

Specialist Schools Trust  
EXCELLENCE AND DIVERSITY

SPECIALIST SCHOOLS TRUST  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005



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## COMPANY INFORMATION

**Main Office Address:**

16<sup>th</sup> Floor  
Millbank Tower  
21-24 Millbank  
London  
SW1P 4QP

**Registered Office:**

Bucklersbury House  
83 Cannon Street  
London  
EC4N 8PE

**Bankers:**

Barclays Bank Plc  
Piccadilly Corporate Banking Centre  
Pall Mall Corporate Group  
London  
SW1A 1QF

**Auditors:**

PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

**Solicitors:**

Penningtons  
Bucklersbury House  
83 Cannon Street  
London  
EC4N 8PE

**Registered Company Number:**

2124695

**Registered Charity Number:**

296729

## **Report of the Trustees for the Year Ended 31 March 2005**

The Trustees, who are also directors of the Trust for the purposes of the Companies Act, submit their annual report and the audited financial statements for the year ended 31 March 2005. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000 in preparing the annual report and financial statements of the Trust.

The Specialist Schools Trust is a company, limited by guarantee, with charitable status, established on 21 April 1987. It is governed by Memorandum and Articles of Association which were last amended on 1 November 2004. The mission of the Specialist Schools Trust is to give practical support to the transformation of secondary education in England by building and enabling a world class network of innovative, high performing secondary schools in partnership with business and the wider communities.

### **Review of Activities and Future Developments**

The Statement of Financial Activities for the year is set out on page 11 of the Financial Statements. A summary of the financial results and the work of the Trust is set out below.

### **Income Generation**

The Trust's income increased from £18.6m to £28.5m; an increase amounting to 53%. Grant-in-aid revenue from the DfES increased from £7.8m to £9.6m in 2005, whilst a further £9.8m (2004: £3.6m) was received from the DfES in relation to additional work programmes. Details are provided in Note 2 to the accounts.

Income from affiliation fees continued to increase, from £2.1m to £2.5m and conference income showed a significant increase from £1.1m to £1.6m reflecting the growing success of the National Conference (income increased by 25%) and the growth and expansion of the specialism conferences (income more than doubled compared to the prior year).

### **Investment Policy**

The Trust does not invest in the stock market. It looks to effective treasury management to achieve a rate of return which has generated just under £0.2m in the financial year (2004: £0.1m). Those funds of £2.1m which the Trust holds, relating to sponsorship income to be dispersed to schools, are invested in a Managed Investment Fund with the Trust's bank.

### **Fundraising**

The Trust raises sponsorship income primarily to support aspiring specialist schools, but also to support certain Trust activities. The majority of the income raised is paid by the sponsors directly to the schools and is therefore not recognised in the Trust's Financial Statements. During the year, the Trust raised £8.4m in sponsorship income for aspiring schools (2004: £6m) of which £1.9m (2004: £1.9m) was processed through the Trust's financial management systems and is shown in these accounts as restricted donations. These donations will be paid out, in full, to schools. A further £0.7m was raised to support Trust activities. Fundraising costs were unchanged at £0.6m (2004: £0.6m). The Trustees monitor the fundraising strategy and the fundraising costs.

### **Resources Expended and Services**

The financial year has seen the Trust develop and consolidate its services with expenditure increasing by £10m to £28m.

The Trust works with a broad range of stakeholders to deepen and develop the specialisms. This is done formally through the expert panels and headteacher specialist steering groups. Staff are also invited to sit on the steering groups of a large number of organisations such as the Qualifications and Curriculum Authority (QCA), the Science, Engineering and Manufacturing Training Agency (SEMTA), the DfES Standards Unit Expert Panel to improve Post 16 teaching and learning, the National Centre for Languages (previously called the Centre for Information on Languages Training (CILT)), and the Association for Language Learning, thus ensuring that the specialist school dimension makes a contribution to national discussion and policy.

The Trust continued its development of the Specialist Schools Achievement Programme (SSAP), and the Lead Practitioner Networks. These programmes focus on sharing and improving practice through collaboration. There are also a number of smaller networks that serve different client and subject groups.

The SSAP has developed partnerships between high performing schools and schools facing challenging circumstances or with barriers to achieving their targets. The programme is in its fourth year and over 130 partnerships have been successfully brokered. Case studies of successful partnerships are published on the Trust's website.

Phase two of the Lead Practitioner Networks programme included networks for practitioners in subjects, themes, GCSEs in vocational subjects, London, creative learning and ASTs. These programmes involved a total of 130 Lead Practitioners working with approximately 400 associate schools to develop and share good practice.

The Trust maintained and enhanced its programme of supporting schools seeking designation with, 289 bids submitted in October 2004 and 294 bids submitted in March 2005. 488 schools were designated in 2004/5 with a further 294 pending decision as at 31 March 2005. The number of English secondary schools designated as specialist rose to nearly 70%. The sponsorship income target was significantly exceeded, with some £8.4m being raised for schools.

