



**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 AUGUST 2017

KNOWLEDGE SCHOOLS TRUST

(A Company Limited by Guarantee)



Annual Report and Financial statements – Contents

Year ended 31 August 2017

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Reference and Administration Details

Year ended 31 August 2017

Members	Ms Caroline Bondy Ms Kathryn Cooper Ms Suzanna Hobart Mr Cosmo Lush Mr Toby Young
Trust Directors (Trustees)	Mr Cosmo Lush (Chair)* (reappointed 21.11.16) Dame Sally Ann Coates (appointed 21.11.16) Mr Alexander Conabear
<i>*Members of the Finance and Operations Committee</i>	Ms Jane Emmett Ms Penny Hunt Mr Ian Hunter* Mr Michael Jeans (resigned 14.12.16) Ms Chloe Mawson Ms Laura McGaughey* Mr Justin Tooth* (resigned 18.07.17) Ms Catherine Whelan* (appointment 13.12.16) Mr Toby Young* (reappointed 21.11.16) Ms Suzie Hobart (appointed 29.12.16)
Company Secretary	Mr Yusuf Lunat
Company Name & registration number	Knowledge Schools Trust (the Trust) - 07493696
Principal address & registered Office	Cambridge Grove, Hammersmith, London, W6 0LB
Trust Senior Management Team:	
Chief Executive Officer (Accounting officer)	Mr Ian Hunter (appointed 01.01.17) Mr Toby Young (resigned 31.12.16)
Finance Director	Mr Yusuf Lunat
Operations Director	Ms Stacey George
WLFS Local Governing Body	Ms Catherine Whelan *- Chair (appointed 01.01.17) Ms Nicola Arnold * Mr Charles Ben-Nathan (resigned 15.11.16) Ms Abigail Child (appointed 14.03.17)(resigned 04.07.17) Mr Matthew Conrad (appointed 22.11.17) Ms Kathryn Cooper Ms Sarah Delafield Cook (appointed 22.11.17) Mr Mark Feltham
<i>*Members of the Finance and General Purposes Committee</i>	Ms Caroline Ffiske Ms Ruth Fonseka (appointed 14.03.17) Ms Andrea George-Samuels (resigned 31.12.16) Ms Tiffany Hancock Mr Anthony Henwood Mr Simon Hix Mr Ian Hunter – Chair* (resigned 31.12.16) Dr Jonathan Katz (resigned 14 .03.2017) Mr Oliver Knight (appointed 22.11.17)

Reference and Administration Details

Year ended 31 August 2017

WLFS Local Governing Body cont	Mr Rupert Littlewood* (resigned 04.7.17) Ms Amaya Lopez Ms Katrina Troy (appointed 04.07.17)
Headteacher of WLFS	Mr Hywel Jones
WLFS Primary and ECFS Primary Local Governing Body	Mr Alexander Conabeare* - Co-Chair Ms Chloe Mawson - Co-Chair Mr Sam Cockerton (resigned 03.07.17) Mr James Crawford (resigned 03.07.17) Ms Cecily Dixon-Brown* (resigned 10.10.16) Ms Suzanna Hobart (resigned 03.07.17) Mr Oliver Knight (resigned 03.07.17) Ms Lilli Landau (appointed 03.09.17) Ms Emma Madden Ms Abbe Martineau * (appointed 03.09.17) Mr Nick Plowright (appointed 03.09.17) Mr Jan Weber*
KPA Local Governing Body	Ms S Hobart (appointed chair 15.12.16) Ms Tosin Adedayo (resigned 09.10.17) Mr James Caldecourt Ms Jane Emmett Mr Vivian Haines Mr M Jeans (resigned 14.12.16) Mr J Lewisohn Ms Michelle Lin (appointed 15.05.17) Mr Jan Weber* Judith Wilkinson (appointed 09.10.17) *Members of the Finance and General Purposes Committee
Executive Headteacher of all the primary schools	Laura Lund (appointed 01.09.16)
Independent Auditor	Grant Thornton UK LLP Victoria House, 4 th Floor 199 Avebury Boulevard Milton Keynes MK9 1AU
Bankers	Lloyds Bank 25 Gresham Street London EC2V 7HN
Solicitors	Stone King LLP 16 St John's Lane London EC1M 4BS

Trustees' Report**Year ended 31 August 2017**

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year from 1 September 2016 to 31 August 2017. The annual report serves the purposes of both a Trustees' report and a Directors' report under company law.

Knowledge Schools Trust is an independent trust set up to provide children in West London with a classical liberal education, regardless of background or ability. The Trust currently has four schools: the West London Free School (WLFS), a secondary school with sixth form, which opened in 2011 and on 31 August 2017, the end of its sixth year of operation, had 710 pupils on roll of which 112 pupils were in the first year of the Sixth Form; the West London Free School Primary (WLFS Primary), which opened in 2013 and on 31 August 2017, the end of its fourth year of operation, had 240 pupils on roll; the Earl's Court Free School Primary (ECFS Primary), which opened in September 2014 and on 31 August 2017, the end of its third year of operation, had 90 pupils on roll; and Kensington Primary Academy, which opened in September 2016 and at 31 August 2017, the end of its first year of operation, had 30 pupils on roll.

