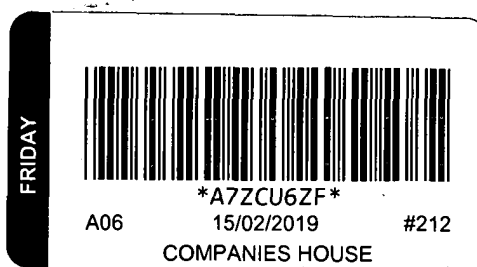


Company Registration Number: 07954683 (England and Wales)

**Khalsa Education Trust**  
**(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**  
**Year ended 31 August 2018**



**Khalsa Education Trust**  
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**Khalsa Education Trust**  
**Reference and Administrative Details**

Members	Mr Harnek Bhullar Singh Mr Hardev Singh Sidhu Dr Jatinder Singh Mehmi
Trustees	Mr Hardev Singh Sidhu* (Chair) Mr Harnek Bhullar Singh * Dr Jatinder Singh (Education) Mr Sukhraj Singh Gill (Education & Curriculum) Mrs Balijnder Kaur Toor (Education) (Resigned 2 November 2017) Mrs Sulinder Kaur Thiara* (Resigned 5 November 2018) Mr Palvinder Singh (Appointed 20 November 2017) Mr Joad Singh (Resigned 30 October 2018) Mr Chris Needham (Vice Chair) (Appointed 20 November 2017) Mr Mandeep Chaggar* (Appointed 20 November 2017) Mr Richard Berry (Appointed 1 August 2018) Mr Rashpal Singh Sagoo (Appointed 12 June 2018) Mrs Rebecca White (Appointed 12 June 2018) Mrs Davender Kaur Bahi* (Appointed 21 March 2018)  * members of the finance committee
Company Secretary	Mr Harnek Bhullar Singh
Senior Management Team	Mrs Davender Kaur Bahi (Principal) Mr Jordon Licence (Assistant Principal) Mrs Sarah Rai (Assistant Principal) (Appointed 1 September 2018)
Company Name	Khalsa Education Trust
Principal Office	Fir Tree Rise Leeds LS17 7EZ
Registered Office	24 Station Road Ossett Wakefield WF5 8AD
Company Registration Number	07954683 (England and Wales)

## **Khalsa Education Trust**

### **Reference and Administrative Details (continued)**

Independent Auditor	Gibson Booth Chartered Accountants and Statutory Auditors New Court Abbey Road North Shepley Huddersfield HD8 8BJ
Bankers	Lloyds Bank 17 Westgate Wakefield WF1 1JZ
Solicitors	Michelmores LLP Woodwater House Pynes Hill Exeter EX2 5WR

## **Khalsa Education Trust**

### **Trustees' Report**

The trustees present their annual report together with the financial statements and auditors' report of the charitable company for the period from 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The Trust operates Khalsa Science Academy (KSA), a one form entry primary school for 210 pupils which opened on 1 September 2013.

During the academic year of 2017/18, there have been considerable changes in staffing since the last OFSTED inspection, in June 2017. The school has appointed, the then acting principal, as the substantive principal. Also, two new leadership posts have been created and hence two assistant principals appointed (in April 2018 and September 2018). Permanent teachers' contracts have now replaced almost all of the short-term supply arrangements. In September 2017, two teachers new to teaching took up posts and remain on the school staff. In September 2018, two additional teachers who are new to teaching joined the staff team.

As planned, the school continues to increase in size by one class each year. There are now 134 pupils on roll from Reception to Year 5. The school will have its full complement of primary year groups by the start of the next academic year, 2019/20.

On 1 October 2018, as a follow-up to the "Requires Improvement" OFSTED inspection that took place in June 2017, a monitoring inspection visit was conducted. The HMI reported that "Senior leaders and trustees are taking effective action to tackle the areas requiring improvement identified at the recent section 5 inspection in order for the school to become good".

During this current academic year, the school will take further action to:

- ensure that the positive start governors have made to distribute leadership more effectively continues, with new senior leaders being fully supported in directing areas of school improvement successfully.
- support middle leaders in checking that teachers' assessments are accurate, and in using this information alongside checks on pupils' work, to make sure that all pupils, particularly those of lower and higher ability, make strong progress from their starting points.
- continue to improve links with parents and carers and to work with them to improve attendance and punctuality.