During 2004/05, the Trust supported a range of DfES initiatives, including London Challenge, Academies and the National Quality standard for gifted and talented. The Trust also launched the Learn to Work project in 2004/05 designed to celebrate and disseminate excellence in vocational teaching and learning.

During the year, there were the following key events:

- The Trust's Annual National Conference held over three days in November 2004 at the Birmingham ICC, attracted 1,771 delegates and an outstanding range of speakers from business, the public sector and industry, including Charles Clarke and Heather Rabatts from Channel 4.
- The Trust held a reception at the Guildhall, London in March 2005 to celebrate the designation of 2000 specialist schools a target which was achieved a year in advance of the date set by the Government of 2006. Speakers included the Rt Hon Lord Mayor of London, Prime Minister Tony Blair MP and Rt Hon Ruth Kelly MP.

£6.7m of revenues were generated by the Trust's Affiliation Networks from conferences, courses, affiliation fees and other income. Affiliated membership within the UK increased by 11% to 2,499 schools and included 92% of all specialist schools. The Trust expanded its support of local networks through the establishment of new offices in Peterborough, Taunton and Preston. 163 overseas members affiliated during the year, with the development of the iNet network. An office was set up in Melbourne to manage the growth in iNet activity there, including a very successful conference held in Melbourne in July 2004.

Expenditure on information and IT included £0.9m of capital, which ensured effective working and has contributed to a reduction in administrative expenditure. Although expenditure on payroll rose significantly, payroll expenditure as a percentage of turnover reduced to its lowest ever level in real terms in 2005, a position which is sustained into 2006.

#### **Joint Venture: TCT and CfBT Limited**

The Trust jointly owns a trading company. Details of the financial performance are set out in Note 8 to the accounts. The joint venture's activities ceased in October 2003. The directors of TCT and CfBT are in the process of winding the company up. The revenue benefit to the Trust in the 2005 financial year was £213k and the investment, valued at £35k, will be redeemed at the point that the company is wound up.

#### **Reserves**

The Trustees have reviewed the reserves of the Trust. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. The review concluded that, to allow the Trust to be managed efficiently and to provide a buffer for uninterrupted services, a general reserve should be maintained, at a level consistent with Charity Commission guidelines. During the year, the Trust's general reserve increased from £2.1m to £2.6m (see Note 15). The budget for 2006 will sustain this policy.

## **Changes in Fixed Assets**

The movements in fixed assets during the year are set out in Note 7 to the Financial Statements.

## **Governance and Internal Control and Statement of Trustees' responsibilities**

Existing Trustees comprise the members of the Council. Trustees serve for a three-year period and may be re-elected. The Trustees meet twice a year; this includes a meeting to review strategy and performance and to set the operating plans and budgets. The Management Committee, the Audit Committee and the Remuneration Committee are made up of Trustees. These committees operate under specific terms of reference which delegate certain functions from the Council. Each committee reports to the Council.

Company and Charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust and of the surplus or deficit of the Trust for that period. In preparing those financial statements, the Trustees have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis.

The Trustees have overall responsibility for ensuring that the Trust has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Trust is operating efficiently and effectively;
- its assets are safeguarded against unauthorised use or disposition;
- proper records are maintained and financial information used within the Trust or for publication is reliable;
- the Trust complies with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- a business plan and an annual budget approved by the Trustees;
- regular consideration by the Trustees of financial results, variance from budgets, non-financial performance indicators and benchmarking reviews;
- delegation of authority and segregation of duties;
- identification and management of risks;
- a programme of internal audit reviews carried out by PKF (UK) LLP. This programme is agreed with the Audit Committee and with the external auditors.

The Trustees have, with advice from their internal auditors, further developed a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks the Trust faces, prioritising them in terms of potential impact and the likelihood of occurrence, and identifying means of mitigating the risks. As part of this process, the Trustees have reviewed the adequacy of the Trust's current internal controls. The Trustees are pleased to report that the Trust's internal financial controls, in particular, conform with guidelines issued by the Charity Commission.

### **Employee Involvement**

Employees have been consulted on issues of concern to them by means of an annual consultative event and monthly staff meetings and have been kept informed on specific matters directly by the management. The Trust carries out exit interviews for all staff leaving the organisation.

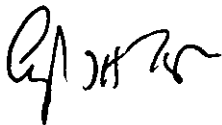
The health and safety of employees, contractors and visitors is considered a priority. There are well established health and safety policies and procedures in place throughout the Trust and these are supported by an effective training programme.

The Trust has Investors in People status.

### **Auditors**

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the Trust consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

This report was approved by the Board on 27 June 2005.