STRUCTURE, GOVERNANCE AND MANAGEMENT**Constitution**

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

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

Members' Liabilities

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

Trustees' Indemnities

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

Method of Recruitment and Appointment or Election of Trustees

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

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

Policies and Procedures Adopted for the Induction and Training of Trustees

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

Organisational Structure**Year ended 31 August 2017**

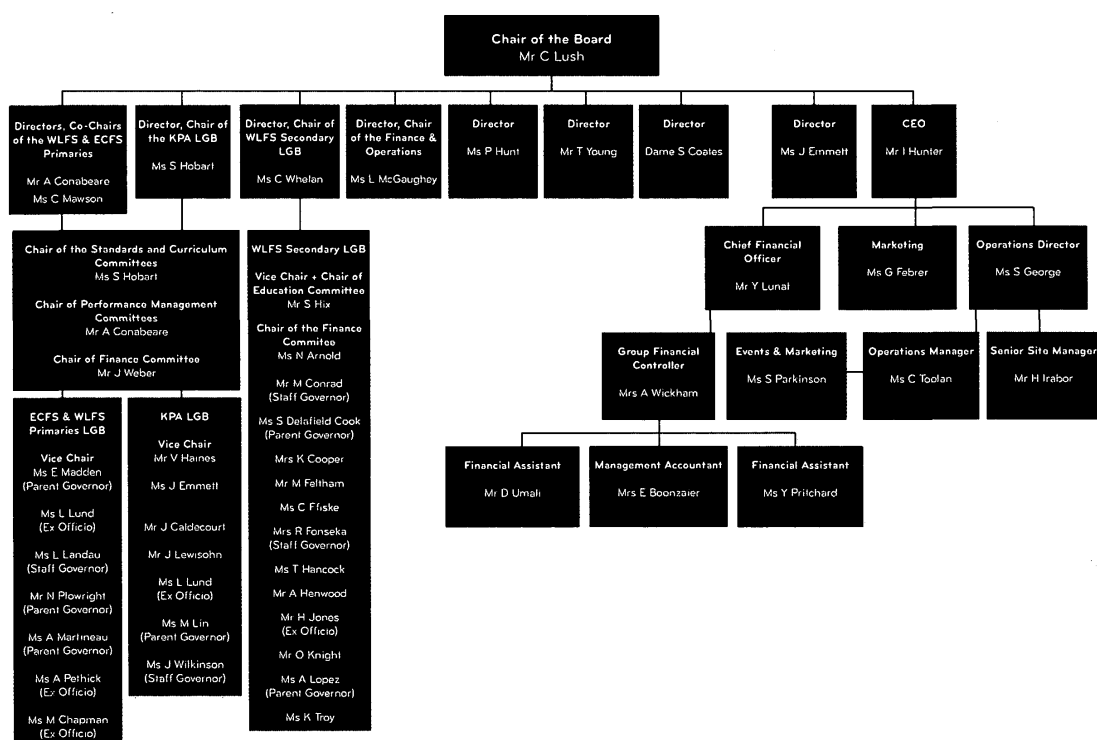
Organisational Structure

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

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

The diagram on the next page shows the current organisational structure of Knowledge Schools Trust.

Knowledge Schools Trust Organisational Structure



Trustees' Report continued**Year ended 31 August 2017**

Arrangements for setting pay and remuneration of key management personnel

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

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

Related Parties and other Connected Charities and Organisations

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

OBJECTIVES AND ACTIVITIES**Objects and Aims**

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

Objectives, Strategies and Activities

The Trust's objectives are to offer a classical liberal education to all pupils regardless of background or ability; to ensure The Trust remains in financial surplus; to maintain budgetary discipline; and to ensure all the schools under its umbrella are over-subscribed. The Trust opened a fourth school, Kensington Primary Academy, in September 2016. The Trustees intend to expand the number of schools within the Trust and regularly discuss how to achieve this.

Ensuring our objectives are met

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

Public Benefit

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

Trustees' Report continued

Year ended 31 August 2017

STRATEGIC REPORT

Achievements and Key Performance Indicators

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

The West London Free School posted its second set of GCSE results in August 2017. 79% of pupils achieved at least 3 A* to C as well as grade 9 to 4 in Maths and English [2015-16: 5 A* to C, including English and Maths – 77%]. The results in certain subjects, specifically Science, Mathematics, English, Art, Music and Religious Education, were exceptional. The highlights include:

- 36% of all GCSE results were graded A*/A or 7-9 in English and Mathematics, which is equivalent to A*/A in the old system [2015-16: A*/A - 38%] and 62% of all results were A* to B or grade 5-9 in the case of English and Mathematics [2015-16: A* to C - 63%]
- 80% of pupils achieved a 4 or above in both English and Mathematics [2015-16: C or above – 77%]
- In Mathematics, 81% of pupils achieved 4-9 [2015-16: C or above - 85%] and 36% achieved 7-9 [2015-16: A*/A - 37%]
- In English Language, 85% of pupils achieved 4-9 [2015-16: C or above - 73%] and 29% achieved 7-9 [2015-16: A*/A - 22%]
- In English Literature, 88% of pupils achieved 4-9 [2015-16: C or above - 79%] and 33% achieved 7-9 [2015-16: A*/A - 44%] and 8.4% (10 pupils) achieved the very highest grade of 9 [2015-16: No equivalent]
- Every pupil who took all three sciences achieved A*-C [2015-16: 100%] with 79% of these achieving an average grade of A*/A [2015-16: 75%]
- Every pupil who took Music and/ or Art achieved A*-C [2015-16: Music-100%, Art-100%], with 57% of Music pupils and 33% of Art pupils getting A*/A [2015-16: Music-57%, Art-33%]
- Every pupil who took Religious Education achieved A*-C [2015-16: 95%], with 74% of these getting A*/A [2015-16: 67%]
- 57% of pupils who took Latin achieved A*/A [2015-16: 45%]
- 9% of pupils achieved A*/A in every subject, including 7-9 in English and Mathematics [2015-16: All A*/A - 10%]

The pupils' achievements are a testament to their hard work and focus, as well as the efforts of our exceptional teaching and support staff. Progress in Years 7-10 is in line with this level of exam success in year 11. Across the whole school, 31% of pupils had musical tuition in one or more instruments [2015-16: 38%], which compares with less than 10% of secondary school pupils nationally. The fall in the percentage of pupils learning musical instruments in 2016-17 reflects a lower take up in the Sixth Form. Attendance at the Secondary in 2016-17 was 95% (2015-16: 94%). The school remains over-subscribed by a ratio of 10:1 [2015-16: 10:1].

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

Early Years Foundation Stage Profile	West London Free School Primary	Earl's Court Free School Primary	Local Authority (H&F)	National
% achieving GLD	80%	82%	74%	71%

Year 1 Phonics Screening Check	West London Free School Primary	Earl's Court Free School Primary	Local Authority (H&F)	National
% reaching the required standard	93%	97%	85%	81%

Trustees' Report continued

Year ended 31 August 2017

Key Stage 1 results – 2016 - 2017		West London Free School Primary	Earl's Court Free School Primary	Local Authority (H&F)	National
Reading	EXS	92%	97%	79%	76%
	GDS	47%	62%	27%	25%
Writing	EXS	82%	86%	72%	68%
	GDS	38%	45%	18%	16%
Maths	EXS	85%	93%	79%	75%
	GDS	47%	55%	23%	21%

EXS: Working at the 'Expected' standard

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

During the year, The Trust, working with the Education and Skills Funding Agency (ESFA), continued to manage the required investment and refurbishment programmes needed to accommodate all the pupils within the Trust. Between February 2017 and August 2017, building works were undertaken at Cambridge Grove, the permanent site of the West London Free School Primary, to increase the number of classrooms in order to be able to accommodate the ECFS Primary's pupils until such time as it moves to its own permanent site.