### **Structure, Governance and Management**

#### **Constitution**

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

An external review of governance took place in autumn 2017. The board of trustees has expanded by four members to widen its skills and diversity. Details of the trustees who served throughout the period except as noted are included in the Reference and Administrative Details on page 1.

#### **Members' liability**

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

#### **Trustees' indemnities**

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

#### **Principal Activities**

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

#### **Method of recruitment and appointment or election of members and trustees**

The current members were the proposers of the free school, plus trustees' taken as representatives from the staff, parents of the children, and the wider community.

The trustees periodically review the skills required to enable the effective management of the academy trust, and where additional skills are needed approaches will be made to members of the community. During the last Autumn Term, the earlier mentioned, external review was conducted by senior representatives from the Leeds City Council Governors Support Services Team. Action Plans have been drawn up and being progressed by the Trustees.

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

## **Khalsa Education Trust**

### **Trustees' Report (continued)**

#### **Policies and procedures adopted for the induction and training of members/trustees**

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

#### **Organisational Structure**

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

Organisationally the structure of the Trust for 2017/18 remains the same as the previous academic year, with the establishment of the school's Board of Trustees serving as the local governing body of Khalsa Science Academy and the establishment of their finance and audit sub-committee who have undertaken the detailed financial review of the school. However, as a direct result of the recent external governance review, the Local Governing Body is now known as the Board of Trustees.

Principally the majority of risks to which the Academy Trust are now exposed to, are considered by the Trustees related to the running of Khalsa Science Academy, (KSA) with a specific focus on improving the standard of education offered at the school to all pupils.

Historically, back in 2015, due to delays in agreeing a feasible capital budget within an increasingly confident construction market place resulted in considerable credibility and PR damage within the school's new potential catchment area. Eventually, sixteen months later, January 2017, the school moved to new build at the permanent site at Alwoodley, Leeds. Such reputational damage can take a considerable time period to recover from, as much 3-5 years.

#### **Arrangements for setting pay and remuneration of key management personnel**

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

#### **Connected Organisations, Including Related Party Relationships**

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

Committed parents from West Yorkshire, have demonstrated their passion for outstanding education for their children by sending them to Khalsa Science Academy at Leeds. Naturally these families needed transportation to have the children attend the school, hence they formed a not for profit establishment, to arrange and provide a transport service for the stated purpose. To this end, the Sikh Community led establishment, lends free of charge, two mini buses, one for the Bradford route and the other for the South/Central Leeds route to the academy. The maintenance, fuel and general up keep of these vehicles, along with the drivers and escorts, as required, are funded by the academy trust.

### **Objectives, Strategies and Activities**

#### **Objects and aims**

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

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

#### **Objectives, strategies and activities**

The principal activity of the trust is to establish Sikh ethos schools and academies with a focus on science, technology, engineering and mathematics within the Yorkshire region. Khalsa Science Academy, Leeds is the first school that the trust has sponsored.

## **Khalsa Education Trust**

### **Trustees' Report (continued)**

#### **Public Benefit**

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

#### **Strategic Report**

##### **Achievements and Performance**

The principal achievement of the trust during this period has been the completion of the fifth academic year at Khalsa Science Academy, and the successful completion of a strong OFSTED inspection monitoring visit.

As at the financial year end, 31 August 2018, Khalsa Science Academy made solid progress. The school has concluded another eventful and extremely busy year. Therefore, on behalf of the Trust Members and the Trustees, I would like to take this opportunity to say a sincere thank you to the Principal, and the KSA staffing team as a whole for all their hard work during the past year. Also, we appreciate the support afforded to us by the passionate parents and the pupils during the same period. The parents contributed very positively through an independent survey, the results of which were scrutinised and commented on by OFSTED in their latest report, please see the website for further details.

The most recent OFSTED inspection of June 2017, awarded the school with a Good for three of the five judgement areas, compared to only the one back in 2015. Please visit the school website <http://www.khalsascienceacademy.org.uk/wp-content/uploads/2015/07/Khalsa-ScienceAcademy-Published-Report-July-2017.pdf> to view the full report.

##### **Key Performance Indicators**

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

During the time period of this report, the extra SLT capacity and capabilities have driven up the teaching and learning standards further, hence building upon the latest OFSTED Inspection June 2017.