**Sir Cyril Taylor**  
Chairman  
27 June 2005

**LISTING OF TRUSTEES**  
As at 31 March 2005

NAME OF DIRECTOR		DATE OF APPOINTMENT	DATE OF RESIGNATION
Mr Henry Ball		1 November 2004	
Mrs Mary Barry			1 November 2004
Mrs Carol Bates	◆		1 November 2004
Dame Enid Bibby			
Mr Brian Boyle		1 November 2004	
Lady Butterworth			1 November 2004
Mr Christopher Campbell CBE	◆ ⊕		
Dr Sue Campbell CBE	◆		
Dr Robin Clarke	◆ ⊕		
Cllr Paul Clein			1 November 2004
Mr Martyn Coles	⊕	1 November 2004	
Dame Pamela Coward DBE			1 November 2004
Mr Jonathan Crossley-Holland			
Mr Jeff Dawkins			
Dr John Dunford	■	1 November 2004	
Mr Steve Gallaher	◆		1 November 2004
Mr Michael Griffiths	◆ ⊙		1 November 2004
Mr David Grigg		1 November 2004	
Mr Mark Grundy			1 November 2004
Sir Ronald Halstead CBE	◆ ⊕ ■		
Dame Pauline Harris DBE			
Dr Victoria Harrison			
Mr David Hart	◆ ⊙		
Mr Mike Hatch	◆		
Ms Kathy Heaps	◆ ⊕		
Sir James F Hill Bt OBE	◆ ⊕		
Sir Dexter Hutt	■		
Mr Hommy Khosrowpanah	◆	1 November 2004	
Cllr Alison King		1 November 2004	
Sir Peter Lampl OBE	◆ ⊙		
Cllr Graham Lane	◆		1 November 2004
Mr David Lendon	◆ ⊙		
Mr Owen Lynch		1 November 2004	
Mr Steve Maddern			
Mr Philip Mctague		1 November 2004	
Ms Judy Moorhouse		1 November 2004	
Cllr Sue Nolan			1 November 2004
Sir Peter Ogden	◆		
Mr Jim O'Neill			
Ms Janie Orr			
Professor Alan Pearman			
Sir Anwar Pervez OBE			
Dame Mary Richardson DBE	◆ ⊙		
Mr Robert Rogers			
Mr Nicholas Willoughby Stuart	■	1 November 2004	
Sir Cyril Taylor GBE	◆ ⊙ ■		
Mr Guy Weston	◆		
Mr Steve Whiteley	◆	1 November 2004	
Mr Michael Wilkins		1 November 2004	
Mr Mike Wood	◆		
Mr Colin Wright			1 November 2004
Mr Mike Zarraga			1 November 2004

- ◆ Denotes members of the Management Committee during the year.
- ⊕ Audit Committee
- ⊙ Remuneration Committee
- Nominations Committee

## STATEMENT OF INTERNAL CONTROL

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Trust's aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Trust's Financial Memorandum.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

In 2004/05, the following key internal control measures were in place:

- a formal risk management policy, strategy and strategic risk assessment describing the Trust's approach to risk and the process used in managing it, approved by the Council and reviewed annually by the Audit Committee, and internal audit;
- a regular programme of risk assessment, reported to the Council, supported by the Trust's performance monitoring processes;
- comprehensive Standing Financial Instructions approved by the Council.
- a system of delegation of authority with defined authorisation limits, approved by the Council;
- regular reviews by the Council of the periodic and annual financial reports which indicate financial performance against forecast;
- regular reviews by the management team of monthly financial reports which indicate financial performance against forecasts;
- an internal audit service and an annual internal audit report providing an independent opinion on the adequacy and effectiveness of the Trust's system of internal control;
- an Audit Committee to review the work of internal audit and provide regular reports to the Council.
- regular review of the system of internal control through reports of the internal and external auditors and an annual review by the Audit Committee of the effectiveness of the Trust's system of internal control;
- a counter-fraud strategy, approved by the Council;
- value for money reviews to secure efficiency savings.

The Trust has an internal audit function, provided in the year by PKF (UK) LLP, which operates in accordance with Government Internal Audit Standards. Internal audit work is planned following an analysis of the risks to which the Trust is exposed. The internal auditor provides me with reports on his findings. The report includes the auditor's independent opinion on the adequacy and effectiveness of the Trust's system of internal control.

For the 2004/05 financial year, PKF (UK) LLP in their Annual Report of the Internal Audit Services concluded that, in their opinion, the Trust's system of internal control was satisfactory for the purposes of the Trust, and was operating effectively.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of internal auditors and the managers within the Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have considered the implications of the findings of my view and have taken advice from the Board of Trustees and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**Elizabeth Reid**  
**Chief Executive and Accountable Officer**  
**27 June 2005**

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE SPECIALIST SCHOOLS TRUST

We have audited the financial statements of The Specialist Schools Trust for the year ended 31 March 2005 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Trustees and Auditors

The Trustees' (who are also the directors of The Specialist Schools Trust for the purposes of company law) responsibilities for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Trustees' Report and the Statement of Internal Control, consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of Audit Opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2005 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the grant-in-aid from the Department of Education and Skills has been properly applied in accordance with the Financial Memorandum dated 22 August 2000 between the Trust and the Secretary of State for Education and Skills.