The Trust continues to review its recruitment and infrastructure needs in light of forecast growth.

Key Financial Performance Indicators

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

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

Going Concern

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

FINANCIAL REVIEW

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

Reserves policy**Unrestricted General Fund Reserves**

At 31 August 2017, the value of the free reserves held as unrestricted general funds was £244,092 (2016: £47,217). There is

Trustees' Report continued**Year ended 31 August 2017**

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

The Trust holds no other unrestricted reserves.

Restricted Reserves

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

On 31 August 2017, the level of reserves held as restricted general funds was a deficit of £528,431 (31 August 2016: surplus of £193,095) and the level of reserves held as restricted fixed asset funds, was £34,248,655 (31 August 2016: £33,666,502), as shown in the Balance Sheet. The reason for the deficit in restricted general funds is due to the pension reserve being in deficit. After adjusting for the pension the restricted general funds was a surplus of £473,569 (31 August 2016: surplus of £818,095)

Pension Reserve

At 31 August 2017, The Trust's share of the underlying Local Government Pension Scheme assets and liabilities was in deficit by £1,002,000 (31 August 2016: £625,000).

Investment Policy

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

Principal Risks and Uncertainties

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

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

Principal risks and actions to mitigate these risks include:

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

Trustees' Report continued

Year ended 31 August 2017

- The management of financial risks such as credit, cash flow and liquidity risk are not considered principal risks due to the nature of the Trust's funding profile. These areas are closely monitored at the schools and at Trust level on a monthly basis.
- As disclosed above, The Trust's share of the underlying Local Government Pension Scheme assets and liabilities was in deficit by £1,002,000 at 31 August 2017.

Plans for Future Periods

In September 2016, Kensington Primary Academy opened with its first cohort of 30 Reception pupils. Kensington Primary Academy will open a nursery class of 24 pupils in September 2017, as well as grow by a further 30 pupils as it accepts its second cohort of Reception pupils. It will continue to grow by 30 pupils each year thereafter, until it reaches its full capacity of 234 pupils (including the nursery) in 2023/24. The West London Free School will reach full capacity in September 2018, as it enrolls its second year of sixth form pupils, while the West London Free School Primary and the Earl's Court Free School Primary will become fully fledged in 2020/21 and 2021/22 with 420 pupils and 210 pupils respectively.

Once the Earl's Court Free School moves to its own permanent site, it is intended that it will expand from a one-form to a two-form entry school, thus doubling its roll. However, there is currently uncertainty about when this might happen. We are pleased also to have approval from the DfE to open a further secondary school in Cambridge which is expected to open in 2023. We continue to work with the DfE to open new schools or bring existing schools into our Trust in a managed and sustainable manner. Over the medium term (2017-22), the Trustees intend to increase the number of schools under the Trust's management via a blend of new free schools and bringing established schools on board.

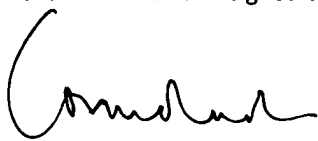
Auditor

In so far as the Trustees are aware:

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

A Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 5th December 2017 and signed on the Board's behalf by:

Signature:



Date:

5-12-17

Mr Cosmo Lush
Chair and Trustee

Governance Statement**Year ended 31 August 2017**

Scope of Responsibility

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

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

Governance

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

Trustee	Meetings attended	Out of a possible
Dame Sally Coates (appointed 21.11.16)	1	4
Mr Alexander Conabeare	2	4
Ms Jane Emmett	2	4
Ms Penny Hunt	4	4
Mr Ian Hunter*	4	4
Mr Michael Jeans (resigned 10.12.16)	0	1
Mr Cosmo Lush* (Chair)	4	4
Ms Chloe Mawson	4	4
Ms Laura McGaughey*	4	4
Mr Justin Tooth* (resigned 18.07.17)	3	3
Mr Toby Young*	4	4
Ms Suzie Hobart (appointed 29.12.16)	4	4
Ms Catherine Whelan* (appointed 13.12.16)	4	4

*Members of the Finance and Operations Committee

Governance Reviews

The Trust reviews its governance on an annual basis and has undertaken a self-evaluation during the year. As a result of this review, the Board has strengthened and widened its skills in the areas of secondary school leadership.

The Trust intends to conduct its next self-evaluation in the year to 31 August 2018.

Governance Statement**Year ended 31 August 2017**

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

Trustee	Meetings attended	Out of a possible
Ms Laura McGaughey (Chair)	3	3
Mr Cosmo Lush	3	3
Mr Ian Hunter	3	3
Mr Justin Tooth (resigned 18.07.17)	1	3
Mr Jan Weber	1	3
Mr Toby Young	2	3
Ms Catherine Whelan	3	3

Review of Value for Money

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

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

Economies of Scale

In 2016-17, the Trust has continued to build on potential economies of scale derived from having four schools within the Trust, by centralising financial services. In time, we plan to extend the centralised service to HR and data management.

The Secondary

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

The West London Free School also has various measures in place to narrow the attainment gap between disadvantaged groups and their peers, including stretch and support classes in Maths and English, learning mentors to provide in-class support, one-on-one tutors and subsidised music lessons for students eligible for the Pupil Premium.

The focus during 2016-17 was to maintain the high standard achieved in our first set of GCSE results in 2016-17. This was achieved and the impressive outcomes are reported in more depth in the Strategic Report. In 2016-17 we also welcomed our first cohort of Sixth Formers. While the Sixth Form was not fully subscribed, we managed to retain a high proportion of our lower school pupils as well as attract new pupils from a wide variety of schools.

Governance Statement**Year ended 31 August 2017**

The Primaries

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

The West London Free School Primary was inspected by Ofsted in May 2015 and was ranked "Outstanding" in every area, while the Earl's Court Free School Primary was inspected by Ofsted in June 2017 and was also ranked "Outstanding" in every area.

Prudent Financial Management

Since 2011, the Trust has used its facilities efficiently and generated extra income from them wherever possible. In 2015-16 the Trust appointed a lettings management company to oversee general lettings and the level of lettings income has climbed steadily ever since, reaching £80,000 in 2016-17, and there is still potential to increase this further.

