. Where there is no suitable framework, bespoke tenders are produced and/or value for money exercises are undertaken.

All senior staff are aware that FF&E and ICT budgets are one-off capital budgets to be drawn down over an extended period. They know that once these budgets are depleted, FF&E and ICT refreshment must be financed from General Annual Grant budgets and they moderate their spending accordingly.

Governance Statement**Year ended 31 August 2018**

In the Secondary, department heads are allocated departmental capitation budgets decided by a formula based on pupil numbers and a multiplier to take account of the equipment needs of their departments. Additional departmental capitation budgets are available, but budget holders must bid for funds by producing a business case. This means staff have to evaluate whether a purchase is really necessary to support teaching and learning.

The Secondary

At the West London Free School, actions intended continually to improve educational outcomes include setting aspirational GCSE grade targets, keeping class sizes small, making Latin compulsory through KS3 and setting across academic subjects in KS3, encouraging all children to learn a musical instrument and expecting all children to participate in our ambitious extra-curricular programme. The Trustees' Report describes key outcomes and achievements to illustrate that this approach is having a positive impact.

The West London Free School also has various measures in place to narrow the attainment gap between disadvantaged groups and their peers, including stretch and support classes in Maths and English, a curriculum tailored towards pupils with low prior attainment, and subsidised music lessons for students eligible for the Pupil Premium.

The focus during 2017-18 was to maintain the high standard achieved in our first set of GCSE results in 2016-17. This was achieved and the impressive outcomes are reported in more depth in the Strategic Report. In 2017-18 we also had two year groups in the Sixth Form for the first time, which culminated in our first set of A level results in the summer of 2018. While the Sixth Form was not fully subscribed, we managed to retain a high proportion of our lower school pupils as well as attract new pupils from a wide variety of schools.

The Primaries

At our primary schools, measures are also in place continually to improve educational outcomes, such as setting high expectations, working with the children in small groups, organising them into ability groups in phonics and teaching an innovative, knowledge-based curriculum, which the school has developed in partnership with Civitas, the education think tank. Again, there is evidence that this approach is having a beneficial impact, which is included within the Strategic Report.

The West London Free School Primary was inspected by Ofsted in May 2015 and was ranked "Outstanding" in every area, while the Earl's Court Free School Primary was inspected by Ofsted in June 2017 and was also ranked "Outstanding" in every area. Kensington Primary Academy is due to be inspected by Ofsted during the next academic year.

The Purpose of the System of Internal Control

The system of internal control is designed to manage and reduce risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of The Trust 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. A system of internal control has been in place in the Trust for the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board has reviewed the key risks which the Trust is exposed to, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year ending 31 August 2018 and up to the date of the approval of the annual report and financial statements. The Board regularly reviews this process.

The Risk and Control Framework

The Trust'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,

Governance Statement**Year ended 31 August 2018**

it includes:

- Comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports that are reviewed and agreed by the LGBs
- Regular reviews by the LGBs' Finance and General Purposes Committees of reports which assess financial performance against the forecasts, and of major purchase plans, capital works and expenditure programmes
- Setting targets to measure financial and other performance
- Clearly defined purchasing (asset purchase or capital investment) guidelines
- Delegation of authority and segregation of duties
- Identification and management of risks

Robust key financial controls are crucial to ensure that the schools are complying with ESFA's requirements and expectations in relation to regularity, propriety and the safeguarding of public funds.

The Board considered the need for a specific internal audit function and decided not to appoint an internal auditor. However, since April 2014, RSM has been engaged to undertake an annual review of key financial controls across the Trust.

RSM reviews each school and identifies any weaknesses in the design of the overall control framework, which the Trust addresses. RSM visits the schools and the Finance Director and the schools continue to monitor and report on the implementation of any recommendations. The checks that RSM carried out in the year to 31 August 2018, within its programme of work, included:

- Review and testing of payroll system and personnel files
- Review of access levels to accounting systems and controls over data amendments and transactions
- Review and testing of purchasing systems and supporting documentation
- Review and testing of income systems and supporting documentation
- Review of bank reconciliations and procedures
- Review and testing of IT recovery procedures

Review of Effectiveness

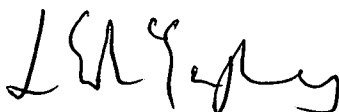
As accounting officer, Mr Ian Hunter has responsibility for reviewing the effectiveness of the system of internal control. During the year in question, the review has been informed by:

- The work of the external auditor
- The work of RSM's annual review of financial controls
- The financial management and governance self-assessment process
- The information supplied by the Trust's finance teams led by the Finance Director
- The work of the Trust's Senior Management Team which has responsibility for the development and maintenance of the internal control framework

The Finance and Operations Committee has advised the accounting officer of the implications of RSM'S programme of works on the system of internal control. Plans are in place to address any weaknesses identified and to ensure continuous improvement of the system.

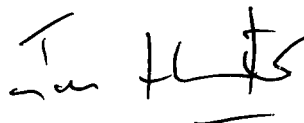
Approved by order of the members of the Board of Trustees on 22 December 2018 and signed on its behalf by:

Signature:



Ms Laura McGaughey
Trustee

Signature:



Mr Ian Hunter
Accounting Officer and CEO

Governance Statement

Year ended 31 August 2018

As accounting officer of Knowledge Schools Trust I have considered my responsibility to notify the Trust's Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreements in place between the Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the Trust Board of Trustees are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreements and the Academies Financial Handbook 2017.