PKF (UK) LLP  
Registered Auditors  
London UK  
Dated: 27 June 2005

PKF(UK) LLP

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2005  
(including Income and Expenditure Account)**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	2005 £'000	2004 £'000
<b>INCOMING RESOURCES</b>					
Donations		682	1,978	2,660	2,361
Grants - DFES	2	-	19,369	19,369	11,439
Affiliation Fees		2,532	-	2,532	2,138
National Conference		981	-	981	786
Specialism Conferences		573	-	573	271
Interest Receivable		189	-	189	103
iNet Income		272	-	272	22
Other Income	3	1,943	-	1,943	1,495
<b>Total Incoming Resources</b>		<b>7,172</b>	<b>21,347</b>	<b>28,519</b>	<b>18,615</b>
<b>RESOURCES EXPENDED</b>					
Cost of Generating Funds	4	30	558	588	615
<b>Funds Available for Charitable Expenditure</b>		<b>7,142</b>	<b>20,789</b>	<b>27,931</b>	<b>18,000</b>
Charitable Expenditure:					
Donations		-	1,978	1,978	1,955
Specialist Schools & Curriculum Development	5	6,387	15,251	21,638	13,249
Management & Administration	6	540	3,261	3,801	2,270
<b>Total Charitable Expenditure</b>		<b>6,927</b>	<b>20,490</b>	<b>27,417</b>	<b>17,474</b>
<b>Total Resources Expended</b>		<b>6,957</b>	<b>21,048</b>	<b>28,005</b>	<b>18,089</b>
<b>Net Incoming Resources</b>		<b>215</b>	<b>299</b>	<b>514</b>	<b>526</b>
Transfers between funds	20	299	(299)	-	-
Balance as at 1 April		2,085	-	2,085	1,559
<b>Total Funds as at 31 March</b>	15	<b>2,599</b>	<b>-</b>	<b>2,599</b>	<b>2,085</b>

**RECOGNISED GAINS AND LOSSES**

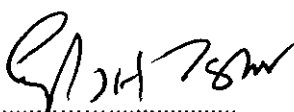
All amounts relate to continuing activities in respect of both years.  
There were no other recognised gains and losses during the two financial years.

The notes on pages 14 to 24 form part of the financial statements.

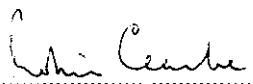
**BALANCE SHEET  
AS AT 31 MARCH 2005**

	Notes	<u>2005</u> £'000	<u>2004</u> £'000
<b>FIXED ASSETS</b>			
Tangible Fixed Assets	7	1,810	1,150
Investments in Associated Company	8	35	50
		<u>1,845</u>	<u>1,200</u>
<b>CURRENT ASSETS</b>			
Debtors	9	2,545	1,220
Investments (Liquid Funds)	10	2,137	3,643
Cash at bank and in hand	11	3,269	2,706
		<u>7,951</u>	<u>7,569</u>
<b>CREDITORS: Amounts falling due within one year</b>	12	7,197	6,684
<b>NET CURRENT ASSETS</b>		<u>754</u>	<u>885</u>
<b>NET ASSETS</b>		<u>2,599</u>	<u>2,085</u>
<b>FINANCED BY</b>			
Unrestricted Funds		2,599	2,085
<b>TOTAL FUNDS</b>	15, 16	<u>2,599</u>	<u>2,085</u>

Approved by the Council and signed on its behalf



.....  
Sir Cyril Taylor  
Chairman



.....  
Dr Robin Clarke  
Treasurer

Dated: 27 June 2005

The notes on pages 14 to 24 form part of the financial statements.