Where possible, essential services are secured at a Trust level rather than at an individual school level in order to save money. For example, catering and cleaning services were procured during 2016-17 at Trust level, which has resulted in savings for all the schools within the Trust. All budget holders within the schools are required to familiarise themselves with the Trust's internal financial guidance document, the Financial Regulations and Scheme of Delegation, and follow the policies and procedures it sets out.

The Trust does not pay excessive salaries. In 2016-17, no employee was paid in excess of £100,000 gross salary.

Better procurement

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

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

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

Governance Statement**Year ended 31 August 2017**

The Purpose of the System of Internal Control

The system of internal control is designed to manage and reduce risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of The Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. A system of internal control has been in place in the Trust for the year ended 31 August 2017 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board has reviewed the key risks which the Trust is exposed to, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year ending 31 August 2017 and up to the date of the approval of the annual report and financial statements. The Board regularly reviews this process.

The Risk and Control Framework

The Trust's system of internal financial control is based on a framework of regular management information and administrative procedures, including the segregation of duties and a system of delegation and accountability. In particular, it includes:

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

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

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

RSM reviews each school and identifies any weaknesses in the design of the overall control framework, which the Trust addresses. RSM visits the schools and the Finance Director and the schools continue to monitor and report on the implementation of any recommendations. The checks that RSM carried out in the year to 31 August 2017, within its programme of work, included:

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

Review of Effectiveness

As accounting officer, Mr Ian Hunter has responsibility for reviewing the effectiveness of the system of internal control.

Governance Statement**Year ended 31 August 2017**

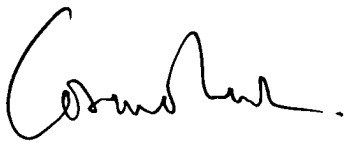
During the year in question, the review has been informed by:

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


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

Approved by order of the members of the Board of Trustees on 5th December 2017 and signed on its behalf by:

Signature:



Signature:



Date:

5-12-17

Date:

5-12-17

Mr Cosmo Lush
Chair and Trustee

Mr Ian Hunter
Accounting Officer and CEO

Statement on Regularity, Propriety and Compliance

Year ended 31 August 2017

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

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

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

Signature:



Date:

5-12-17

Mr Ian Hunter

Accounting Officer and CEO

Statement of Trustees' Responsibilities**Year ended 31 August 2017**

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

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

- Select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

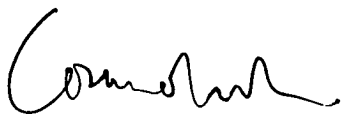
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements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

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

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

Approved by order of the members of the Board of Trustees on 5th December 2017 and signed on its behalf by:

Signature:



Date:

5-12-17

Mr Cosmo Lush
Chair and Trustee

Independent auditor's report to the members of

Knowledge Schools Trust

Year ended 31 August 2017

Opinion

We have audited the financial statements of Knowledge Schools Trust ('the charitable company') for the year ended 31 August 2017 which comprise the Statement of Financial Activities (including the income and expenditure account), the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2016 to 2017

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion..

Who we are reporting to

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent auditor's report to the members of

Knowledge Schools Trust

Year ended 31 August 2017

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 18, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

Independent auditor's report to the members of
Knowledge Schools Trust
Year ended 31 August 2017

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 18, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Grant Thornton UK LLP

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

27 December 2017

Independent reporting accountant's assurance report on Regularity to Knowledge Schools Trust and the Education Funding Agency Year ended 31 August 2017

In accordance with the terms of our engagement letter dated 21 August 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by the Knowledge Schools Trust during the period 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The accounting officer is responsible, under the requirements of Knowledge Schools Trust's funding agreement with the Secretary of State for Education dated 15 and 16 May 2013 and the Academies Financial Handbook, extant from 1 September 2016, 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 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2016 to 31 August 2017 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 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

Independent reporting accountant's assurance report on
Regularity to Knowledge Schools Trust and the Education
Funding Agency
Year ended 31 August 2017

The work undertaken to draw our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Reporting Accountant

Grant Thornton UK LLP
Chartered Accountants
Milton Keynes

27 December 2017

Statement of Financial Activities incorporating Income & Expenditure Account

For the year ended 31 August 2017

	Notes	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed asset Funds £	Total 2017 £	Total 2016 £
Income and endowments from:						
Donations and capital grants	3	-	140,046	1,712,674	1,852,720	3,956,203
Charitable activities						
Funding for the Trust's educational operations	4	-	7,852,693	-	7,852,693	6,712,369
Other trading activities	5	195,852	-	-	195,852	19,986
Investments	6	1,023	-	-	1,023	1,999
Total		196,875	7,992,739	1,712,674	9,902,288	10,690,557
Expenditure on:						
Charitable activities						
Trust's educational operations	7,8	-	8,488,469	1,259,317	9,747,786	7,729,295
Total		-	8,488,469	1,259,317	9,747,786	7,729,295
Net incoming resources before transfers		196,875	(495,730)	453,357	154,502	2,961,262
Gross transfers between funds	16	-	(128,796)	128,796	-	-
Net income for the year		196,875	(624,526)	582,153	154,502	2,961,262
Other recognised gains and losses						
Actuarial losses on defined benefit pension schemes	27	-	(97,000)	-	(97,000)	(432,000)
Net movement in funds		196,875	(721,526)	582,153	57,502	2,529,262
Reconciliation of funds						
Funds brought forward at 1 September 2016		47,217	193,095	33,666,502	33,906,814	31,377,552
Funds carried forward at 31 August 2017		244,092	(528,431)	34,248,655	33,964,316	33,906,814

All of Knowledge Schools Trust's activities derived from continuing operations during 2015-16 and 2016-17.

The notes on pages 27-45 form part of these financial statements.

