

Company Registration Number: 07954683 (England and Wales)

Khalsa Education Trust
(A Company Limited by Guarantee)

Annual Report and Financial Statements
Year ended 31 August 2016

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Khalsa Education Trust
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Khalsa Education Trust
Reference and Administrative Details

Members

Mr Harnek Bhullar Singh
Mr Hardev Singh Sidhu
Dr Jatinder Singh Mehmi

Trustees

Mr Harnek Bhullar Singh (Chair)
Mr Hardev Singh Sidhu (Finance)
Dr Jatinder Singh (Education)
Mr Sukhraj Singh Gill (Education & Curriculum)
Mrs Baljinder Kaur Toor (Education)

Governors of Khalsa Science Academy

Mr Brendan English* (Principal and Accounting Officer)
Mr Palvinder Singh* (Chair)
Mr Sukhraj Singh Gill (Vice Chair)
Mr Joad Singh*
Mrs Davender Kaur Bahi*
Mr Richard Lee (resigned 22 March 2016)
Mr Jatinder Mohmi
Mr Mandeep Chaggar (appointed 10 February 2016)
Mr Harnek Bhullar Singh*
Ms Liz McClelland (appointed 29 September 2016)
Mr Chris Needham (appointed 29 September 2016)

* members of the finance committee

Company Secretary

Mr Harnek Bhullar Singh

Senior Management Team

Mr Brendan English (Principal)
Mrs Davender Kaur Bahi (Vice Principal)

Company Name

Khalsa Education Trust

Principal and Registered Office

24 Station Road
Ossett
Wakefield
WF5 8AD

Company Registration Number

07954683 (England and Wales)

Independent Auditor

Gibson Booth Chartered Accountants
and Statutory Auditors
New Court
Abbey Road North
Shepley
Huddersfield
HD8 8BJ

Bankers

Lloyds Bank
17 Westgate
Wakefield
WF1 1JZ

Khalsa Education Trust

Reference and Administrative Details (continued)

Solicitors

**Michelmores LLP
Woodwater House
Pynes Hill
Exeter
EX2 5WR**

Khalsa Education Trust

Trustees' Report

The trustees present their annual report together with the financial statements and auditors' report of the charitable company for the period from 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The Trust operates Khalsa Science Academy (KSA), a one form entry primary school for 210 pupils which opened on 1st September 2013. Looking further ahead, it should be noted here within, as from September 2017, KSA will be a two form entry primary school. Therefore, the new building is designed and constructed to support this change.

During the above stated time period the school had a routine but encouragingly positive post OFSTED inspection monitoring visit.

Structure, Governance and Management

Constitution

The academy trust is a company limited by guarantee and an exempt charity which incorporated on 17 February 2012. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of Khalsa Education Trust are also the directors of the charitable company for the purposes of company law. The charitable company is also known as Khalsa Education Trust

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

Members' liability

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

Trustees' indemnities

In accordance with normal commercial practice the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £10,000,000 the cost of this insurance is included in the total insurance cost but is not separately identifiable.

Principal Activities

The principal activities of the charitable company are to establish and maintain an academy in accordance with the requirements of the Master Funding agreement in place with the Education Funding Agency (EFA).

Method of recruitment and appointment or election of trustees and governors

The current trustees were the proposers of the free school.

The trustees periodically review the skills required to enable the effective management of the academy trust, and where additional skills are needed approaches will be made to members of the community.

Khalsa Science Academy has its own Local Governing Body made up of the trustees, staff, parents of children and members of the wider community. Nominations for parent governors are sought, and a ballot is held if more nominations are received than post available. Support from the wider community is sought when specific skills are needed within the Local Governing Body.

The Local Governing Body is guided by an experienced clerk provided by the Local Authority through a formal service level agreement.

Policies and procedures adopted for the induction and training of governors

The procedures adopted for the induction and training of trustees will vary depending on their existing experience. The induction and training will always include a tour of the school and a chance to meet staff and pupils. All trustees are provided with copies of policies, procedures, minutes, accounts, plans and other documents that they will need to undertake their role. Induction tends to be undertaken informally and is tailored specifically to the individual. Advantage is taken of specific courses offered by the Local Authority, National Governor's Association and other bodies. The Trust looks to undertake an annual skills audit of trustees and should any gaps be identified training courses would be arranged for governors to address these issues.

Khalsa Education Trust

Trustees' Report (continued)

Organisational Structure

The Trust Board will normally meet two or three times a year. The Trust Board establishes an overall framework for the governance of the Trust and has agreed a detailed scheme of delegation from the Trust Board down to the Principal.

Organisationally the structure of the Trust for 2015/16 remains the same as the previous academic year, with the establishment of the Local Governing Body of Khalsa Science Academy and the establishment of their finance and audit sub-committee who have undertaken the detailed financial review of the school.

Principally the majority of risks to which the Academy Trust are now exposed to, are considered by the Trustees related to the running of Khalsa Science Academy, (KSA) with a specific focus on improving the standard of education offered at the school to all pupils. Additionally, having secured the permanent site during the 2014 Autumn Term, and not being able to move to it due to delays in agreeing a feasible capital budget within an increasingly confident construction market, resulted in considerable credibility and PR damage within the school's new potential catchment area. The school records suggest that we lost the commitment of some 45 families by failing to move in September 2015. Hence during this time period the Trust made it a top priority to move the school to the permanent site, albeit into another temporary accommodation, until such time the new building becomes available. During the summer of 2016, the school moved to the Atwoodley.