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	<u>2005</u> £'000	<u>2004</u> £'000
<b>CASH FLOW STATEMENT</b>			
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>		(179)	2,503
<b>Returns on Investments and Servicing of Finance</b>			
Interest received		189	103
<b>Capital Expenditure and Financial Investment</b>			
Purchase of tangible fixed assets	7	(953)	(701)
		<hr/>	<hr/>
<b>(Decrease) / Increase in Cash and Liquid Funds</b>	10, 11	(943)	1,905
<b>Management of Liquid Funds</b>		1,506	(3,643)
		<hr/>	<hr/>
<b>Increase / (Decrease) in cash</b>		563	(1,738)
		<hr/>	<hr/>
<b>Reconciliation of Net Incoming Resources to Net Cashflow from Operating Activities</b>			
Operating surplus		514	526
Interest Receivable		(189)	(103)
Depreciation	7	293	216
Diminution in/(Reversing of) value of investments		15	(17)
Increase in debtors		(1,325)	(140)
Increase in creditors		513	2,021
		<hr/>	<hr/>
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>		(179)	2,503
		<hr/>	<hr/>
<b>Reconciliation of Net Cashflow to Movement In Cash and Liquid Funds</b>			
Increase / (Decrease) in cash	11	563	(1,738)
(Decrease) / Increase in Liquid Funds in the Year	10	(1,506)	3,643
		<hr/>	<hr/>
		(943)	1,905
<b>Net Cash and Liquid Funds at 1 April 2004</b>		6,349	4,444
		<hr/>	<hr/>
<b>Net Liquid Funds at 31 March 2005</b>	10, 11	5,406	6,349
		<hr/>	<hr/>

The notes on pages 14 to 24 form part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**1 ACCOUNTING POLICIES**

**(a) Basis of Accounting**

The Financial Statements have been prepared in accordance with Applicable Accounting Standards and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000): issued in October 2000, the Charities Act 1993 and the Companies Act 1985.

The Financial Statements have been prepared under the historical cost convention and have been rounded to the nearest £1,000.

**(b) Revenue Recognition**

*Donations and Sponsorship for Schools:*

Covenanted donations and grants from other charitable bodies are recognised in the Statement of Financial Activities over the period of the covenant or the period for which the grant is made. Other donations are recognised in the year in which they are received.

Benefactors donate sponsorship funding to the Trust which is allocated to nominated specialist schools. The Trust acts solely as agent in respect of these transactions and these receipts and associated expenditure have been recognised in the Statement of Financial Activities at the point of allocation to schools.

*Government Grants:*

Government grants are recognised in the Statement of Financial Activities as income in the year to which these relate.

*Affiliation Fees:*

Annual affiliation fees which relate to the year are recognised in the Statement of Financial Activities when payment becomes due and receivable.

Fees received are attributed on a time basis to the financial years to which they relate. Those fees attributed to the following year are recognised as deferred income and included in creditors.

*Other Income:*

Other income is recognised in the year in which it relates.

**(c) Interest Receivable**

Interest income is recognised in the financial statements when it is due and receivable.

**(d) Expenditure Recognition**

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs directly related to the fulfilment of the Trust's objectives are recognised as the cost of generating funds and charitable expenditure.

Staff costs now include costs for temporary staff. Prior year comparatives have been restated to reflect this change.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**1 ACCOUNTING POLICIES (Continued)**

**(e) Funds Accounting**

*Restricted Funds:*

Department for Education and Skills funding is restricted funding which must be used in accordance with the specific restrictions placed on it in accordance with directions from the Department. The funding is used by the Trust to fulfil its obligations to support the Specialist School Initiative.

The treatment of sponsorship funding obtained from benefactors on behalf of specialist schools is included as restricted income at the point when it is allocated to schools.

*Unrestricted Funds:*

The unrestricted funds represent donations and other income receivable or generated for the objects of the Trust that do not have specific restrictions on usage.

**(f) Fixed Assets**

Fixed assets are recorded at cost with the capitalisation threshold being £3,000.

Depreciation is provided to write off the cost of the assets over their estimated useful lives. The major categories of fixed assets are depreciated as follows:

Computer Equipment	33% per annum
Office Equipment and Furniture	25% per annum
Database, licenses and financial systems	10% per annum
Leasehold Improvements	Lesser of the lease term and useful life

**(g) Taxation**

The Trust is unable to recover value added tax on the majority of purchases. All non-recoverable value added tax on purchases is recognised as expenditure.

**(h) Pension Contributions**

Contributions to the pension scheme are charged to expenditure so as to spread the cost of pensions over the average remaining service lives of the employees.

**(i) Liquid resources**

Liquid resources comprise current asset investments which can be readily converted into cash.

**(j) Operating leases**

Costs arising under operating lease agreements are charged to the Statement of Financial Activities when incurred.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**2 GRANTS AND CONTRACTS FROM THE DEPARTMENT FOR EDUCATION AND SKILLS**

	<u>2005</u> £'000	<u>2004</u> £'000
Specialist schools and curriculum development programmes	6,642	5,523
Central office and other general expenditure	3,189	2,270
Study Tours	925	359
Achievement Programme	5,241	2,558
Vocational Programme	1,218	427
Partnership fund	1,050	-
Academies Programme	383	82
ICT Programmes	494	-
Cohort Working Programme	93	-
Special Education Needs Programme	48	-
AST	58	8
LCSE funding	26	16
Other	2	196
	<u>19,369</u>	<u>11,439</u>

**3 OTHER INCOME**

	<u>2005</u> £'000	<u>2004</u> £'000
Professional development fees	402	693
Income relating to right of offset	-	244
Income from Associated company	213	7
Other Trust activities and events	1,328	551
	<u>1,943</u>	<u>1,495</u>

In 2003/04, The Trust engaged with companies where the same company is a customer and supplier. The Trust entered into arrangements with certain companies in this situation whereby a right of offset was agreed. This resulted in a net gain of £244,000 to the Trust.