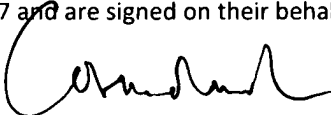
Balance Sheet

For the year ended 31 August 2017

		2017		2016	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	13		34,248,655		33,666,502
Current assets					
Debtors	14	741,288		828,888	
Cash at bank and in hand		1,475,455		1,289,031	
		<u>2,216,743</u>		<u>2,117,919</u>	
Creditors: amounts falling due within one year	15	<u>1,499,082</u>		<u>1,252,607</u>	
Net current assets			<u>717,661</u>		<u>865,312</u>
Total assets less current liabilities			<u>34,966,316</u>		<u>34,531,814</u>
Net assets excluding pension liability					
Pension scheme liability	27		<u>(1,002,000)</u>		<u>(625,000)</u>
Net assets including pension liability			<u><u>33,964,316</u></u>		<u><u>33,906,814</u></u>
Funds of the Trust: -					
Restricted funds					
Fixed asset funds	16		34,248,655		33,666,502
General funds	16		473,569		818,095
Pension reserve	16		<u>(1,002,000)</u>		<u>(625,000)</u>
Total restricted funds			<u><u>33,720,224</u></u>		<u><u>33,859,597</u></u>
Unrestricted funds					
General funds	16		<u>244,092</u>		<u>47,217</u>
Total unrestricted funds			<u><u>244,092</u></u>		<u><u>47,217</u></u>
Total funds			<u><u>33,964,316</u></u>		<u><u>33,906,814</u></u>

The financial statements on pages 24 to 45 were approved by the Trustees and authorised for issue on 5th December 2017 and are signed on their behalf by:

Signature:



Date:

5-12-17

Mr C Lush

Chairman and Trust

The notes on pages 27-45 form part of these financial statements.

Cash Flow Statement

For the year ended 31 August 2017

	Notes	2017 £	2016 £
Net cash inflow/(outflow) from operating activities	21	185,401	(517,106)
Returns on investments and servicing of finance	22	1,023	1,999
Capital expenditure	23	-	-
Increase/(Decrease) in cash in the year	24	186,424	(515,107)
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2016		1,289,031	1,804,138
Net funds at 31 August 2017		1,475,455	1,289,031

The notes on pages 27-45 form part of these financial statements.

Statement of Accounting Policies

For the year ended 31 August 2017

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

The financial statements of Knowledge Schools Trust (incorporated in England), a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (Charities SORP(FRS102)), the Academies Accounts Direction 2015 to 2017 issued by the ESFA, the Charities act 2011 and the Companies Act 2006.

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

Going concern

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

Income

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

- **Grants receivable**

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

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

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

- **Sponsorship income**

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

- **Donations**

Donations are recognised on a receivable basis 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 goods have been provided or on completion of the service.

Statement of Accounting Policies

For the year ended 31 August 2017

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

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

Expenditure

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

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

Tangible fixed assets

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

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

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

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

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

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

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

Statement of Accounting Policies**For the year ended 31 August 2017**

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

Provisions

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

Provisions are measured at the best estimate of the amounts required to settle the obligations. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risk specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Leased Assets

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

Taxation

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

Pensions

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

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

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

Statement of Accounting Policies**For the year ended 31 August 2017**

Fund accounting

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

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

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

Critical accounting estimates and areas of judgement.

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

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

2. GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State the Trust was not subject to limits at 31 August 2017 on the amount of GAG that could be carried forward from one year to the next.

Other notes to the Financial Statements

For the year ended 31 August 2017

3.	DONATIONS AND CAPITAL GRANTS	Unrestricted	Restricted	Total	Total
		Funds	Funds	2017	2016
		£	£	£	£
	Capital Grants	-	1,712,674	1,712,674	3,799,883
	Donations	-	140,046	140,046	156,320
		-	1,852,720	1,852,720	3,956,203
4.	FUNDING FOR THE TRUST'S EDUCATIONAL OPERATIONS	Unrestricted	Restricted	Total	Total
		Funds	Funds	2017	2016
		£	£	£	£
	DfE/ESFA grants				
	General Annual Grant (GAG)	-	6,796,000	6,796,000	5,738,479
	Start-up Grants	-	-	-	105,000
	Other DfE/ESFA grants	-	441,974	441,974	475,761
		-	7,237,974	7,237,974	6,319,240
	Other Government grants				
	Local authority grants	-	211,381	211,381	117,511
	Other income				
	Music Income	-	150,341	150,341	94,057
	Trips Income	-	201,630	201,630	151,105
	Other Income	-	51,367	51,367	30,456
		-	7,852,963	7,852,963	6,712,369
5.	OTHER TRADING ACTIVITIES	Unrestricted	Restricted	Total	Total
		Funds	Funds	2017	2016
		£	£	£	£
	Hire of Facilities	195,852	-	195,852	19,986
6.	INVESTMENT INCOME	Unrestricted	Restricted	Total	Total
		Funds	Funds	2017	2016
		£	£	£	£
	Short Term Deposits	1,023	-	1,023	1,999

Other notes to the Financial Statements

For the year ended 31 August 2017

7. EXPENDITURE	Non Pay Expenditure			Total 2017 £	Total 2016 £
	Staff costs £	Premises £	Other costs £		
Trust's educational operations					
- Direct costs	4,963,072	-	2,169,804	7,132,876	5,374,280
- Allocated support costs	1,465,123	113,464	1,036,323	2,614,910	2,355,015
	<u>6,428,195</u>	<u>113,464</u>	<u>3,206,127</u>	<u>9,747,786</u>	<u>7,729,295</u>
Net Income/expenditure for the year includes:				2017 £	2016 £
Fees payable to auditor					
- audit of financial statements				20,990	24,195
- other audit services				1,700	3,700
Depreciation				1,259,317	1,103,608
Operating lease rentals				9,940	8,538
				<u></u>	<u></u>
8. CHARITABLE ACTIVITIES				Total 2017 £	Total 2016 £
Trust's educational operations					
Direct costs					
Teaching and educational support staff costs				4,963,072	3,512,883
Depreciation				1,259,317	1,103,608
Technology costs				112,510	89,211
Educational supplies				310,314	271,914
Examination fees				66,715	51,313
Staff development				40,712	26,090
Other direct costs				380,236	319,261
				<u>7,132,876</u>	<u>5,374,280</u>
Allocated support costs					
Support staff costs				1,465,123	1,509,917
Recruitment and support				43,378	83,481
Maintenance of premises and equipment				113,464	42,933
Cleaning				142,852	93,704
Rent and rates				112,668	94,552
Energy				136,098	83,322
Security and transport				2,405	692
Catering				204,578	194,553
Bank interest and charges				4,860	2,486
Insurance				55,971	37,466
Other support costs				237,138	126,632
Governance costs				96,375	85,277
				<u>2,614,910</u>	<u>2,355,015</u>
Total resources expended on Trust's educational operations				<u>9,747,786</u>	<u>7,729,295</u>

Other notes to the Financial Statements

For the year ended 31 August 2017

9. STAFF COSTS

	Total 2017 £	Total 2016 £
Staff costs during the period were:		
Wages and salaries	4,547,435	3,425,404
Social Security costs	472,873	330,305
Pensions costs	918,171	572,725
	<u>5,938,479</u>	<u>4,328,434</u>
Extra-curricular/Contractor teacher costs	482,861	694,366
Staff Severance Payment	6,855	-
	<u>6,428,195</u>	<u>5,022,800</u>

STAFF SEVERANCE PAYMENTS

Included in staff costs are non-contractual staff severance payments totalling £6,855 (2016: £nil). Individually the payment was £2,855 and £4,000 (2016: £nil).