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

Signature:



Mr Ian Hunter
Accounting Officer and CEO

22 DECEMBER 2018

Statement of Trustees' Responsibilities

Year ended 31 August 2018

The Trustees (who act as Governors of Knowledge Schools Trust and are also the Directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- Select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018
- make judgements 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 business

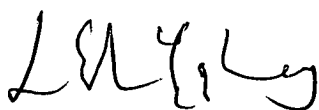
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements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

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the Board of Trustees on 22 December 2018 and signed on its behalf by:

Signature:



Ms Laura McGaughey
Trustee

Opinion

We have audited the financial statements of Knowledge Schools Trust ('the charitable company') for the year ended 31 August 2018 which comprise the Statement of Financial Activities (including the income and expenditure account), the Balance Sheet, the Cash Flow Statement 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) and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

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;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2016 to 2017

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. 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 UK, including the FRC'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.

Who we are reporting to

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.

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:

**Independent auditor's report to the members of
Knowledge Schools Trust
Year ended 31 August 2018**

- 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's 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 set out on pages 2 to 17, 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 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 Strategic Report and Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Trustees' Annual Report has 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 the 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 Strategic Report and Trustees' Annual Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the 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

As explained more fully in the Trustees' Responsibilities Statement set out on page 17, 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.

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.

Grant Thornton UK LLP

Gareth Norris
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

24 December 2018

Independent reporting accountant's assurance report on Regularity to Knowledge Schools Trust and the Education and Skills Funding Agency
Year ended 31 August 2018

In accordance with the terms of our engagement letter dated 22 October 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by the Knowledge Schools Trust during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Knowledge Schools Trust's Accounting Officer and the reporting accountant

The accounting officer is responsible, under the requirements of Knowledge Schools Trust's funding agreement with the Secretary of State for Education dated 1 September 2017 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

**Independent reporting accountant's assurance report on Regularity to Knowledge Schools
Trust and the Education and Skills Funding Agency
Year ended 31 August 2018**

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

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the Academy Trust's activities;
- evaluation of the processes and controls established and maintained in respect of regularity, propriety and compliance of the use of public funds through observation and testing of the arrangements in place and enquiry of the Accounting Officer;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance; and
- limited testing on a sample basis of income and expenditure for the areas identified as high risk.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Reporting Accountant

Grant Thornton UK LLP
Chartered Accountants
Milton Keynes

24 December 2018

Statement of Financial Activities incorporating Income & Expenditure Account

For the year ended 31 August 2018

	Notes	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed asset Funds £	Total 2018 £	Total 2017 £
Income and endowments from:						
Donations and capital grants	3	-	169,753	27,183,852	27,353,605	1,852,720
Charitable activities						
Funding for the Trust's educational operations	4	-	9,286,998	-	9,286,998	7,852,693
Other trading activities	5	228,008	42,504	-	270,512	195,852
Investments	6	768	-	-	768	1,023
Total		228,776	9,499,255	27,183,852	36,911,883	9,902,288
Expenditure on:						
<i>Charitable activities</i>						
Trust's educational operations	7,8	-	9,608,012	1,422,522	11,030,534	9,747,786
Total		228,776	9,608,012	1,422,522	11,030,534	9,747,786
Net incoming resources before transfers		228,776	(108,757)	25,761,330	25,881,349	154,502
Gross transfers between funds	16	-	(80,173)	80,173	-	-
Net income for the year		228,776	(188,930)	25,841,503	25,881,349	154,502
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit pension schemes	27	-	359,000	-	359,000	(97,000)
Net movement in funds		228,776	170,070	25,841,503	26,240,349	57,502
Reconciliation of funds						
Funds brought forward at 1 September 2017		244,092	(528,431)	34,248,655	33,964,316	33,906,814
Funds carried forward at 31 August 2018		472,868	(358,361)	60,090,158	60,204,665	33,964,316

All of Knowledge Schools Trust's activities derived from continuing operations during 2016-17 and 2017-18.

The notes on pages 26-46 form part of these financial statements.

Balance Sheet

As at 31 August 2018

	Notes	2018 £	2017 £
Fixed assets			
Tangible assets	13	60,090,158	34,248,655
Current assets			
Stock		756	-
Debtors	14	654,275	741,288
Cash at bank and in hand		1,585,735	1,475,455
		<u>2,240,766</u>	<u>2,216,743</u>
Creditors: amounts falling due within one year	15	<u>1,223,259</u>	<u>1,499,082</u>
Net current assets		<u>1,017,507</u>	<u>717,661</u>
Total assets less current liabilities		<u>61,107,665</u>	<u>34,966,316</u>
Net assets excluding pension liability			
Pension scheme liability	27	<u>(903,000)</u>	<u>(1,002,000)</u>
Net assets including pension liability		<u>60,204,665</u>	<u>33,964,316</u>
Funds of the Trust: -			
Restricted funds			
Fixed asset funds	16	60,090,158	34,248,655
General funds	16	544,639	473,569
Pension reserve	16	<u>(903,000)</u>	<u>(1,002,000)</u>
Total restricted funds		<u>59,731,797</u>	<u>33,720,224</u>
Unrestricted funds			
General funds	16	<u>472,868</u>	<u>244,092</u>
Total unrestricted funds		<u>472,868</u>	<u>244,092</u>
Total funds		<u>60,204,665</u>	<u>33,964,316</u>

The financial statements on pages 26 to 46 were approved by the Trustees and authorised for issue on 22 December 2018 and are signed on their behalf by:

Signature: 

Date: 22/12/2018

Ms L McGaughey
Trustee

The notes on pages 26-46 form part of these financial statements.