**4 COST OF GENERATING FUNDS**

	<u>2005</u> £'000	<u>2004</u> £'000
Staff Costs	437	372
Other Expenses and Fundraising Activities	151	243
	<u>588</u>	<u>615</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**5 SPECIALIST SCHOOLS AND CURRICULUM DEVELOPMENT PROGRAMMES**

	<u>2005</u> £'000	<u>2004</u> £'000
Staff Costs	5,326	3,368
Services to Schools	12,897	7,573
National Conference	770	627
Specialism Conferences	426	546
Consultants	1,310	677
Other Costs	909	458
	<u>21,638</u>	<u>13,249</u>

**6 MANAGEMENT AND ADMINISTRATION COSTS**

	<u>2005</u> £'000	<u>2004</u> £'000
Staff Costs	1,780	1165
Corporate Services	1,158	434
External Audit Fees	19	15
Depreciation	293	216
Operating Lease Rentals – Plant and Machinery	23	26
Operating Lease Rentals – Building	502	406
Other	26	8
	<u>3,801</u>	<u>2,270</u>

Fees paid for other services to the auditors relate primarily to; internal audit £12,450; and consultancy services £28,600.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**7 TANGIBLE FIXED ASSETS**

	Leasehold Improvements £'000	Office Equipment & Furniture £'000	Computer Equipment & Software £'000	Total £'000
<b>Cost:</b>				
As at 1 April 2004	586	127	897	1,610
Additions	522	4	427	953
Disposals/Write-off	-	-	-	-
As at 31 March 2005	1,108	131	1,324	2,563
<b>Depreciation:</b>				
As at 1 April 2004	153	83	224	460
Charge for the year	54	20	219	293
Disposals/Write-off	-	-	-	-
As at 31 March 2005	207	103	443	753
<b>Net book value:</b>				
As at 31 March 2005	901	28	881	1,810
As at 1 April 2004	433	44	673	1,150

The Department for Education and Skills funded assets with a capital grant of £299,000 during the year (2004: £105,000).

**8 INVESTMENT IN ASSOCIATED COMPANY**

- (a) The Trust owns 50% of the issued and paid up share capital of TCT and CfBT Limited. The company's sole activity is the provision of ICT training for teachers. The company ceased trading in October 2003 and a decision has been taken by Directors to wind up the company as at 31 March 2005.

- (b) Cost

	2005 £'000	2004 £'000
Share capital at cost	50	50
Less provision for diminution in value	(15)	-
	35	50

- (c) At the end of the financial year an amount of £188,000 was due to the Trust which includes the Trust's share of the surplus for the period which will be discharged by a deed of covenant payment. This amount is based on CfBT unaudited accounts.
- (d) The associated company released a provision of £382,000 (net, after costs) and reported a profit before taxation of £380,000 for the year (2004: £48,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**9 DEBTORS**

	<u>2005</u> £'000	<u>2004</u> £'000
Trade debtors	1,004	324
Amounts due from Associated company	188	7
Prepayments	477	858
Accrued Income (including DfES)	841	-
Other debtors	35	31
	<u>2,545</u>	<u>1,220</u>

**10 INVESTMENTS (Liquid Funds)**

	<u>At 1 April</u> <u>2004</u> £'000	<u>Net</u> <u>Movements</u> £'000	<u>At 31 March</u> <u>2005</u> £'000
Managed Investment Fund	3,643	(1,506)	2,137

Investments comprise conservative investments in a managed cash based investment fund with a UK financial institution. The investment complies with the requirements of any restrictions on use.

**11 CASH AT BANK AND IN HAND**

	<u>2004</u> £'000	<u>Cash flows</u> £'000	<u>2005</u> £'000
Cash at bank and in hand	2,706	563	3,269

Cash held by the Trust is invested in interest bearing deposits.

**12 CREDITORS & ACCRUALS**

	<u>Note</u>	<u>2005</u> £'000	<u>2004</u> £'000
Taxation and social security		169	118
Trade and Other Creditors	13	2,609	2,599
Accruals		2,973	2,779
Deferred income	14	1,446	1,188
		<u>7,197</u>	<u>6,684</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**13 SCHOOL SPONSORSHIP**

Included in creditors are amounts held by the Trust on behalf of third party sponsors of the Specialist School initiative.

These amounts are held on behalf of these sponsors and distributed according to specific instruction for the Specialist Schools programme.