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

STAFF NUMBERS

	2017 No.	2016 No.
Charitable activities		
Teachers	61	48
Administration and support	61	47
Management	15	10
	<u>137</u>	<u>105</u>

Higher paid staff

The number of employees whose emoluments fell within the following bands was:

£60,001 to £70,000	14	9
£70,001 to £80,000	6	4
£80,001 to £90,000	2	-
£90,001 to £100,000	1	1
£100,001 to £110,000	-	-
£110,001 to £120,000	1	1
	<u>1</u>	<u>1</u>

Seventeen (2016- ten) of the above employees participated in the Teachers' Pension Scheme and five (2016 – five) participated in the Local Government Pension Scheme. During the year ended 31 August 2017 pension contributions for higher paid staff amounted to £228,540 [LGPS £65,474 and Teachers £163,066]; (2016: £170,136 [LGPS £70,051 and Teachers £100,085]).

Key management personnel

The key management personnel of Knowledge Schools Trust comprise the Trustees and the senior management team listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Trust was £430,121 (2016: £349,322)

Other notes to the Financial Statements

For the year ended 31 August 2017

10. RELATED PARTY TRANSACTIONS – TRUSTEES' REMUNERATION AND EXPENSES

Two Trustees have been paid remuneration from employment with the Trust. Both CEOs employed during the year are Trustees and only received remuneration in respect of services provided undertaking the role of CEO under their contracts of employment and not in respect of their role as Trustee. The value of the CEOs' remuneration and other benefits was as follows:

Mr T Young (resigned 31st December 2016 CEO and Trustee)

Remuneration: £0 – £10,000 (2016: £50,000 – £60,000)

Employer's pension contributions: £0 – £5,000 (2016: £10,000 – £15,000)

Mr I Hunter CEO (appointed 1st January 2017)

Remuneration: £50,000-£60,000

Employer's pension contributions: £10,000– £15,000

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

During the year ended 31 August 2017, no travel and subsistence expenses were reimbursed to any Trustee (2016: £nil).

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

11. CENTRAL SERVICES

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

Financial, accounting, auditing and compliance services

Legal services

Educational support services

Management of capital projects

Management of trust-wide procurements

Human resources services

During the year, the Trust charged for these services on a % basis of each school's annual allocation income, 1/12 of which was remitted monthly by the schools to the Central Trust Team. For all schools this was 4.5% this period (2016: WLFS 4.5%, WLFSP and ECFSP 4%). These charges were recommended and approved by the LGB of each school. The actual amounts levied during the year were:

CENTRAL SERVICES CHARGE	2017	2016
	£	£
West London Free School	208,212	190,159
West London Free School Primary	54,231	38,792
Earl's Court Free School Primary	24,502	17,389
Kensington Primary Academy	17,113	-
Total	304,058	246,340

12. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice, the Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2017 was included in the total premium paid by the charity of £33,082 (2016: £33,022).

Other notes to the Financial Statements

For the year ended 31 August 2017

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold Property £	Assets in Construction £	Motor Vehicles £	Fixtures, fittings & equipment £	ICT Equipment £	Total £
Cost							
At 1 September 2016	27,797,126	5,773,229	228,151	72,779	1,025,631	1,186,966	36,083,882
Additions	5,530	130,527	1,215,565	-	356,693	133,155	1,841,470
Transfers	-	1,443,716	(1,443,716)	-	-	-	-
At 31 August 2017	27,802,656	7,347,472	-	72,779	1,382,324	1,320,121	37,925,352
Depreciation							
At 1 September 2016	762,304	345,831	-	59,292	493,242	756,711	2,417,380
Charged in year	556,053	146,949	-	7,510	304,676	244,129	1,259,317
Transfers	-	-	-	-	-	-	-
At 31 August 2017	1,318,357	492,780	-	66,802	797,918	1,000,840	3,676,697
Net Book Value							
At 31 August 2017	26,484,299	6,854,692	-	5,977	584,406	319,281	34,248,655
At 31 August 2016	27,034,822	5,427,398	228,151	13,487	532,389	430,255	33,666,502

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

Leasehold improvements at the Cambridge Grove site (long leasehold property) were £1,346,092 (2016- £687) and additions to Freehold property at the Bridge Avenue site were £5,530 (2016-£57,943) during the year to 31 August 2017.

The Freehold land and building relates to Palingswick House, 241 King Street, W9 9LP and Franklin House, 2 Bridge Avenue, W6 9JP which were acquired on 17 November 2014 and 1 April 2014 for £5,800,000 and £9,250,000.

The leasehold property relates to Cambridge Grove which was leased on 8 April 2014 for a term of 125-year lease.

14. DEBTORS

	2017 £	2016 £
VAT	189,617	187,572
Other debtors	302,823	415,900
Prepayments and accrued income	248,848	225,416
	<u>741,288</u>	<u>828,888</u>

Other notes to the Financial Statements

For the year ended 31 August 2017

15. CREDITORS: amounts falling due within one year	2017 £	2016 £
Trade creditors	807,627	666,720
Taxation and social security	128,086	178,070
Other creditors	244,554	171,342
Accruals and deferred income	318,815	236,475
	<u>1,499,082</u>	<u>1,252,607</u>

Deferred income (included within accruals and deferred income of £170,476)	2017 £
Deferred income at 1 September 2016	130,468
Resources deferred in the year	162,346
Amount released from previous years	(122,338)
	<u>170,476</u>

Deferred income held at 31 August 2017 includes capital and general funding received and related to the year ending 31 August 2017, deposits held for school trips that had not taken place by 31 August 2017, catering and music income received in advance of September 2017.