Cash Flow Statement

For the year ended 31 August 2018

		2018	2017
	Notes	£	£
Net cash inflow from operating activities	21	109,512	185,401
Returns on investments and servicing of finance	22	768	1,023
Capital expenditure	23	-	-
Increase in cash in the year	24	110,280	186,424
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2017		1,475,455	1,289,031
Net funds at 31 August 2018		1,585,735	1,475,455

The notes on pages 26-46 form part of these financial statements.

Statement of Accounting Policies

For the year ended 31 August 2018

1. STATEMENT OF ACCOUNTING POLICIES**Basis of Preparation**

The financial statements of Knowledge Schools Trust (incorporated in England), a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (Charities SORP(FRS102)), the Academies Accounts Direction 2017 to 2018 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006.

The Trust meets the definition of public benefit under FRS 102. The financial statements are presented in sterling (£).

Going concern

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

Income

All incoming resources are recognised when the Trust has entitlement to the funds, certainty of receipts and the amount can be measured with sufficient reliability.

- **Grants receivable**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general funds.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

- **Sponsorship income**

Sponsorship income provided to the Trust, which amounts to a donation, is recognised in the Statement of Financial Activities in the period in which it is receivable, where the receipt is probable and is measureable.

- **Donations**

Donations are recognised on a receivable basis where there is entitlement, receipt is probable and the amount can be reliably measured.

- **Other income**

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

Statement of Accounting Policies

For the year ended 31 August 2018

- **Donated goods, facilities and services and gifts in kind**

The value of donated services and gifts in kind provided to the Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Trust's accounting policies.

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 benefit will be required in settlement and the amount of obligation can be measured reliably. Expenditure is classified by activity. The cost of each activity are made up of total of direct cost and shared cost, including support cost involved in undertaking each activity. Direct cost attributable to a single activity, are allocated directly to that activity. Shared costs, which contribute to more than one activity and support cost, 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.

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

Tangible fixed assets

Fixed assets are assessed accordingly to their nature and are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the ESFA's capital budgets or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Trust's depreciation policy.

Where fixed assets have been donated to the Trust, the asset is recognised at fair value and depreciated over the useful economic life of the related asset on a basis consistent with the Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful lives, as follows:

Freehold and long leasehold buildings	50 years
Fixtures, fittings and equipment	4 to 10 years
ICT equipment	4 years
Motor Vehicles	4 years

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

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.

Statement of Accounting Policies**For the year ended 31 August 2018**

Liabilities

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 settlement can be estimated reliably. Liabilities are recognised at the amount that the Trust anticipates it will pay to settle the debt or the amount it has received as advance payments for the goods or service it must provide.

Provisions

Provisions are recognised when the Trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefit and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligations. 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 risk specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Leased Assets

Rentals under operating leases are charged on a straight-line basis over the lease term.

Taxation

Knowledge Schools Trust 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, Knowledge Schools Trust 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.

Pensions

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes and the assets are held separately from those of the Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 27, the TPS is a multi-employer scheme and the Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Trust in a separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Statement of Accounting Policies**For the year ended 31 August 2018**

Fund accounting

Unrestricted income funds represent those resources that may be used towards meeting any of the charitable objects of the Trust at the discretion of the Trustees.

Restricted fixed asset funds are resources that are to be applied to specific capital purposes imposed by the funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the ESFA/DfE.

Critical accounting estimates and areas of judgement.

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

The Trust 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 significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State the Trust was not subject to limits at 31 August 2018 on the amount of GAG that could be carried forward from one year to the next.

Other notes to the Financial Statements

For the year ended 31 August 2018

3.	DONATIONS AND CAPITAL GRANTS	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
	Capital Grants	-	27,183,852	27,183,852	1,712,674
	Donations – General	-	159,848	159,848	140,046
	Donation – Big Lottery Grant Fund		9,905	9,905	-
		-	27,353,605	27,353,605	1,852,720
4.	FUNDING FOR THE TRUST'S EDUCATIONAL OPERATIONS	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
	DfE/ESFA grants				
	General Annual Grant (GAG)	-	7,665,946	7,665,946	6,796,000
	Start-up Grants	-	75,000	75,000	-
	Other DfE/ESFA grants	-	700,635	700,635	441,974
		-	8,441,581	8,441,581	7,237,974
	Other Government grants				
	Local authority grants	-	321,466	321,466	211,381
	Other income				
	Music Income	-	106,123	106,123	150,341
	Trips Income	-	152,551	152,551	201,630
	Before and After School Club income		83,373	83,373	-
	Nursery income from parents		38,948	38,948	-
	Other Income	-	142,956	142,956	51,367
		-	9,286,998	9,286,998	7,852,963
5.	OTHER TRADING ACTIVITIES	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
	Hire of Facilities	228,008	42,504	270,512	195,852
6.	INVESTMENT INCOME	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
	Short Term Deposits	768	-	768	1,023