Arrangements for setting pay and remuneration of key management personnel

Remuneration of key management personnel will follow DfE advice and direction of the School Teachers' Pay and Conditions Document (STPCD). Senior staff will have their performance reviewed by Trustees and where deemed necessary by specialist sector experts. Each year the Academy has a Pay Committee made up of the chair, vice chair of governors and a sector specialist expert, who is responsible for setting annual targets for the Principal in accordance with the agreed performance management and appraisal policy.

Connected Organisations, Including Related Party Relationships

Trustees of the academy trust are drawn from local public and private sectors. Trustees are aware that all transactions involving connected parties should be conducted at arm's length and at cost, in accordance with the academy trust's financial regulations and normal procurement procedures.

Committed parents from Bradford and Huddersfield have demonstrated their passion for outstanding education for their children by sending them to Khalsa Science Academy at Leeds. Naturally these families needed transportation to have the children attend the school, hence they formed Khalsa Foundation (KF), a not for profit establishment, to arrange and provide a transport service. To this end, KF loans, free of charge, two mini buses, one for the Bradford route and the other for the Huddersfield route to the academy. The maintenance, fuel and general up keep of these vehicles is paid for by KF, whereas the drivers and escorts, as required, are funded by the academy trust.

During the 2015-16 Academy year, the previous practice of procuring admin and office services from Distribution Business Services Limited, a company that Mr Harnek Singh is a director of. Distribution Business Services Limited, was stopped, and replaced by a small part-time in-house team. During the course of this academic year, this finance team moved and began to operate from the school, at the Chapeltown site.

The Admin, Office and Payroll services are now directly operated by the trust and school, as required.

Sidhu & Co Accountancy, a firm in which Mr H S Sidhu is a partner, continues to prepare the payroll for Khalsa Education Trust employees, at no cost to the trust.

Details of transactions with related parties are set out in note 19 to the accounts.

Objectives, Strategies and Activities

Objects and aims

The primary purpose of the trust is the advancement of education in the local areas in which it establishes schools that maximises each pupil's potential. In setting the objectives the trustees have given careful consideration of guidance on public benefit.

The trust was formed in 2012 in response to local demand for quality education grounded in the core Sikh values of honesty, universal respect, equality and community service. The trust also identified that in an area that is rich with industrial and technological organisation there was demand for schools which focused its teaching on STEM skills (science, technology, engineering and mathematics).

Objectives, strategies and activities

The principal activity of the trust is to establish Sikh ethos schools and academies with a focus on science, technology, engineering and mathematics within the Yorkshire region. Khalsa Science Academy, Leeds is the first school that the trust has sponsored. During this period, the project to sponsor a second academy in Bradford was withdrawn due to significant complications in securing a suitable site for the school.

Khalsa Education Trust

Trustees' Report (continued)

Public Benefit

The trustees confirm that they have complied with the duty contained in the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit in exercising their powers or duties. They have referred to this guidance when reviewing the trust's aims and objectives and in planning its future activities.

Strategic Report

Achievements and Performance

The principal achievement of the trust during this period has been the completion of the third academic year at Khalsa Science Academy, and the successful approval of the capital funding for the state of art school building at the previously acquired permanent site in Alwoodley, Leeds.

During this period, the trust continued to rent space within the Sikh Centre at Chapeltown, Leeds. However, this arrangement ended in the autumn term of 2016-17, because during the summer of 2016, at the end of 2015-16 academic year, the school moved to a second temporary provision at the Alwoodley site. Subject to the timely completion of the building project and attaining of the associated planning permissions, the school is currently planning a second move, albeit within the existing grounds. Therefore, the school leadership and governors are eagerly planning to move school from the second temporary provision, with limited facilities, to the new state of art education facility for a fresh start in January 2017.

During our second year, despite obtaining several positive reports from various independent authorities and educational specialists, during the summer, June 2015, the OFSTED inspection delivered a surprising and disappointing "requires improvement" verdict.

In response, the trust and the Local Governing Body at KSA took urgent action to remedy the situation. A focussed team was set up to support the Principal in pulling together a comprehensive action plan. Recommendations therein resulted in achieving a positive post OFSTED monitoring visit by the Inspectors during October 2015.

Key Performance Indicators

The key indicator for a successful school is the attainment and achievement of its pupils. This will help the trust secure sufficient pupils for the school.

During the time period of this report, the extra SLT capacity and capabilities have driven up the teaching and learning standards further, hence building upon the positive OFSTED inspection monitoring visit.

Basically, this is most evident in the following attainments:

Subject	End of Key Stage1 Achievements 2016	
	National Average	KSA Average
Mathematics	73%	81%
Reading	74%	77%
Writing	65%	73%

Pupils at Khalsa Science Academy achieved above local and national expectations in their Statutory Key Stage 1 Tests.

Going forward, as the school grows, the trust and governors will continue to carefully monitor and evaluate the progress made by its pupils.

During this accounting period, the school remained at the temporary site, at Chapeltown, Leeds, with no room for growth, rather limited facilities, the school struggled to attract new pupils. Those that did join were either local residents and/or transient families, new to the country or those awaiting appeals from their requested schools.

Therefore, it is important to understand that these circumstances represent the school with very challenging hurdles, hence making pupil recruitment that more difficult. However, the downside of being at the permanent site is that potential new parents can be too easily put off by the view from the outside, because the site is dominated by the construction plant. Nevertheless, despite these circumstances, somewhere amongst this, the school operates a perfectly, albeit within limited confinements, a fit for purpose primary education facility.

Without a permanent site, plus a further delay it has been difficult to recruit pupils to the school, nevertheless we continue to make progress where and when able to. At the start of the 2015-16 Academic Year, there were 28 pupils in Year 2, 20 pupils in Year 1 and 12 pupils in Reception.

Financial indicators include pupil numbers and performance against benchmarked data. Trustees are developing their skills in this area.