	At 1 April 2004 £'000	Incoming funds £'000	Outgoing funds £'000	At 31 March 2005 £'000
Third party school sponsorship	2,213	1,907	(1,978)	2,142
DfES sponsorship	-	1,050	(1,050)	-
Total	2,213	2,957	(3,028)	2,142

**14 DEFERRED INCOME**

	At 1 April 2004 £'000	Received £'000	Released £'000	At 31 March 2005 £'000
Deferred income	1,188	1,446	(1,188)	1,446

Deferred income represents those fees received in advance of an event or activity taking place. Where such fees are attributed to the following financial year, they are recognised as deferred income.

**15 RETAINED FUNDS**

	At 1 April 2004 £'000	Incoming Resources £'000	Resources Expended £'000	At 31 March 2005 £'000
Restricted fund	-	21,347	(21,347)	-
Unrestricted fund – General purpose	2,085	7,172	(6,658)	2,599
	2,085	28,519	(28,005)	2,599

Details of restricted funds are set out in Note 1(e).

**16 ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted Funds £'000
Fund balances at 31 March 2005 represented by:	
Tangible assets	1,810
Investment in associated company	35
Net current assets	754
<b>Net assets</b>	<b>2,599</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**17 INFORMATION REGARDING DIRECTORS AND STAFF**

**(a) Directors' Emoluments**

No emoluments were paid to the directors in the year. During the year, expenses were reimbursed to four trustees for travel and subsistence costs incurred in performance of their duties. Total amount paid was £3,196.

**(b) Staff Costs**

	<u>2005</u> £'000	<u>2004</u> £'000
Salaries	4,806	3,328
Cost of agency and seconded staff	1,887	997
Social Security Costs	468	330
Other Pension Costs	378	247
Other Benefits	5	3
	<u>7,544</u>	<u>4,905</u>

**(c) Average Number of Staff Employed**

The average number of staff during the year was 134 FTE (2004: 95).

The number of staff paid more than £50,000 in gross earnings was as follows:

	<u>2005</u>	<u>2004</u>
£50,000 - £59,999	4	1
£60,000 - £69,999	-	1
£70,000 - £79,999	-	1
£80,000 - £89,999	2	1
£90,000 - £99,999	3	-
£110,000 - £119,999	-	1
£120,000 - £130,000	1	-
	<u>10</u>	<u>5</u>

**(d) Pension contributions**

Pension contributions for the above staff amounted to £84,000 in the current year (2004: £33,000).

**18 CONTINGENCIES & COMMITMENTS**

*Commitments:*

At 31 March 2005, annual commitments under non-cancellable operating leases expiring within the following periods were:

	<b>Land &amp; Buildings</b>		<b>Other</b>	
	<u>2005</u> £'000	<u>2004</u> £'000	<u>2005</u> £'000	<u>2004</u> £'000
Operating lease payments:				
Within 1 year	1	41	Nil	16
Between 2 and 5 years	60	Nil	29	29
After 5 years	631	537	Nil	Nil

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**18 CONTINGENCIES & COMMITMENTS (continued)**

The Trust has entered into the following lease agreements for Millbank Tower London:

- 3 August 2001 for the 16<sup>th</sup> floor with a rental period to 20 December 2011.
- 4 March 2004 for the 17<sup>th</sup> floor with a rental period to 20 December 2011.

The Trust has entered into the following lease arrangements for its regional offices:

- Preston Office with a rental period from 14 January 2005 for five years, expiring 13 January 2010.
- Peterborough office with a rental period from 20 May 2004 for five years expiring 19 May 2009.
- Taunton office with a rental period from 25 October 2004 for five years expiring 28 September 2009.
- Melbourne office with a rental period from 1 August 2004 for one year to 31 July 2005.

**19 PENSION CONTRIBUTIONS**

The Trust contributes to the Teachers' Superannuation Scheme and the Royal Borough of Kensington and Chelsea Superannuation Scheme. Both schemes provide defined benefits to the employees. Provision is also made to contribute to personal pension plans on a defined contribution basis for those employees who opt for this basis.

**Teachers' Superannuation Scheme**

The Teachers' Superannuation Scheme provides benefits based on final pensionable pay. The pension cost for the Teachers' Superannuation Scheme is assessed in accordance with the advice of a qualified actuary on the basis of quinquennial valuations, the latest covering the five-year period ended 31 March 2001. The Government Actuary report assumed real rates of return of 3.5% in excess of prices and 2% in excess of earnings, and a gross rate of return on investments of 7%. It is not possible to identify the Trust's share of the underlying assets and liabilities of this scheme.

The pension cost charged in the accounts for this scheme for the year was £169,000 (2004: £98,000) which were the contributions due for the year.

**Royal Borough of Kensington and Chelsea Superannuation Scheme**

Payments were made in respect of staff who are members of the local government superannuation scheme. The Trust has accounted for its share of contributions as set out below. The rate of the employer's contribution was 12% of employees' salaries.