Other notes to the Financial Statements

For the year ended 31 August 2018

7.	EXPENDITURE	Non Pay Expenditure			Total	Total
		Staff costs	Premises	Other costs	2018	2017
		£	£	£	£	£
	Trust's educational operations					
	- Direct costs	5,889,889	1,422,522	836,953	8,149,364	7,132,876
	- Allocated support costs	1,392,774	131,370	1,357,026	2,881,170	2,614,910
		<u>7,282,663</u>	<u>1,553,892</u>	<u>2,193,979</u>	<u>11,030,534</u>	<u>9,747,786</u>

Other notes to the Financial Statements

For the year ended 31 August 2018

9. STAFF COSTS

	Total 2018 £	Total 2017 £
Staff costs during the period were:		
Wages and salaries	5,582,532	4,547,435
Social Security costs	533,731	472,873
Pensions costs	1,018,441	918,171
	<u>7,134,704</u>	<u>5,938,479</u>
Extra-curricular/Contractor teacher costs	141,435	482,861
Staff Severance Payment	6,524	6,855
	<u>7,282,663</u>	<u>6,428,195</u>

STAFF SEVERANCE PAYMENTS

Included in staff costs are one redundancy payment of £1,524 (paid on 28 August 2018) and a non-contractual staff severance payments of £5,000 (paid on 18 January 2018). (2017: £2,855 and £4,000).

The average number of persons (including senior management team) employed by Knowledge Schools Trust during the year was as follows:

STAFF NUMBERS

	2018 No.	2017 No.
Charitable activities		
Teachers	75	61
Administration and support	63	61
Management	15	15
	<u>153</u>	<u>137</u>

Higher paid staff

The number of employees whose emoluments (including salary, employer's pension contributions, employer's national insurance and any applicable bonuses), fell within the following bands was:

£60,001 to £70,000	7	14
£70,001 to £80,000	18	6
£80,001 to £90,000	5	2
£90,001 to £100,000	-	1
£110,001 to £120,000	-	1
£120,000 to £130,000	1	-
	<u>1</u>	<u>-</u>

24 (2017 - seventeen) of the above employees participated in the Teachers' Pension Scheme and five (2017 - five) participated in the Local Government Pension Scheme. During the year ended 31 August 2018 pension contributions for higher paid staff amounted to £297,073 [LGPS £68,021 and Teachers' Pension Scheme £229,052]; (2017: £228,540 [LGPS £65,474 and Teachers £163,066]).

Key management personnel

The key management personnel of Knowledge Schools Trust comprise the Trustees and the senior management team listed on page 2. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Trust was £499,697 (2017: £430,121).

Other notes to the Financial Statements

For the year ended 31 August 2018

10. RELATED PARTY TRANSACTIONS – TRUSTEES' REMUNERATION AND EXPENSES

One Trustee has been paid remuneration from employment with the Trust for undertaking the role of CEO under their contracts of employment and not in respect of their role as Trustee. The value of the CEO's remuneration and other benefits were as follows:

Mr I Hunter CEO

Remuneration: £80,000-£90,000 (2017: £50,000-£60,000 between 1 January 2017 and 31 August 2017).

Employer's pension contributions: £10,000– £15,000 (2017: £10,000 - £15,000 between 1 January 2017 and 31 August 2018).

None of the other Trustees received any remuneration in respect of their services as Trustees.

During the year ended 31 August 2018, no travel and subsistence expenses were reimbursed to any Trustee (2017: £nil).

Other related party transactions involving the Trustees are set out in note 28.

11. CENTRAL SERVICES

The Trust has provided the following central services to its schools during the year:

Financial, accounting, auditing and compliance services

Legal services

Educational support services

Management of capital projects

Management of trust-wide procurements

Human resources services

During the year, the Trust charged for these services on a % basis of each school's annual allocation income, 1/12 of which was remitted monthly by the schools to the Central Trust Team. For all schools this was budgeted at 4.5% except for WLFSS, which was 4% (2017: 4.5% for all schools). These charges were recommended and approved by the LGB of each school. The actual amounts levied during the year were:

CENTRAL SERVICES CHARGE	2018	2017
	£	£
West London Free School	205,503	208,212
West London Free School Primary	63,915	54,231
Earl's Court Free School Primary	30,093	24,502
Kensington Primary Academy	29,950	17,113
Total	329,461	304,058

12. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice, the Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2018 was included in the total premium paid by the charity of £29,123 (2017: £33,082).