Khalsa Education Trust

Trustees' Report (continued)

Going Concern

After making appropriate enquiries, the Board of Trustees recognises a short term risk in pupil recruitment matters, as these directly reflect the revenue available to the school. Therefore trustees/governors and the school leadership are determined, wherever possible, to work together in tightly controlling expenditure, raising extra revenues through fund raising and of course, to attract the sufficient number of pupils through a new confident pupil recruitment process.

Now that school has a new state of art education facility on a permanent site of its own, and improving education standards within the classrooms, we are collectively confident in stamping our mark of high quality in teaching, healthy and happy pupils at the school.

Our short term measures started in the summer of 2016, in controlling expenditure, budgeting and reporting management accounts on a monthly basis. Secondly, on the anticipation of acquiring the new school building, the fund raising initiative, as of the end of November 2016, reported a total of £10,000 pledged to boost the school's finances. By April 2017, this figure is expected to rise to £35,000, and by end of the current academic year we are looking for a total of £50,000 plus.

Given these undertaking, the trustees have a reasonable expectation that the academy 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 Accounting Policies, especially within the minutes of the monthly finance and audit sub-committees' meetings.

Financial Review

Most of the academy trust's income is generated from the Education Funding Agency (EFA) and the Local Authority (LA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received during the year and associated expenditure are shown as restricted funds in the Statement of Financial Activities.

During the year ended 31 August 2016 the excess of expenditure over income on restricted funds, excluding pension fund movement and fixed asset funds, was £85,317, this was funded by GAG reserves brought forward.

The excess of income over expenditure on unrestricted funds was £1,961 for the period. This can be used for any purposes within the Academy's charitable objects.

The Academy also received capital funding of £2,114,694 during the period. Details are shown in note 2.

The Academy held unrestricted funds as at 31 August 2016 of £3,482. Total restricted funds were (£44,271), including the pension scheme reserve of (£49,000). The fixed asset funds as at 31 August 2016 were £2,149,094.

The governing body annually monitors the three year budgets, and regularly reviews the in year budget, to ensure the trust remains financially viable.

Principal risks and uncertainties

The funding agreement that the trust has with the Department for Education mitigates against a number of financial and management risks that a company of our size might be subject to.

The trust's objective is to deliver sustainable schools that deliver outstanding education. The trust has established a Business Management Group that meets at least every quarter that considers both the financial and educational risks to achieving this. Internal Control procedures have been developed and adopted with the opening of Khalsa Science Academy.

To a large extent the funding formula is driven by pupil numbers. Whilst the trust has shown a clear need for its schools, against Local Authority concerns about a shortage of primary school places for a number of years, the trust's ability to attract pupils to the new school is the principal risk the trust faces.

The Leeds school opened in a temporary site and is expected to remain in temporary settings until January 2017, this continues to have a detrimental effect on our efforts to build up pupil numbers. A significant building programme has been commissioned at the previously acquired permanent site at Alwoodley, Leeds. A largely new build, partially refurbished school facility is expected to be available to the school soon. Subsequent positive effects on the school, especially for pupil recruitment will be marginal for the current academic year but can be expected to have a stronger bearing for the 2017-18 recruitment campaign, i.e. in the medium term by September 2018 enrolment, the school will servicing greater demand for places. In the meantime, the school will need to manage its budgets wisely, whilst maintaining the upward momentum of the teaching and learning standards.

Financial and risk management objectives and policies

The Academy Trust's dealings with financial instruments are limited to bank accounts, creditors and debtors. This limitation serves to minimise credit and liquidity risks when this is combined with the nature the Academy Trust's debtors (being principally Government bodies and other schools) and therefore the risk to cash flow is also minimal.

Khalsa Education Trust

Trustees' Report (continued)

Reserves Policy

The policy of the trustees is to establish and maintain a level of reserves that will be adequate to provide a stable basis for the continuing operation of the trust whilst ensuring that excessive funds are not accumulated.

Investment Policy

The trust seeks to spend the public monies with which we are entrusted for the direct education benefit of pupils as soon as is prudent. The trust does not consider the investment of surplus funds as a primary activity, rather it is the result of good stewardship as and when circumstances allow.

Plans for Future Periods

The trust will continue to pursue its overall mission by seeking to establish and maintain academies with a Sikh ethos, with a focus on science, technology, engineering and mathematics and which maximise the potential of all of its students and staff.

However, the principle plans now relate to delivering outstanding education at Khalsa Science Academy and the establishment of the school at its permanent site. The trust, governors and staff are all working together to develop these provisions and establish the local KSA catchment area.

Given this situation, the trust made available to the school funds to make a short just over 3 minutes long video to show new families the inside of the temporary school, depicting especially how settled and happy the existing pupils are at KSA. The background imagery of the teaching environment within the video provides viewers a very positive setting of the classrooms, because despite being a temporary provision, they are of a high specification, which is very clear for all to see. On this basis the school managed to attract a further 12 new starters during this current autumn term. However, due to the recent move just prior to September 2016, the school lost 9 pupils. During this rather unsettling period, this can be expected, but as the school establishes itself in its new setting and catchment area, based on number of new local residents signing up their children to the school, the Principal is confident in attracting greater numbers during 2017, albeit we will not bear the full fruits until September 2018, because we are part way through the current pupil recruitment campaign.

Further ahead, the school has a follow up video planned, looking to promote the new state of art, newly built primary education facility. Hence, extensive plans are in place to deliver the stated priorities, and these are continually discussed with representatives of the DfE/EA to ensure momentum and timely results are attained. The Trust and school have considered these and other less severe risks and identified counter measures and contingency plans for each of these risks.