Basically, this is most evident in the following attainments:

Subject	End of Key Stage1 Achievements 2018	
	National Average	KSA Average
Mathematics	76%	79%
Reading	75%	75%
Writing	70%	71%
Science	83%	83%

For the last three years in succession, pupils at Khalsa Science Academy achieve results in-line or above national expectations in their Statutory Key Stage 1 Tests. Going forward, as the school grows, the Trustees' will continue to carefully monitor and evaluate the progress made by its pupils.

It is worth noting that the academic year of 2017/18, represents the school's first full year at the permanent site, now housed in a purpose-built, first class education facility. Given that we are a new school to this part of the Leeds district, it will take time to establish ourselves, perhaps over the next 3/5 years.

Now that we have started to settle in at our new permanent building and site, we will obviously invest more in marketing, to make the local community aware of our existence and progress to date.

In the background, the school considered plans of joining a successful MAT by the name KAT (Khalsa Academies Trust). Due to lack of support from the RSC, these plans have been ceased. Therefore, the current academic year 2018-19, will allow the SLT and the new permanent staffing team to develop and establish itself at our permanent surroundings.

##### **Going Concern**

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. Specifically, a 3 Year Forecast Budget has been approved by the Board of Trustees, including a robust and detailed financial projection based on prudent pupil number estimates and resourcing/staffing requirements which is now being executed to ensure that the financial position of the Trust continues to improve and delivers financial resilience and sustainability for the long term. The Board of Trustees recognises a short term risk in pupil recruitment matters, as these directly reflect the revenue available to the school. Therefore, members/trustees and the school leadership are determined, wherever possible, to work together in tightly controlling expenditure, raising extra revenues through fund raising and of course, to attract the sufficient number of pupils through a new confident pupil recruitment process. 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.

## **Khalsa Education Trust**

### **Trustees' Report (continued)**

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

Our short term measures, in controlling expenditure, budgeting and reporting management accounts on a monthly basis maintains a strong financial direction. These are working effectively, and as can be seen from the accounts, the deficit came into being through exceptional, one off items. Although, such items cannot completely be ruled out in the future, trustees will need to remain vigilant throughout the next two years before the school can start to build a small surplus again.

Given these undertakings, the trustees have a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies, especially within the minutes of the termly finance and audit subcommittees' meetings.

#### **Financial Review**

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

During the year ended 31 August 2018 the academy made a surplus of £17,442 on restricted and unrestricted funds, excluding pension fund movement and fixed asset funds.

The Academy also received capital funding of £128,438 during the period. Details are shown in note 2 to the financial statements.

The Academy held unrestricted funds as at 31 August 2018 of £10,520. Total restricted funds were (£126,470), including the pension scheme reserve of (£64,000). The fixed asset funds as at 31 August 2018 were £3,458,602.

The deficit on GAG reserves was reduced by £21,318 during the year ended 31 August 2018.

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

#### **Principal risks and uncertainties**

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

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

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

#### **Financial and risk management objectives and policies**

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

#### **Reserves Policy**

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

#### **Investment Policy**

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



## **Khalsa Education Trust**

### **Trustees' Report (continued)**

#### **Plans for Future Periods**

Looking ahead, during the current academic year, 2018/19, Trustees have a clear vision for the school that is rooted in the school's golden rules: kind, honest, achieve well, lead, share for all humanity (KHALSA). They are passionate about ensuring that pupils have wide experiences that will support them well in their future lives. They understand that as the school grows and develops, its needs change. They have reacted positively, since the last inspection, to assessing elements of their role that need to change and develop. They have undertaken a review of governance which has helped to direct some of their actions for improvement. They have widened the skills and diversity of the board with the appointment of four new trustees, who bring experience in education, recruitment and safeguarding. They have carefully considered the huge demands on you as the principal and amended the staffing structure to ensure that leadership is more distributed and effective.

The new assistant principals show enthusiasm for their roles and are positive about the sense of teamwork that has been created. It is very early days, but they feel valued and listened to by you. There is a clear programme in place for training and support in their new roles, and also in the activities that they are starting to undertake to effectively monitor and evaluate the quality of teaching and learning.

Instability in staffing has been settled. At the time of the previous inspection, all classes were being taught by supply staff. Governors have taken advice about the effective recruitment of high-quality staff. They have undertaken training in safer recruitment and have not been afraid to re-advertise a position if they have felt that candidates have not met the school's high expectations and requirements. Direction for improvement is now purposeful and actions taken more sustainable. Effective teaching strategies are being delivered consistently and improvements built upon. Staff are positive about being on the journey of improvement together.