Other notes to the Financial Statements

For the year ended 31 August 2018

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold Property £	Motor Vehicles £	Fixtures, fittings & equipment £	ICT Equipment £	Total £
Cost						
At 1 September 2017	27,802,656	7,347,472	72,779	1,382,324	1,320,121	37,925,352
Additions	-	27,080,957	-	107,269	75,799	27,264,025
At 31 August 2018	27,802,656	34,428,429	72,779	1,489,593	1,395,920	65,189,377
Depreciation						
At 1 September 2017	1,318,357	492,780	66,802	797,918	1,000,840	3,676,697
Charged in year	556,053	379,893	3,635	285,842	197,099	1,422,522
At 31 August 2018	1,874,410	872,673	70,437	1,083,760	1,197,939	5,099,219
Net Book Value						
At 31 August 2018	25,928,246	33,555,756	2,342	405,833	197,981	60,090,158
At 31 August 2017	26,484,299	6,854,692	5,977	584,406	319,281	34,248,655

The Trust's transactions relating to land and buildings included:

The Trust signed a 125 year lease on 12 January with the Royal Borough of Kensington and Chelsea for 205 Warwick Road, London W14 8PU, which is the site on which Kensington Primary Academy is based. The land and buildings were independently valued at £27,025,000. Other Leasehold improvements relate to the classroom refurbishment and improvements to the Multi Use Games Area at the Cambridge Grove site (£53,944). (2017- £1,346,092)

14. DEBTORS

	2018 £	2017 £
VAT	129,300	189,617
Other debtors	377,538	302,823
Prepayments and accrued income	147,437	248,848
	654,275	741,288

15. CREDITORS: amounts falling due within one year

	2018 £	2017 £
Trade creditors	597,910	807,627
Taxation and social security	135,652	128,086
Other creditors	106,031	244,554
Accruals and deferred income	383,666	318,815
	1,223,259	1,499,082

Other notes to the Financial Statements

For the year ended 31 August 2018

15. CREDITORS: amounts falling due within one year (continued)

	2018	2017
	£	£
Deferred income (included within accruals and deferred income of £383,666, 2017 £170,346)		
Deferred income as at 31 August 2017	170,476	130,468
Resources deferred in the year	234,519	162,346
Amounts released from previous years	(162,246)	(122,338)
Deferred income as at 31 August 2018	<u>242,749</u>	<u>170,476</u>

Deferred income held at 31 August 2018 includes capital and general funding received and related to the year ending 31 August 2019, deposits held for school trips that had not taken place by 31 August 2018, catering and music income received in advance of September 2018.

16. FUNDS (2018)

	Balance at 1 September 2017 £	Incoming Resources £	Resources (expended) £	Gains, Losses and Transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	473,569	7,665,946	(7,514,703)	(80,173)	544,639
Start-up Grant	-	75,000	(75,000)	-	-
Other DfE/ESFA/LA grants	-	1,022,101	(1,022,101)	-	-
Big Lottery Grant Fund	-	9,905	(9,905)	-	-
Other income	-	726,303	(726,303)	-	-
Pension reserve	(1,002,000)	-	(260,000)	359,000	(903,000)
	<u>(528,431)</u>	<u>9,499,255</u>	<u>(9,608,012)</u>	<u>278,827</u>	<u>(358,361)</u>
Restricted fixed assets funds					
DfE/ESFA capital grants	33,362,631	126,891	(1,045,125)	-	32,444,397
Condition Improvement Fund	50,874	-	(1,038)	-	49,836
Local Authority Capital Grant	287,457	-	(5,986)	-	281,471
Capital expenditure from other funds	241,963	-	(46,475)	80,173	275,661
Private capital donation	305,730	31,961	(91,086)	-	246,605
Transfer from Local Authority	-	27,025,000	(232,812)	-	26,792,188
	<u>34,248,655</u>	<u>27,183,852</u>	<u>(1,422,522)</u>	<u>80,173</u>	<u>60,090,158</u>
Total restricted funds	<u>33,720,224</u>	<u>36,683,107</u>	<u>(11,030,534)</u>	<u>359,000</u>	<u>59,731,797</u>
Unrestricted funds					
Unrestricted funds	244,092	228,776	-	-	472,868
Total unrestricted funds	<u>244,092</u>	<u>228,776</u>	<u>-</u>	<u>-</u>	<u>472,868</u>
Total funds	<u>33,964,316</u>	<u>36,911,883</u>	<u>(11,030,534)</u>	<u>359,000</u>	<u>60,204,665</u>