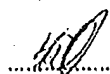
Funds Held as Custodian Trustee on Behalf of Others

There are no funds held on behalf of others.

Statement as to Disclosure of Information to Auditors

So far as the trustees are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the charitable company's auditors are unaware; and each trustee has taken all the steps that they ought to have taken as a trustee in order to make them aware of any audit information and to establish that the charitable company's auditors are aware of that information.

Approved by order of the board of trustees on 22/12/16 and signed on its behalf by:



H B Singh
Chair of Trustees

Khalsa Education Trust

Governance Statement (continued)

Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Khalsa Education 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 Principal, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Khalsa Education Trust and the Secretary of State for Education. They are 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 has formally met twice during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mr Harnek Bhullar Singh	2	2
Mr Hardev Singh Sidhu	2	2
Dr Jatinder Singh Mehmi	2	2
Mr Sukhraj Singh Gill	2	2
Mrs Baljinder Kaur Toor	2	2

The trust members have a cross section of skills including education, accounting, marketing, IT and general management. There have been no changes in membership during the year.

The trust established a Local Governing Body at Khalsa Science Academy and the previously named Executive Finance and Compliance Committee, was replaced by the Finance and Audit sub-committee, which acts as the Audit Committee for the Trust and school, as well as receiving reports on internal control. As budgets and demands on these grow, it was felt that this new group needs to meet and execute its duties monthly. Although time consuming it is proving useful in maintaining financial controls implemented during the previous year. This is likely to continue until such time when the school has sufficient financial administration management capacity.

During this third year of operating the school, the Finance and Audit sub-committee has reviewed and updated their financial processes on Financial Management and Governance Self-Assessment (FMGS) basis. It has commissioned two Internal Audits at the school conducted by the assigned Responsible Officer (RO) with a view to make corrections as they see fit. A number of actions were identified that would improve the efficiency and effectiveness of operations within the school and Trusts.

As our school develops and demands increase, especially with added workloads on the senior leadership by the building of the new school facilities at the permanent site, the Trust will review its Governance arrangements.

Attendance during the year at meetings of the governing body of Khalsa Science Academy were as follows:

	Meetings attended	Out of a possible
Mr Brendan English (Principal)	3	3
Mr Palvinder Singh	3	3
Mr Sukhraj Singh Gill	2	3
Mr Joad Singh	1	3
Mrs Davender Kaur Bahi	2	3
Mr Richard Lee	1	1
Mr Jatinder Singh Mehmi	3	3
Mr Mandeep Chaggar	3	3
Mr Harnek Bhullar Singh	3	3

The business management committee of Khalsa Science Academy is a sub-committee of the governing body. Attendance at meetings in the year was as follows:

	Meetings attended	Out of a possible
Mr Brendan English (Principal)	3	3
Mr Palvinder Singh	3	3
Mr Joad Singh	3	3
Mr Sukhraj Singh Gill	1	3
Mr Richard Lee	0	1
Mr Mandeep Chaggar	3	3
Mr Harnek Bhullar Singh	3	3

Khalsa Education Trust

Governance Statement (continued)

The teaching and learning committee of Khalsa Science Academy is a sub-committee of the governing body. Attendance at meetings in the year was as follows:

	Meetings attended	Out of a possible
Mr Brendan English (Principal)	2	2
Mr Palvinder Singh	2	2
Mrs Davender Kaur Bahi	2	2
Mr Sukhraj Singh Gill	2	2
Mr Mandeep Chagger	2	2
Mr Harnek Bhullar Singh	2	2

The finance committee of Khalsa Science Academy is a sub-committee of the governing body. Attendance at meetings in the year was as follows:

	Meetings attended	Out of a possible
Mr Brendan English (Principal)	5	5
Mr Palvinder Singh	3	5
Mrs Davender Kaur Bahi	5	5
Mr Joad Singh	2	2
Mr Mandeep Chagger	1	1
Mr Harnek Bhullar Singh	5	5
Mr Hardev Singh Sidhu	1	2
Ms Linda Talbot	5	5

Review of Value for Money

The accounting officer, Brendan English has responsibility for ensuring that the academy 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 where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy trust has delivered improved value for money during the year by:

Staffing structures are scrutinised by the LGB and trust board to ensure staff are efficiently deployed and are appropriately qualified, experienced and enthusiastic; thus supporting the ethos of the trust.

We focus on the differing needs of every individual pupil. Pupil Premium funding has also be allocated to optimum effect, as detailed in the individual plans within school.

Procurement rules are followed stringently as set out in the Trust's scheme of delegation. Competitive tendering of ICT and electrical services has provided savings to the school and improvements to the services offered.

These principals will continue to be applied as the school moves to its permanent site in the forthcoming year.

The Purpose and the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy 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. The system of internal control has been in place in Khalsa Education Trust for the period from 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period from 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. The process is regularly reviewed by the board of trustees.

Khalsa Education Trust

Governance Statement (continued)

The Risk and Control Framework

The academy 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 it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the finance committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The trust has considered the need for a specific internal audit function and has appointed Stephen Dolman, an independent academy financial consultant from education consultants, School Business Services as Responsible Officer (RO). Additional tests to support the work of the finance sub-committee were undertaken by the RO, the resulting findings and recommendations have been adopted to support the going concern.

The Responsible Officer's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. The Responsible Officer reports to the board of trustees, through the strategic Finance and Compliance Committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.


Review of Effectiveness

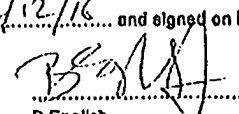
As accounting officer the headteacher has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the reviewer;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the board of trustees on 22/12/16 and signed on its behalf by:


H B Singh
Chair of Trustees


B English
Accounting Officer

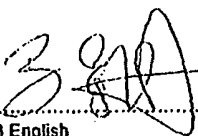
Khalsa Education Trust

Statement of Regularity, Propriety and Compliance

As accounting officer of Khalsa Education Trust I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the multi-academy 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 2015.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2015.