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

Other notes to the Financial Statements

For the year ended 31 August 2017

16. FUNDS (continued)

FUNDS (2016)	Balance at 1 September 2015 £	Incoming Resources £	Resources (expended) £	Gains, Losses and Transfers £	Balance at 31 August 2016 £
Restricted general funds					
General Annual Grant (GAG)	578,207	5,738,479	(5,413,534)	(133,089)	770,063
Start-up Grant	139,788	105,000	(105,000)	-	139,788
Other DfE/ESFA/LA grants	-	593,272	(593,272)	-	-
Other income	(91,756)	427,880	(427,880)	-	(91,756)
Pension reserve	(107,000)	-	(518,000)	-	(625,000)
	<u>519,239</u>	<u>6,864,631</u>	<u>(7,057,686)</u>	<u>(133,089)</u>	<u>193,095</u>
Restricted fixed assets funds					
DfE/ESFA capital grants	30,750,256	3,376,368	(1,042,466)	-	33,084,158
Local Authority Capital Grant	-	299,309	(5,986)	-	293,323
Capital expenditure from other funds	82,883	-	(55,157)	133,089	160,815
Private capital donation	4,000	124,206	-	-	128,206
	<u>30,837,139</u>	<u>3,799,883</u>	<u>(1,103,609)</u>	<u>133,089</u>	<u>33,666,502</u>
Total restricted funds	<u>31,356,378</u>	<u>10,664,514</u>	<u>(8,161,295)</u>	<u>-</u>	<u>33,859,597</u>
Unrestricted funds					
Unrestricted funds	21,174	26,043	-	-	47,217
Total unrestricted funds	<u>21,174</u>	<u>26,043</u>	<u>-</u>	<u>-</u>	<u>47,217</u>
Total funds	<u>31,377,552</u>	<u>10,690,557</u>	<u>(8,161,295)</u>	<u>-</u>	<u>33,906,814</u>

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

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

Under the funding agreements with the Secretary of State, the Trust was not subject to a limit on the amount of GAG it could carry forward at 31 August 2017.

Other notes to the Financial Statements

For the year ended 31 August 2017

16. FUNDS (continued)

Analysis of fund balances by entity

Fund balances at 31 August 2017 were made up as follows:

	Unrestricted	Restricted funds	Total 2017	Total 2016
	£	£	£	£
West London Free School	26,903	53,116	80,019	237,567
West London Free School Primary	6,954	216,986	223,940	242,547
Earl's Court Free School Primary	3,106	144,186	147,292	173,420
Kensington Primary Academy	28	5,320	5,348	-
Central Trust Team	207,101	53,961	261,062	211,778
Total before fixed assets and pension reserve	244,092	473,569	717,661	865,312
Restricted fixed asset fund			34,248,655	33,666,502
Pension reserve			(1,002,000)	(625,000)
Total			33,964,316	33,906,814

The West London Free School's retained surplus dropped to £80,019 at 31 August 2017 from £237,566 at 31 August 2016 due to a number of financial pressures, most significantly having to operate across two sites. The Sixth Form, which is located separately from the rest of the secondary school, accepted its first cohort of pupils in September 2016. The cost of maintaining a second site was not balanced by the additional funding received for the Sixth Form pupils. This drain on resources will be countered in 2017-18 by the arrival of a second year of Sixth Formers with the associated funding and in 2018-19 the school will see further funding increases due to acceptance of an additional 50 pupils across years 7 to 11.

The West London Free School Primary and Earl's Court Free School Primary are carrying comfortable surpluses of £223,940 and £147,292 respectively (2016: £242,547, and £173,420) due to historically prudent financial management and savings generated as a result of delays in recruitment to a number of senior leadership posts. The decrease in the retained surplus during this financial year was due to reserves being deliberately allocated to capital improvements within the Cambridge Grove site, which the two schools currently share. Some of the improvements were co-funded by the ESFA by means of its Condition Improvement Fund.

Kensington Primary Academy is carrying a net surplus of £5,348. This reflects prudent financial management in its first year of operation, when it managed to achieve a surplus despite having funding for just 30 pupils, while having to maintain and operate a five-storey school building.

The Trust's Central Team is carrying a surplus of £261,062 (2016: £211,778). The historic surplus is due to a combination of prudent financial management and delays in expanding the team, while the increase in the surplus this year is primarily driven by an increase in income generated from lettings of the Trust's assets outside school hours.

Other notes to the Financial Statements

For the year ended 31 August 2017

16. FUNDS (continued)

Analysis of expenditure by entity

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

	Teaching and Educational Support Staff Costs	Other Support Staff Costs	Educational Supplies	Other costs (excluding Depreciation)	Total
	£	£	£	£	£
WLFS	3,638,505	690,418	173,686	1,084,311	5,586,920
WLFS Primary	814,150	280,515	82,510	247,657	1,424,832
ECFS Primary	370,276	25,415	15,697	180,375	591,763
KPA	140,141	68,630	38,421	143,735	390,927
Central Trust Team	-	400,145	-	93,882	494,027
Total	4,963,072	1,465,123	310,314	1,749,960	8,488,469

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2017 are represented by:

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

18. CAPITAL COMMITMENTS

There were no capital commitments contracted for, but not provided for in the financial statements, at 31 August 2017 or at 31 August 2016.

19. FINANCIAL COMMITMENTS

Operating leases

At 31 August 2017 the total of the Trust's future minimum lease payments under non-cancellable operating leases was:

	2017 £	2016 £
Amounts due within one year	9,940	7,127
Amounts due between one and five years	4,285	8,808
Amounts due after five years	-	-
	14,225	15,935

Other notes to the Financial Statements

For the year ended 31 August 2017

20. EVENTS AFTER THE BALANCE SHEET DATE

At 31 August 2017, the Trust had still not signed an agreement to lease the school site for Kensington Primary Academy, which opened in September 2016, from RBKC. This will be a long leasehold agreement at peppercorn that will be granted by RBKC to the Trust, and once granted, the lease will be capitalised.