Other notes to the Financial Statements

For the year ended 31 August 2018

16. FUNDS (continued)

FUNDS (2017)	Balance at 1 September 2016 £	Incoming Resources £	Resources (expended) £	Gains, Losses and Transfers £	Balance at 31 August 2017 £
Restricted general funds					
General Annual Grant (GAG)	770,063	6,796,000	(6,871,942)	(220,552)	473,569
Start-up Grant	139,788	-	(139,788)	-	-
Other DfE/ESFA/LA grants	-	653,354	(653,354)	-	-
Other income	(91,756)	543,385	(543,385)	91,756	-
Pension reserve	(625,000)	-	(280,000)	(97,000)	(1,002,000)
	<u>193,095</u>	<u>7,992,739</u>	<u>(8,488,469)</u>	<u>(225,796)</u>	<u>(528,431)</u>
Restricted fixed assets funds					
DfE/ESFA capital grants	33,084,158	1,392,818	(1,114,345)	-	33,362,631
Condition Improvement Fund	-	51,912	(1,038)	-	50,874
Local Authority Capital Grant	293,323	-	(5,866)	-	287,457
Capital expenditure from other funds	160,815	-	(47,648)	128,796	241,963
Private capital donation	128,206	267,944	(90,420)	-	305,730
	<u>33,666,502</u>	<u>1,712,674</u>	<u>(1,259,317)</u>	<u>128,796</u>	<u>34,248,655</u>
Total restricted funds	<u>33,859,597</u>	<u>9,705,413</u>	<u>(9,747,786)</u>	<u>(97,000)</u>	<u>33,720,224</u>
Unrestricted funds					
Unrestricted funds	<u>47,217</u>	<u>196,875</u>	<u>-</u>	<u>-</u>	<u>244,092</u>
Total unrestricted funds	<u>47,217</u>	<u>196,875</u>	<u>-</u>	<u>-</u>	<u>244,092</u>
Total funds	<u>33,906,814</u>	<u>9,902,288</u>	<u>(9,747,786)</u>	<u>(97,000)</u>	<u>33,964,316</u>

The specific purposes for which the funds are to be applied are as follows:

The General Annual Grant (GAG) is funding from the ESFA for the Trust's operating costs in the schools and the central services team, in accordance with its charitable activities. ESFA Capital Grants are funds for the purchase of fixed assets.

Under the funding agreements with the Secretary of State, the Trust was not subject to a limit on the amount of GAG it could carry forward at 31 August 2018.

Other notes to the Financial Statements

For the year ended 31 August 2018

16. FUNDS (continued)

Analysis of fund balances by entity

Fund balances at 31 August 2018 were made up as follows:

	Total 2018 £	Total 2017 £
West London Free School	107,306	80,019
West London Free School Primary	291,051	223,940
Earl's Court Free School Primary	207,419	147,292
Kensington Primary Academy	62,496	5,348
Central Trust Team	349,236	261,062
	<hr/>	<hr/>
Total before fixed assets and pension reserve	1,017,507	717,661
	<hr/>	<hr/>
Restricted fixed asset fund	60,090,158	34,248,655
Pension reserve	(903,000)	(1,002,000)
	<hr/>	<hr/>
Total	59,187,158	33,964,316
	<hr/>	<hr/>

The West London Free School's retained surplus increased to £107,306 at 31 August 2018 from £80,139 at 31 August 2017. The arrival of a second year of Sixth Formers with the associated funding, along with prudent financial management, enabled the School to return to surplus from a deficit situation. In 2018-19 the school will see further funding increases due to acceptance of an additional 50 pupils across years 7 to 11.

The West London Free School Primary and Earl's Court Free School Primary are carrying comfortable surpluses of £291,051 and £207,419 respectively (2017: £223,940, and £147,292) due to historically prudent financial management and savings generated as a result of delays in recruitment to a number of senior leadership posts. A portion of the retained surplus in West London Free School Primary was deliberately allocated to capital improvements within the Cambridge Grove site, with some classrooms being refurbished, and improvements being made to the Multi-use Games Area.

Kensington Primary Academy is carrying a net surplus of £62,496. (2017: £5,348). This reflects prudent financial management in its second year of operation, when it managed to achieve a surplus despite having to open a nursery and maintain and operate a five-storey school building.

The Trust's Central Team is carrying a surplus of £349,236 (2017: £261,062). The historic surplus is due to a combination of prudent financial management and delays in expanding the team, while the increase in the surplus this year is primarily driven by an increase in income generated from lettings of the Trust's assets outside school hours.

Other notes to the Financial Statements

For the year ended 31 August 2018

16. FUNDS (continued)

Analysis of expenditure by entity

Expenditure incurred by each entity within the Trust during the year was as follows:

	Teaching and Educational Support Staff Costs	Other Support Staff Costs	Educational Supplies	Other costs (excluding Depreciation)	Total 2018	Total 2017
	£	£	£	£	£	£
WLFS	3,940,484	526,175	148,050	1,168,916	5,783,625	5,586,920
WLFS Primary	1,076,208	153,199	52,838	432,867	1,715,112	1,424,832
ECFS Primary	474,278	47,372	23,386	156,481	701,517	591,763
KPA	398,919	47,037	27,597	194,734	668,287	390,927
Central Trust Team	-	618,992	-	120,479	739,471	494,027
Total	5,889,889	1,392,775	251,871	2,073,477	9,608,012	8,488,469

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed assets Funds £	Total Funds £
Tangible fixed assets	-	-	60,090,158	60,090,158
Current assets	472,868	1,767,898	-	2,240,766
Current liabilities	-	(1,223,259)	-	(1,223,259)
Pension scheme liability	-	(903,000)	-	(903,000)
Total net assets	472,868	(358,361)	60,090,158	60,024,665

Fund balances at 31 August 2017 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed assets Funds £	Total Funds £
Tangible fixed assets	-	-	34,248,655	34,248,655
Current assets	244,092	1,972,651	-	2,216,743
Current liabilities	-	(1,499,082)	-	(1,499,082)
Pension scheme liability	-	(1,002,000)	-	(1,002,000)
Total net assets	244,092	(528,431)	34,248,655	33,964,316

18. CAPITAL COMMITMENTS

There were no capital commitments contracted for, but not provided for, in the financial statements at 31 August 2018 or at 31 August 2017.