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 EFA.



B English
Accounting Officer

22.12.2016.

Khalsa Education Trust

Statement of Trustees' Responsibilities

The trustees (who act as governors of Khalsa Education 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 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 2015 to 2016
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards FRS 102 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 EFAD/IE 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 22/12/16 and signed on its behalf by:



H B Singh
Chair of trustees

Khalsa Education Trust

Independent Auditor's Report to the Members of Khalsa Education Trust

We have audited the financial statements of Khalsa Education Trust for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 10, the trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Basis of qualified opinion on financial statements

A gift in kind of land and buildings was made to the academy trust during the previous year but no valuation of the land and buildings has been obtained by the trustees. In our opinion the land and buildings should be included in the Balance Sheet at market value with a corresponding credit to donations in kind under the heading voluntary income in the Statement of Financial Activities.

Qualified opinion on the financial statements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2016, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 Issued by the Education Funding Agency.

Emphasis of matter – going concern

In forming our opinion on the financial statements we have considered the adequacy of the disclosure in note 1 to the financial statements concerning the academy trust's ability to continue as a going concern. The company incurred a revenue deficit of £92,317, excluding actuarial losses on the defined benefit pension scheme, during the year ended 31 August 2016 and, at that date, the academy trust's current assets exceeded its current liabilities by £14,168. We have also considered the reliability of forecasts prepared by the trustees for a period of twelve months from the date of signing this report. These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the academy trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the academy trust was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Khalsa Education Trust

Independent Auditor's Report to the Members of Khalsa Education Trust (continued)

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the valuation of land and buildings described above:

- we have not received all the information and explanations we require for our audit.

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

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

AJR Russell

Alistair Russell FCA
For and on behalf of
Gibson Booth Chartered Accountants
and Statutory Auditors
New Court
Abbey Road North
Shepley
Huddersfield
HD8 8BJ

22/12/16

Khalsa Education Trust

Independent Reporting Accountant's Assurance Report on Regularity to Khalsa Education Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 28 February 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Khalsa Education Trust during the period from 1 September 2015 to 31 August 2016 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 Khalsa Education Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Khalsa Education Trust and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Khalsa Education Trust and EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Khalsa Education Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Khalsa Education Trust's funding agreement with the Secretary of State for Education dated 19 September 2011 and the Academies Financial Handbook, extant from 1 September 2015, 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 2015 to 2016. 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 from 1 September 2015 to 31 August 2016 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 2015 to 2016 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusions includes:

- an initial risk assessment, the results of which were used to tailor a specific work programme to ensure sufficient appropriate evidence could be obtained to support the conclusion;
- a review of the academy trust's accounting and internal control procedures; and
- consideration and review of the evidence supporting the accounting officer's statement on regularity, propriety and compliance.

Khalsa Education Trust

Independent Reporting Accountant's Assurance Report on Regularity to Khalsa Education Trust and the Education Funding Agency (continued)

Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- There were two instances noted where supporting invoices and authorisations for expenditure totalling £1,420 could not be located. Individually the transactions were £780 and £640.

Gibson Booth

Gibson Booth Chartered Accountants
and Statutory Auditors
New Court
Abbey Road North
Shepley
Huddersfield
HD8 8BJ

22/12/16

Khalsa Education Trust

Statement of Financial Activities for the year ended 31 August 2016 (including Income and Expenditure Account)


		Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2016	Total 2015
	Note	£	£	£	£	£
Income and endowments from:						
Donations and capital grants	2	-	-	2,114,694	2,114,694	30,381
Charitable activities:						
Funding for the academy trust's educational operations	3	-	485,866	-	485,866	440,618
Other trading activities	4	2,902	-	-	2,902	1,023
Investments		240	-	-	240	244
Total		<u>3,142</u>	<u>485,866</u>	<u>2,114,694</u>	<u>2,603,702</u>	<u>472,266</u>
Expenditure on:						
Raising funds	5	1,181	-	-	1,181	1,023
Charitable activities:						
Academy trust educational operations	6	-	578,183	30,740	608,923	581,017
Total		<u>1,181</u>	<u>578,183</u>	<u>30,740</u>	<u>610,104</u>	<u>582,040</u>
Net income / (expenditure)		1,961	(92,317)	2,083,954	1,993,598	(109,774)
Transfers between funds	13	-	-	-	-	-
Other recognised gains / (losses):						
Actuarial losses on defined benefit pension schemes	13,18	-	(35,000)	-	(35,000)	-
Net movement in funds		<u>1,961</u>	<u>(127,317)</u>	<u>2,083,954</u>	<u>1,958,598</u>	<u>(109,774)</u>
Reconciliation of funds						
Total funds brought forward		1,521	83,046	65,140	149,707	259,481
Total funds carried forward		<u>3,482</u>	<u>(44,271)</u>	<u>2,149,094</u>	<u>2,108,305</u>	<u>149,707</u>

Khalsa Education Trust

Balance Sheet as at 31 August 2016

		2016	2015
	Note	£	£
Fixed assets			
Tangible assets	10	2,143,137	58,921
Current assets			
Debtors	11	747,362	43,292
Cash at bank and in hand		586,073	201,083
		1,333,435	244,375
Creditors: Amounts falling due within one year	12	(1,319,287)	(146,589)
Net current assets		14,168	97,786
Total assets less current liabilities		2,157,305	156,707
Net assets excluding pension liability		2,157,305	156,707
Defined benefit pension scheme liability	18	(49,000)	(7,000)
Total assets		2,108,305	149,707
Funds of the academy trust:			
Restricted funds			
Fixed asset fund	13	2,149,094	65,140
Restricted income fund	13	4,729	90,046
Pension reserve	13	(49,000)	(7,000)
Total restricted funds		2,104,823	148,186
Unrestricted income funds	13	3,482	1,521
Total funds		2,108,305	149,707