More stability in teaching staff has meant that strategies for improvement have been more consistently implemented. Teachers and teaching assistants have valued the opportunity to work with colleagues at local schools to evaluate and implement effective strategies to improve pupils' progress in reading, writing and mathematics.

Stronger external partnerships have been essential to the school's improvement so far, and leaders know how important it is to maintain and develop these further.

#### **Funds Held as Custodian Trustee on Behalf of Others**

There are no funds held on behalf of others.

#### **Statement as to Disclosure of Information to Auditors**

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

Approved by order of the board of trustees on 20<sup>th</sup> Dec 2018 and signed on its behalf by:



.....  
H B Singh  
Trustee

## **Khalsa Education Trust**

### **Governance Statement**

#### **Scope of Responsibility**

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

The board of trustees has delegated the day-to-day responsibility to the Principal, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Khalsa Education Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

#### **Governance**

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

<b>Member</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
Mr Harnek Bhullar Singh (Chair)	2	2
Mr Hardev Singh Sidhu	2	2
Dr Jatinder Singh Mehmi	2	2

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

#### **Overview**

The governing body (Board of Trustees) conducts its business to take account of the three roles of the governing bodies as outlined in the Governors' Handbook:

1. Ensuring clarity of vision, ethos and strategic direction;
2. Holding the Headteacher to account for the educational performance of the school and its pupils;
3. Overseeing the financial performance of the school and making sure its money is well spent.

The day to day management of the school is the responsibility of the Head teacher and senior leadership team.

The governing body also ensures that the school complies fully with statutory safeguarding procedures. All staff have signed a record to confirm they have read Part 1 of the DfE statutory guidance "Keeping Children Safe in Education". The governing body has familiarised itself with the document and the safeguarding trustee has worked with the safeguarding lead in school to complete the annual safeguarding audit.

#### **The composition of the governing body**

We are on the lookout for further experienced professionals. The range of skills across the governing body includes strengths in experience of professional leadership, understanding of national education policy, and financial management. Knowledge of SEN practice and safeguarding work was initially less well developed and so trustees have attended training in these areas to build up their knowledge.

#### **Meetings of the governing body and attendance**

The full governing body held seven meetings during the full academic year; all meetings were clerked by a trained professional clerk. Following on from recommendations from the last Ofsted visit, June 2017, we have considered changing these arrangements to improve focus and effectiveness, introducing three sub committees. Please see below for further details.

#### **The remit of the governing body and its committees**

The governing body and senior leadership team reviewed learning outcomes in July 2018, taking in to account 2018 statutory assessment results across all key stages and the school's internal monitoring of pupil progress. The self-evaluation then informed our school development plan which includes work for 2018/19 on:

#### **Overall areas to develop for 2018/19**

##### **Leadership and Management:**

- To refine the curriculum to reflect a broad and balanced curriculum with an emphasis on the school values, British values and scientific enquiry skills.
- To build in a CPD programme for coordinators to lead their subjects in order to raise standards in all subjects.

## Khalsa Education Trust

### Governance Statement (continued)

#### Quality of teaching, learning and assessment:

- To provide more opportunities for extended writing across the curriculum.
- To embed a consistent approach to planning, differentiation and marking across the school

#### Personal development, behaviour and welfare:

- To ensure that attendance is in line or above national averages, in particular for Pupil Premium children.

#### Outcomes for children and learners:

- To raise standards in all core subjects and at greater depth.
- To ensure all groups of children are making expected progress where disadvantaged pupils can also make good progress.

#### Effectiveness of the early years provision:

- To raise the attainment for Literacy.