Other notes to the Financial Statements

For the year ended 31 August 2018

19. FINANCIAL COMMITMENTS**Operating leases**

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

	2018 £	2017 £
Amounts due within one year	5,701	9,940
Amounts due between one and five years	2,387	4,285
Amounts due after five years	-	-
	<u>8,088</u>	<u>14,225</u>

20. EVENTS AFTER THE BALANCE SHEET DATE

The Trust is awaiting guidance regarding any implications of recent legal cases relating to Guaranteed Minimum Pensions and any related impact on disclosed pension scheme liabilities. At this point, the Trustees are unable to quantify the extent, if any, of adjustments to be made to pension figures included in these financial statements. There have been no other significant events after the balance sheet date.

21. RECONCILIATION OF NET INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net income	26,240,349	57,502
Depreciation (note 13)	1,422,522	1,259,317
Capital grants from ESFA and other capital income	(27,264,024)	(1,841,470)
Interest receivable (note 6)	(768)	(1,023)
Pension cost less contributions payable (note 27)	(99,000)	377,000
Decrease in stocks	(756)	-
Decrease in debtors	87,013	87,600
(Decrease)/increase in creditors	(275,824)	246,475
Net cash inflow from operating activities	<u>109,512</u>	<u>185,401</u>

22. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2018 £	2017 £
Interest received	768	1,023
Net cash inflow from returns on investment and servicing of finance	<u>768</u>	<u>1,023</u>

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2017 £	2016 £
Purchase of tangible fixed assets	(27,264,026)	(1,841,470)
Capital grants from ESFA	126,892	1,712,674
Capital funding received from sponsors and others	27,137,134	128,796
Net cash outflow from capital expenditure and financial investment	<u>-</u>	<u>-</u>

Other notes to the Financial Statements

For the year ended 31 August 2018

24. ANALYSIS OF CHANGES IN NET FUNDS	At 1 September 2017 £	Cash flow £	At 31 August 2018 £
Cash in hand and at bank	<u>1,475,455</u>	<u>110,280</u>	<u>1,585,735</u>

25. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 August 2018 or at 31 August 2017.

26. MEMBERS' LIABILITY

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

27. PENSION AND SIMILAR OBLIGATIONS

The Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the relevant Local Authority. Both are defined-benefit pension schemes. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

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

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million

Other notes to the Financial Statements

For the year ended 31 August 2018

27. PENSION AND SIMILAR OBLIGATIONS (continued)

- 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%

The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, 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 April 2019.

The employer's pension costs paid to TPS in the period amounted to £477,979. (2017: Employer's contribution £382,327). 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 an unfunded multi-employer pension scheme. The Trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £349,825. (31 August 2017: £330,704, of which employer's contributions totalled £271,223 (2017: £256,247), and employees' contributions totalled £78,601 (2017: £74,457). The agreed contribution rates for future years are 23.9% per cent (2017: 23.9%) for employers and 5.5-12.5 per cent (2017: 5.5-12.5 per cent) for employees.

The 2017 comparative figures for the Local Government Pension Scheme contains the information for the London Borough of Hammersmith and Fulham scheme only. The information for the Royal Borough of Kensington and Chelsea scheme was immaterial and was not included.

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

Principal Actuarial Assumptions	At 31 August	At 31 August
	2018	2017
	%	%
Rate of increase in salaries	3.8	4.2
Rate of increase for pensions in payment/inflation	2.3	2.7
Discount rate for scheme liabilities	2.7	2.6
	<u> </u>	<u> </u>

Other notes to the Financial Statements

For the year ended 31 August 2018

27. PENSION AND SIMILAR OBLIGATIONS (continued)

Sensitivity analysis for the principal assumptions used to measure scheme liabilities

London Borough of Hammersmith and Fulham Pension Fund

	£	£	£
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	1,923,000	1,985,000	2,049,000
Projected service cost	368,000	380,000	392,000
Adjustment to long term salary increase	+0.1%	0%	-0.1%
Present value of total obligation	1,986,000	1,985,000	1,984,000
Projected service cost	380,000	380,000	380,000
Adjustment to pension increases and deferred revaluation	+0.1%	0%	-0.1%
Present value of total obligation	2,048,000	1,985,000	1,924,000
Projected service cost	392,000	380,000	368,000
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	2,048,000	1,985,000	1,924,000
Projected service cost	392,000	380,000	368,000

Sensitivity analysis for the principal assumptions used to measure scheme liabilities

Royal Borough of Kensington and Chelsea Pension Fund

	£	£	£
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	67,000	70,000	73,000
Projected service cost	31,000	33,000	35,000
Adjustment to long term salary increase	+0.1%	0%	-0.1%
Present value of total obligation	70,000	70,000	70,000
Projected service cost	33,000	33,000	33,000
Adjustment to pension increases and deferred revaluation	+0.1%	0%	-0.1%
Present value of total obligation	73,000	70,000	67,000
Projected service cost	392,000	380,000	368,000
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	72,000	70,000	68,000
Projected service cost	34,000	33,000	32,000