The financial statements on pages (insert values) were approved by the trustees, and authorised for issue on 22/12/16 and are signed on their behalf by:



H B Singh
Chair of trustees

Company Registration Number: 07954683

Khalsa Education Trust

Statement of Cash Flows for the year ended 31 August 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by (used in) operating activities	16	385,012	(50,334)
Cash flows from investing activities			
Interest receivable		240	244
Purchase of tangible fixed assets		(2,114,956)	(24,162)
Capital grants from DiE/EFA		2,114,694	30,381
		<u>(22)</u>	<u>6,463</u>
Change in cash and cash equivalents in the reporting period		<u>384,990</u>	<u>(43,871)</u>
Cash and cash equivalents at 1 September 2015		201,083	244,954
Cash and cash equivalents at the 31 August 2016		<u>586,073</u>	<u>201,083</u>

Khalsa Education Trust

Notes to the Financial Statements for the period ended 31 August 2016

1 Statement of Accounting Policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

Basis of Preparation

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102), 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 (FRS 102) (Charities SORP (FRS102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Khalsa Education Trust meets the definition of a public benefit entity under FRS 102.

These financial statements are the first financial statements of Khalsa Education Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Coketown Academy for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Reconciliations to previous UK GAAP for the comparative figures are included in note 20.

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 at least one year from the date of authorisation for issue of the financial statements and, based on forecasts prepared by the trustees, that show a surplus for the sixteen month period ended 31 December 2017, have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement 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.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the 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 academy trust has provided the goods or services.

Donated goods, facilities and services

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

Khalsa Education Trust

Notes to the Financial Statements for the period ended 31 August 2016

1 Statement of Accounting Policies (continued)

Expenditure

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

Expenditure on Raising Funds

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable Activities

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

Tangible Fixed Assets

Assets costing £1,000 or more 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 government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, 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 the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

Freehold buildings	2% straight line
Leasehold improvements	over term of lease
Furniture and equipment	25% reducing balance
Computer hardware	25% straight line

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.

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

Leased Assets

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

Taxation

The academy 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, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 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.

Khalsa Education Trust

Notes to the Financial Statements for the period ended 31 August 2016

1 Statement of Accounting Policies (continued)

Pensions Benefits

Retirement benefits to employees of the academy 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 academy 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 academy 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 quadrennial valuations using a prospective unit credit method. As stated in note 18, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on 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 the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by 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 Education Funding Agency/Department for Education.

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.

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pensions liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the tangible assets, and accounting policies for the depreciation rates used for each class of assets.

Critical areas of judgement

No significant judgements have been made in the process of applying the entity's policies.

Khalsa Education Trust

Notes to the Financial Statements for the year ended 31 August 2016 (continued)

2 Donations and capital grants

	Unrestricted Funds	Restricted Funds	Total 2016
	£	£	£
Capital Grants	-	2,114,694	2,114,694
	-	2,114,694	2,114,694

	Unrestricted Funds	Restricted Funds	Total 2015
	£	£	£
Capital Grants	-	30,381	30,381
	-	30,381	30,381

3 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds	Restricted Funds	Total 2016
	£	£	£
DfE / EFA grants			
General Annual Grant (GAG)	-	416,927	416,927
Pupil premium	-	8,470	8,470
Other DfE/EFA grants	-	60,469	60,469
	-	485,866	485,866

	Unrestricted Funds	Restricted Funds	Total 2015
	£	£	£
DfE / EFA grants			
General Annual Grant (GAG)	-	326,656	326,656
Pupil premium	-	2,972	2,972
Start Up Grants	-	60,000	60,000
Other DfE/EFA grants	-	50,990	50,990
	-	440,618	440,618

4 Other trading activities

	Unrestricted Funds	Restricted Funds	Total 2016
	£	£	£
Other income	2,902	-	2,902
	2,902	-	2,902

	Unrestricted Funds	Restricted Funds	Total 2015
	£	£	£
Other income	1,023	-	1,023
	1,023	-	1,023

Khalsa Education Trust

Notes to the Financial Statements for the year ended 31 August 2016 (continued)

5 Expenditure

	Staff Costs	Non Pay Expenditure		Total
		Premises	Other	2016
	£	£	£	£
Expenditure on raising funds	-	-	1,181	1,181
Academy's educational operations:				
Direct costs	300,890	30,740	45,987	377,617
Allocated support costs	109,500	34,241	87,565	231,306
	<u>410,390</u>	<u>64,981</u>	<u>134,733</u>	<u>610,104</u>

	Staff Costs	Non Pay Expenditure		Total
		Premises	Other	2015
	£	£	£	£
Expenditure on raising funds	1,023	-	-	1,023
Academy's educational operations:				
Direct costs	251,890	44,056	52,273	348,219
Allocated support costs	78,532	42,241	112,025	232,798
	<u>331,445</u>	<u>86,297</u>	<u>164,298</u>	<u>582,040</u>

Net income/(expenditure) for the period includes:

	2016	2015
	£	£
Operating lease rentals	27,500	26,000
Depreciation	30,740	44,056
Fees payable to auditor for:		
- audit	6,000	6,000
- other services	2,040	2,605