21. RECONCILIATION OF NET INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2017 £	2016 £
Net income	57,502	2,529,262
Depreciation (note 13)	1,259,317	1,103,609
Capital grants from ESFA and other capital income	(1,841,470)	(3,932,972)
Interest receivable (note 6)	(1,023)	(1,999)
Pension cost less contributions payable (note 27)	377,000	518,000
Pension finance income (note 27)	-	-
Decrease in stocks	-	757
Decrease in debtors	87,600	1,329,853
Increase/(decrease) in creditors	246,475	(2,063,616)
Net cash inflow/(outflow) from operating activities	185,401	(517,106)

22. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2017 £	2016 £
Interest received	1,023	1,999
Net cash inflow from returns on investment and servicing of finance	1,023	1,999

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2017 £	2016 £
Purchase of tangible fixed assets	(1,841,470)	(3,932,972)
Capital grants from ESFA	1,712,674	3,799,883
Capital funding received from sponsors and others	128,796	133,089
Net cash outflow from capital expenditure and financial investment	-	-

24. ANALYSIS OF CHANGES IN NET FUNDS	At 1 September 2016 £	Cash flow £	At 31 August 2017 £
Cash in hand and at bank	1,289,031	186,424	1,475,455

25. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 August 2017 or at 31 August 2016.

Other notes to the Financial Statements

For the year ended 31 August 2017

26. MEMBERS' LIABILITY

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

27. PENSION AND SIMILAR OBLIGATIONS

The Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Local Authority. Both are defined-benefit pension schemes. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

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

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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.

Other notes to the Financial Statements

For the year ended 31 August 2017

27. PENSION AND SIMILAR OBLIGATIONS (continued)

The total pension costs paid to TPS in the period amounted to £616,441 (2016: £475,048). 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 Trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £330,704. (31 August 2016: £336,926), of which employer's contributions totalled £256,247 (2016: £277,261), and employees' contributions totalled £74,457 (2016: £59,665). The agreed contribution rates for future years are 23.9% per cent (2016: 23.9%) for employers and 5.5-12.5 per cent (2016: 5.5-12.5 per cent) 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 2017 %	At 31 August 2016 %
Rate of increase in salaries	4.2	4.1
Rate of increase for pensions in payment/inflation	2.7	2.3
Discount rate for scheme liabilities	2.6	2.2

Sensitivity analysis for the principal assumptions used to measure scheme liabilities

	£	£	£
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	1,697,000	1,752,000	1,808,000
Projected service cost	510,000	526,000	542,000
Adjustment to long term salary increase	+0.1%	0%	-0.1%
Present value of total obligation	1,753,000	1,752,000	1,751,000
Projected service cost	526,000	526,000	526,000
Adjustment to pension increases and deferred revaluation	+0.1%	0%	-0.1%
Present value of total obligation	1,807,000	1,752,000	1,699,000
Projected service cost	542,000	526,000	510,000
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	1,808,000	1,752,000	1,698,000
Projected service cost	543,000	526,000	510,000

Other notes to the Financial Statements

For the year ended 31 August 2017

27. PENSION AND SIMILAR OBLIGATIONS (continued)

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

	At 31 August 2017	At 31 August 2016
<i>Retiring today</i>		
Males	24.4	22.9
Females	26.0	25.3
<i>Retiring in 20 years</i>		
Males	26.7	25.2
Females	28.3	27.7

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

Movements in the present value of defined benefit

	Fair value At 31 August 2017 £	Fair value At 31 August 2016 £
Equities	392,000	404,000
Bonds	-	-
Absolute Return Portfolio	-	141,000
Cash	15,000	45,000
Property	40,000	43,000
Inflation Opportunities fund	70,000	77,000
Multi Asset Credit funds	-	90,000
Cash plus Funds	233,000	-
Total % return on assets		
Total market value of assets	750,000	800,000
Present value of scheme liabilities		
- Funded	(1,752,000)	(1,425,000)
Deficit in the scheme	(1,002,000)	(625,000)

The actual return on scheme assets was £100,000 (2016: £53,000).

Other notes to the Financial Statements

For the year ended 31 August 2017

27. PENSION AND SIMILAR OBLIGATIONS (continued)

Movements in the present value of defined benefit Obligations were as follows	2017 £	2016 £
At 1 September	1,425,000	604,000
Current service cost	509,000	277,000
Interest cost	32,000	25,000
Employee contributions	69,000	59,000
Change in financial assumption	(283,000)	460,000
At 31 August (closing defined benefit obligation)	1,752,000	1,425,000
Movements in the fair value of Trust's share of scheme assets	2017 £	2016 £
At 1 September	800,000	497,000
Interest on assets	21,000	25,000
Return on assets less interest	79,000	28,000
Administrative expenses	(1,000)	-
Employer contributions	241,000	191,000
Employee contributions	69,000	59,000
Other actuarial gains/(losses)	(459,000)	-
At 31 August	750,000	800,000
	£	£
Service cost	509,000	277,000
Net interest on the defined liability	11,000	-
Administrative expenses	1,000	-
Total operating expense	521,000	277,000
Return on assets in excess of interest	(79,000)	(28,000)
Change in financial assumptions	(176,000)	460,000
Total comprehensive income	97,000	432,000
Total amount recognised in statement of financial activities	618,000	709,000

The actuarial gains and losses for the current year are recognised in the statement of financial activities.

Other notes to the Financial Statements

For the year ended 31 August 2017

28. RELATED PARTY TRANSACTIONS – See Note 10

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

The following related party transaction took place in the period:

During the year ended 31 August 2016 the Trust had donations receivable totalling £106,902 (2016: £147,882) from Knowledge Schools Foundation Trust, a company and registered charity that shares some common Trustees with Knowledge Schools Trust.

29. PRIOR YEAR STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed asset Funds £	Total 2016 £
Income and endowments from:				
Donations and capital grants	4,058	152,262	3,799,883	3,956,203
Charitable activities				
Funding for the Trust's educational operations	-	6,712,369	-	6,712,369
Other trading activities	19,986	-	-	19,986
Investments	1,999	-	-	1,999
Total	26,043	6,864,631	3,799,883	10,690,557
Expenditure on:				
<i>Charitable activities</i>				
Trust's educational operations	-	6,625,686	1,103,609	7,729,295
Net incoming resources before transfers	26,043	238,945	2,696,274	2,961,262
Gross transfers between funds	-	(133,089)	133,089	-
Net income for the year	26,043	105,856	2,829,363	2,921,262
Other recognised gains and losses				
Actuarial losses on defined benefit pension schemes	-	(432,000)	-	(432,000)
Net movement in funds	26,043	(326,144)	2,829,363	2,529,262
Reconciliation of funds				
Funds brought forward at 1 September 2015	21,174	519,239	30,837,139	31,377,552
Funds carried forward at 31 August 2016	47,217	193,095	33,666,502	33,906,814