The pension cost charged in the accounts for this scheme for the year was £201,000 (2004: £134,000), against an actuarial current service cost calculation, per FRS17, of £266,000 (2004: £176,000).

Pension costs for the year have been accounted for under the existing Accounting Standard SSAP24. However the Trust has also made the disclosures required by the transitional arrangements governing the move to the new Accounting Standard FRS17 as follows.

**FRS17 disclosures**

A formal valuation of the scheme was carried out as at 31 March 2004 by a qualified independent actuary. This statement has been updated by the actuary for the purpose of FRS17 based on that valuation, using the following major assumptions:

	<u>31 March 2005</u>	<u>31 March 2004</u>	<u>31 March 2003</u>
Pension increases	2.9%	2.9%	2.5%
Pay increases	4.4%	4.4%	4.0%
Inflation	2.9%	2.9%	2.5%
Discount factor for liabilities	5.4%	5.5%	5.4%

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**19 PENSION CONTRIBUTIONS (continued)**

The Trust's share of the assets of the scheme and the expected rates of return at 31 March 2005 are:

	<u>Value 2005</u> (£'000)	<u>Expected Long term return</u>	<u>Value 2004</u> (£'000)	<u>Expected Long term return</u>	<u>Value 2003</u> (£'000)	<u>Expected Long term return</u>
Equities	2,556	7.7%	1,232	7.7%	817	8.0%
Bonds	954	5.1%	425	5.1%	356	4.8%
Property	-	6.5%	-	6.5%	-	6.0%
Cash	159	4.0%	63	4.0%	54	4.0%
	<u>3,669</u>		<u>1,720</u>		<u>1,227</u>	

The approximate fair values of the scheme as at 31 March 2005 are:

	<u>2005</u> (£'000)	<u>2004</u> (£'000)	<u>2003</u> (£'000)	<u>2002</u> (£'000)
Fair value of assets	3,669	1,720	1,227	1,494
Present value of liabilities	5,323	2,554	2,063	1,765
	<u></u>	<u></u>	<u></u>	<u></u>
Net pension liability	(1,654)	(834)	(836)	(271)

The actuarial report from the Royal Borough of Kensington and Chelsea and Westminster as at 31 March 2005, for the purposes of FRS 17, shows a deficit on the fund of £1,654k (2004: £834k). The increase in the net pension liability relates primarily to the effect of the 2004 actuarial valuation. The prior year numbers were based on the 2001 actuarial valuation; consequently, the underlying net liability in the prior year number is understated. It is intended to recover this liability through significantly increased employer contributions commencing in 2005/06.

Had the pension scheme been included on a full FRS 17 basis, the following would have been included in the financial statements:

**Movement in deficit during the year:**

	<u>2005</u> (£'000)	<u>2004</u> (£'000)
(Deficit)/surplus in the scheme at beginning of year	(834)	(836)
Contributions paid	201	134
Current service cost	(266)	(176)
Other finance income	(22)	(27)
Actuarial gain/(loss)	(733)	71
	<u></u>	<u></u>
(Deficit) in the scheme at end of year	(1,654)	(834)

**Analysis of amounts chargeable to surplus/(deficit)**

	<u>2005</u> (£'000)	<u>2004</u> (£'000)
Current service cost	266	176

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

**19 PENSION CONTRIBUTIONS (continued)**

**Analysis of amounts chargeable to other finance income**

Expected return on employer's share of scheme assets	128	90
Amount (charged)/credited to other finance income	(150)	(117)
	<hr/>	<hr/>
	(22)	(27)
	<hr/>	<hr/>

**Analysis of actuarial gain/(loss) in the SOFA**

	<b>2005</b>	<b>% of</b>	<b>2004</b>	<b>% of</b>	<b>2003</b>	<b>% of</b>
	<b>(£'000)</b>	<b>scheme</b>	<b>(£'000)</b>	<b>scheme</b>	<b>(£'000)</b>	<b>scheme</b>
		<b>assets or</b>		<b>assets or</b>		<b>assets or</b>
		<b>liabilities</b>		<b>liabilities</b>		<b>liabilities</b>
Actuarial return less expected return on scheme assets	181	4.9%	224	13.0%	(486)	(39.6%)
Experience gains and losses arising on scheme liabilities	(820)	(15.4%)	(3)	(0.1%)	45	2.2%
Change in assumptions underlying the present value of the scheme liabilities	(94)	(1.8%)	(150)	(5.9%)	(108)	(5.2%)
	<hr/>		<hr/>		<hr/>	
Actuarial gain/(loss) recognised in SOFA	(733)		71		549	
	<hr/>		<hr/>		<hr/>	

**20 TRANSFERS BETWEEN FUNDS**

The transfer between funds reflects the spending of capital grants for the Trust's capital programme, which are not charged as resources expended during the year.