6 Charitable Activities

	Total	Total
	2016	2015
	£000	£000
Direct costs – educational operations	377,617	348,219
Support costs – educational operations	231,306	232,798
	<u>608,923</u>	<u>581,017</u>
	Total	Total
	2016	2015
	£000	£000
Analysis of support costs		
Support staff costs	109,500	78,532
Premises costs	34,241	42,241
Other support costs	77,553	102,367
Governance costs	10,012	9,658
	<u>231,306</u>	<u>232,798</u>

Khalsa Education Trust

Notes to the Financial Statements for the year ended 31 August 2016 (continued)

7 Staff

a. Staff costs

Staff costs during the period were:

	Total 2016 £	Total 2015 £
Wages and salaries	270,303	249,264
Social security costs	19,539	17,034
Operating costs of defined benefit pension schemes	34,658	29,387
	<u>324,500</u>	<u>295,685</u>
Supply staff costs	69,282	35,760
Staff restructuring costs	16,608	-
	<u>410,390</u>	<u>331,445</u>
Staff restructuring costs comprise:		
Severance payments	16,608	-
	<u>16,608</u>	<u>-</u>

b. Non statutory/non contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £16,608 (2015: £nil) made to one (2015: nil) employee.

c. Staff numbers

The average number of persons employed by the academy during the period was as follows:

	2016 No.	2015 No.
Teachers	3	2
Administration and support	14	6
Management	2	3
	<u>19</u>	<u>11</u>

d Higher paid staff

No employees earned more than £60,000 per annum (2015: £nil).

e Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £94,098 (2015: £67,588).

Khalsa Education Trust

Notes to the Financial Statements for the year ended 31 August 2016 (continued)

8 Related Party Transactions - Trustees' Remuneration and E

There was no remuneration paid to trustees during the year (2015: £nil)

No expenses were reimbursed to trustees during the year (2015: £nil)

Other related party transactions involving the trustees are set out in note 19.

9 Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost of this insurance cannot be separately identified but is included in the total insurance cost.

10 Tangible Fixed Assets

	Freehold Land and Buildings	Leasehold Improvements	Furniture and Equipment	Computer Hardware	Total
	£	£	£	£	£
Cost					
At 1 September 2015	-	54,042	12,710	74,055	140,807
Additions	2,097,695	-	16,891	370	2,114,956
At 31 August 2016	<u>2,097,695</u>	<u>54,042</u>	<u>29,601</u>	<u>74,425</u>	<u>2,255,763</u>
Depreciation					
At 1 September 2015	-	48,039	4,083	29,764	81,886
Charged in year	-	6,003	6,181	18,556	30,740
At 31 August 2016	<u>-</u>	<u>54,042</u>	<u>10,264</u>	<u>48,320</u>	<u>112,626</u>
Net book values					
At 31 August 2016	<u>2,097,695</u>	<u>-</u>	<u>19,337</u>	<u>26,105</u>	<u>2,143,137</u>
At 31 August 2015	<u>-</u>	<u>6,003</u>	<u>8,627</u>	<u>44,291</u>	<u>58,921</u>

11 Debtors

	2016	2015
	£	£
VAT recoverable	135,051	8,650
Prepayments and accrued income	<u>612,311</u>	<u>34,642</u>
	<u><u>747,362</u></u>	<u><u>43,292</u></u>

12 Creditors: Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	697,988	52,753
Other taxation and social security	-	1,910
EFA creditor: abatement of GAG	9,688	38,852
Other creditors	4,511	26,232
Accruals and deferred income	<u>607,080</u>	<u>26,842</u>
	<u><u>1,319,267</u></u>	<u><u>146,589</u></u>
Deferred income		
	2016	2015
	£	£
Deferred income at 1 September	16,448	18,606
Released from previous years	(16,448)	(18,606)
Resources deferred in the year	<u>20,379</u>	<u>16,448</u>
Deferred Income at 31 August	<u><u>20,379</u></u>	<u><u>16,448</u></u>

Deferred income at the year end included:

- Universal Free School Meals funding received in advance £13,129 (2015: £9,948)
- Other DfE/EFA funding received in advance £7,250 (2015: £6,000)

Khalsa Education Trust

Notes to the Financial Statements for the year ended 31 August 2016 (continued)

13 Funds

	Balance at 1 September 2015 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2016 £
Restricted general funds					
General Annual Grant (GAG)	90,046	416,927	(502,244)	-	4,729
Pupil Premium	-	8,470	(8,470)	-	-
Other DfE/EFA grants	-	60,469	(60,469)	-	-
Pension reserve	(7,000)	-	(7,000)	(35,000)	(49,000)
	<u>83,046</u>	<u>485,866</u>	<u>(578,183)</u>	<u>(35,000)</u>	<u>(44,271)</u>
Restricted fixed asset funds					
DfE/EFA capital grants	64,904	2,114,694	(30,504)	-	2,149,094
Capital expenditure from GAG	236	-	(236)	-	-
	<u>65,140</u>	<u>2,114,694</u>	<u>(30,740)</u>	<u>-</u>	<u>2,149,094</u>
Total restricted funds	<u>148,186</u>	<u>2,600,560</u>	<u>(608,923)</u>	<u>(35,000)</u>	<u>2,104,823</u>
Total unrestricted funds	<u>1,521</u>	<u>3,142</u>	<u>(1,181)</u>	<u>-</u>	<u>3,482</u>
Total funds	<u>149,707</u>	<u>2,603,702</u>	<u>(610,104)</u>	<u>(35,000)</u>	<u>2,108,305</u>

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

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

The other restricted general funds relate to grants and other income receivable from the DfE, EFA and other sources towards the operating activities of the academy trust.