Other notes to the Financial Statements

For the year ended 31 August 2018

27. PENSION AND SIMILAR OBLIGATIONS (continued)

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

	At 31 August 2018	At 31 August 2017
<i>Retiring today</i>		
Males	24.5	24.4
Females	26.1	26.0
<i>Retiring in 20 years</i>		
Males	26.8	26.7
Females	28.5	28.3

The Trust's share of the assets and liabilities in the scheme and the expected rates of return were:

Movements in the present value of defined benefit

	Fair value At 31 August 2018 £	Fair value At 31 August 2017 £
Equities	677,000	392,000
Absolute Return Portfolio	4,000	-
Cash	31,000	15,000
Property	101,000	40,000
Inflation Opportunities fund	106,000	70,000
Cash plus Funds	233,000	233,000
Total market value of assets	1,152,000	750,000
Present value of scheme liabilities		
- Funded	(2,055,000)	(1,752,000)
Deficit in the scheme	(903,000)	(1,002,000)

The actual return on scheme assets in the London Borough of Hammersmith and Fulham Pension Fund was £20,000 (2017: £100,000). The actual return on scheme assets in the Royal Borough of Kensington and Chelsea Pension Fund was £3,000.

Other notes to the Financial Statements

For the year ended 31 August 2018

27. PENSION AND SIMILAR OBLIGATIONS (continued)

Movements in the present value of defined benefit obligations were as follows	2018 £	2017 £
At 1 September – London Borough of Hammersmith and Fulham Fund	1,752,000	1,425,000
At 1 September – Royal Borough of Kensington and Chelsea Fund	38,000	-
Current service cost	500,000	509,000
Interest cost	47,000	32,000
Estimated benefits paid net of transfers in	(1,000)	-
Employee contributions	80,000	69,000
Change in financial assumption	(361,000)	(283,000)
At 31 August (closing defined benefit obligation)	2,055,000	1,752,000

Movement's in the fair value of the Trust's share of scheme assets	2018 £	2017 £
At 1 September – London Borough of Hammersmith and Fulham Fund	750,000	800,000
At 1 September – Royal Borough of Kensington and Chelsea Fund	18,000	-
Interest on assets	25,000	21,000
Return on assets less interest	(2,000)	79,000
Administrative expenses	-	(1,000)
Employer contributions	282,000	241,000
Employee contributions	80,000	69,000
Estimated Benefits paid	(1,000)	-
Other actuarial gains/(losses)	-	(459,000)
At 31 August	1,152,000	750,000

Other notes to the Financial Statements

For the year ended 31 August 2018

27. PENSION AND SIMILAR OBLIGATIONS (continued)

	2018 £	2017 £
Service cost	500,000	509,000
Net interest on the defined liability	22,000	11,000
Administrative expenses	-	1,000
Total operating expense	<u>522,000</u>	<u>521,000</u>
Return on assets in excess of interest	(2,000)	(79,000)
Change in financial assumptions	(361,000)	(176,000)
Total comprehensive income	<u>359,000</u>	<u>97,000</u>
Total amount recognised in statement of financial activities	<u>881,000</u>	<u>618,000</u>

28. RELATED PARTY TRANSACTIONS – See Note 10

Owing to the nature of the Trust's operations and the fact that the Board's Trustees are drawn in part from local public and private sector organisations, transactions may take place with organisations in which a Trustee has an interest. All transactions involving such organisations are conducted on an arm's length basis, i.e. any Trustees with an interest in the organisations concerned are not involved in the decision of whether to engage in those transactions, and in accordance with the Trust's financial regulations and normal procurement procedures, i.e. the Board follows the procedures set out in the company's Articles of Association regarding the purchase of goods or services from Trustees, observes the guidance set out in the Academies Financial Handbook and its Financial Regulations and Scheme of Delegation document and complies with company law and charity law.

The following related party transaction took place in the period:

During the year ended 31 August 2018 the Trust had donations receivable totalling £105,078 (2017: £106,902) from Knowledge Schools Foundation Trust, a company and registered charity that shares some common Trustees with Knowledge Schools Trust.

Other notes to the Financial Statements

For the year ended 31 August 2018

29. PRIOR YEAR STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed asset Funds £	Total 2017 £
Income and endowments from:				
Donations and capital grants	-	140,046	1,712,674	1,852,720
Charitable activities				
Funding for the Trust's educational operations	-	7,852,693	-	7,852,693
Other trading activities	195,852	-	-	195,852
Investments	1,023	-	-	1,023
Total	196,875	7,7992,739	1,712,674	9,902,288
Expenditure on:				
<i>Charitable activities</i>				
Trust's educational operations	-	8,488,469	1,259,317	9,747,786
Net incoming resources before transfers	196,875	(495,730)	453,357	154,502
<i>Gross transfers between funds</i>	-	(128,796)	128,796	-
Net income for the year	196,875	(624,526)	582,153	154,502
Other recognised gains and losses				
Actuarial losses on defined benefit pension schemes	-	(97,000)	-	(97,000)
Net movement in funds	196,875	(721,526)	582,153	57,502
Reconciliation of funds				
Funds brought forward at 1 September 2016	47,217	193,095	33,666,502	33,906,814
Funds carried forward at 31 August 2017	244,092	(528,431)	34,248,655	33,964,316