The restricted fixed asset funds represent the net book value of donated fixed assets and assets purchased out of income from other sources which are held for the continuing use of the academy trust.

14 Analysis of Net Assets between Funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Tangible fixed assets	-	-	2,143,137	2,143,137
Current assets	3,482	1,323,996	5,957	1,333,435
Current liabilities	-	(1,319,267)	-	(1,319,267)
Pension scheme liability	-	(49,000)	-	(49,000)
Total net assets	<u>3,482</u>	<u>(44,271)</u>	<u>2,149,094</u>	<u>2,108,305</u>

Khalsa Education Trust

Notes to the Financial Statements for the year ended 31 August 2016 (continued)

15 Commitments under operating leases

At 31 August 2016 the total of the Academy's future minimum lease payments under non-cancellable operating leases was:

	2016	2015
	£	£
Amounts due within one year	-	26,000
	<u>-</u>	<u>26,000</u>

16 Reconciliation of Net Income/(expenditure) to Net Cash Flow from Operating Activities

	2016	2015
	£	£
Net income/(expenditure) for the reporting period	1,993,598	(109,774)
Adjusted for:		
Depreciation charges (note 10)	30,740	44,056
Capital grants from DfE and other capital income (note 2)	(2,114,694)	(30,381)
Interest receivable	(240)	(244)
Defined benefit pension scheme cost less contributions payable (note 18)	7,000	6,000
Increase in debtors	(704,070)	(11,770)
Increase in creditors	1,172,678	51,779
Net cash provided by / (used in) Operating Activities	<u>385,012</u>	<u>(50,334)</u>

17 Members' Liability

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

Coketown Academy Trust

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

18 Pension and Similar Obligations

The academy 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 West Yorkshire Pension Fund (WYPF). Both are multi-employer defined benefit pension schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, 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

Not less than every four years 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;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations;
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amounted to £22,658 (2015: £19,387).

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

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

Khalsa Education Trust

Notes to the Financial Statements for the year ended 31 August 2016 (continued)

18 Pension and Similar Obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds.

The total contribution made for the year ended 31 August 2016 was £10,000 (2015: £8,000), of which employer's contributions totalled £5,000 (2015: £4,000) and employees' contributions totalled £5,000 (2015: £4,000). The agreed contribution rates for future years are 6.2% for employers and between 5.5% and 12.5% for employees.

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 2016	At 31 August 2015
Rate of increase in salaries	3.40%	3.60%
Rate of increase for pensions in payment/inflation	1.90%	2.10%
Discount rate for scheme liabilities	2.00%	3.80%
Inflation assumption (CPI)	1.90%	2.10%

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 2016	At 31 August 2015
<i>Retiring today</i>		
Males	22.7	22.6
Females	25.6	25.5
<i>Retiring in 20 years</i>		
Males	24.9	24.8
Females	28.0	27.8

The academy's share of the assets in the scheme were:

	Fair value at 31 August 2016	Fair value at 31 August 2015
	£	£
Equity instruments	19,526	11,385
Bonds	4,004	2,250
Property	1,248	675
Other	1,222	690
Total market value of assets	26,000	15,000
Present value of scheme liabilities		
- funded	(75,000)	(22,000)
Deficit in scheme	(49,000)	(7,000)

The actual return on scheme assets was £3,000 (2015: £Nil).

Khalsa Education Trust

Notes to the Financial Statements for the year ended 31 August 2016 (continued)

18 Pension and Similar Obligations (continued)

Amounts recognised in the statement of financial activities

	2016	2015
	£	£
Current service cost	12,000	10,000
Net interest cost	-	-
Total operating charge	<u>12,000</u>	<u>10,000</u>

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

	2016	2015
	£	£
At 1 September	22,000	8,000
Current service cost	12,000	10,000
Interest cost	1,000	-
Employee contributions	5,000	4,000
Actuarial loss	37,000	-
Benefits paid	(2,000)	-
At 31 August	<u>75,000</u>	<u>22,000</u>

Changes in the fair value of academy's share of scheme assets:

	2016	2015
	£	£
At 1 September	15,000	7,000
Interest income	1,000	-
Actuarial gain	2,000	-
Employer contributions	5,000	4,000
Employee contributions	5,000	4,000
Benefits paid	(2,000)	-
At 31 August	<u>26,000</u>	<u>15,000</u>

Khalsa Education Trust

Notes to the Financial Statements for the year ended 31 August 2016 (continued)

19 Related Party Transactions

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures. The following related party transaction took place in the period of account.

Distribution Business Services Limited – a company in which Harnek Bhullar Singh (a trustee) has a majority interest:

The trust purchased administrative services from Distribution Business Services Limited, at cost, totalling £1,279 (2015: £2,699) during the year. At 31 August 2016 the trust owed Distribution Business Services Limited £7 (2015: £19,929).

In entering into the transaction the trust has complied with the requirements of EFA's Academies Financial Handbook 2015.

Sidhu & Co Accountancy – a firm in which Mr Hardev Singh Sodhi (a trustee) has a majority interest:

During the year Sidhu & Co Accountancy prepared the payroll for Khalsa Education Trust employees, at no cost to the trust. There were no amounts outstanding to Sidhu & Co Accountancy at 31 August 2016 (2015: £nil).

20 Explanation of transition to FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below:

Reconciliation of net expenditure	31 August 2015 £
Net expenditure previously reported under UK GAAP	(109,774)
Change in recognition of LGPS interest cost	-
Net movement in funds reported under FRS 102	<u>(109,774)</u>

The transitional adjustments had no effect on the total funds at 31 August 2015.

Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit/debit to income/expense by £nil and increase the credit/debit in other recognised gains and losses in the SoFA by an equivalent amount.