Attendance during the year at meetings of the board of trustees of Khalsa Science Academy were as follows:

	Meetings attended	Out of a possible
Mrs Davender Kaur Bahi (Principal)	7	7
Mr Palvinder Singh	3	7
Mr Sukhraj Singh Gill	4	7
Mr Joad Singh (vice Chair)	6	7
Mrs Sulinder Kaur Thiara	7	7
Mr Jatinder Singh Mehmi	2	7
Mr Mandeep Chaggar	7	7
Mr Harnek Bhullar Singh (Chair)	7	7
Mr Chris Needham (vice Chair)	6	7
Mr Richard Berry	1	3
Mr Rashpal Singh Sagoo	3	3
Mrs Rebecca White	2	2
Mr Hardev Singh Sidhu	3	7

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

	Meetings attended	Out of a possible
Mrs Davender Kaur Bahi (Principal)	5	6
Mr Mandeep Chaggar	1	1
Mr Harnek Bhullar Singh	5	6
Mr Hardev Singh Sidhu (Chair)	6	6
Mr Bas Basra	4	4
Mrs Sulinder Kaur	2	3
Ms Linda Talbot (Bookkeeper)	5	6

#### Membership

The Trustees, following advice from Ofsted have built on the Trustee membership in the academic year 2017-2018 and now have additional Trustees who have additional skills to support the Governing Body and enable the Principal to work more effectively, something which was identified by Ofsted in June 2017. "Governors have not moved promptly, effectively and consistently to ensure that leadership at the school is robust. They have relied too heavily on the acting principal to undertake the full range of leadership tasks. They have not been active in providing her with the support she needs to ensure that there is a full complement of full-time staff."

#### Training and development

The Governing body carried out a self-review of effectiveness and roles with the help of Learning for Leeds at the academic year. It was agreed that the Governors needed to become Trustees to carry out their roles effectively.

Following the review and change to trustees it was agreed that we needed to increase the number of trustees and to broaden the skill set. Over the past academic year four new trustees have been recruited with a wide range of appropriate skills and knowledge.

Trustees have undertaken a variety of trainings throughout the year and a recent skills audit has been carried out. Once the results have been co-ordinated and needs identified, recommendations for further training will be made in line with individual role and responsibilities.

## **Khalsa Education Trust**

### **Governance Statement (continued)**

#### **Inclusion**

Early identification of children who have a barrier to learning has increased over the past three years. A SEND report is sent to Trustees each term. The SEND Trustee meets with the school SENCO to discuss inclusion at Khalsa Science Academy

#### **Assessment**

Pupils at Khalsa Science Academy consistently achieve either in line or above national expectations in their Statutory Tests at Key Stage 1.

#### **Committees**

The full governing body meets at least three times a year; all meetings are clerked by a trained professional clerk. There are also another further two governing body committees each meeting twice a year (for example, marketing/communications committee, and premises committee) and which have delegated authority to make decisions on behalf of the governing body.

#### **Review of Value for Money**

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

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy trust has delivered improved value for money during the year by:

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

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

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

These principals will continue to be applied as the school continues to grow.

#### **The Purpose and the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Khalsa Education Trust for the period from 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

#### **Capacity to Handle Risk**

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period from 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. The process is regularly reviewed by the board of trustees.

## **Khalsa Education Trust**

### **Governance Statement (continued)**

#### **The Risk and Control Framework**

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

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

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

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

#### **Review of Effectiveness**

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

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

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

Approved by order of the members of the board of trustees on .....20.12.18.....and signed on its behalf by:

H S Sidhu  
Chair of Trust



H B Singh  
Accounting Officer



## **Khalsa Education Trust**

### **Statement of Regularity, Propriety and Compliance**

As accounting officer of Khalsa Education Trust I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the multi-academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2018.

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 ESFA.

H B Singh  
Accounting Officer



20/12/18

## **Khalsa Education Trust**

### **Statement of Trustees' Responsibilities**

The trustees (who act as governors of Khalsa Education Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the ESFA 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 2012 and the Academies Accounts Direction 2017 to 2018
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from 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 20.12.18 and signed on its behalf by:

H S Sidhu  
Chair of Trust



## **Khalsa Education Trust**

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

#### **Opinion**

We have audited the financial statements of Khalsa Education Trust for the year ended 31 August 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" the charities SORP 2012 and the Accounts Direction 2017 to 2018 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 academy trust's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2012 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

#### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which states that the academy trust had net current liabilities of £50,712 at 31 August 2018. As stated in the accounting policies, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

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

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

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the trustees' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



## **Khalsa Education Trust**

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

#### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 12, the trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 academy trust'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 academy trust 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

*A R S Russell*

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

29/12/13

## **Khalsa Education Trust**

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

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

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

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

The accounting officer is responsible, under the requirements of Khalsa Education Trust's funding agreement with the Secretary of State for Education dated 19 September 2011 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

#### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by 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.

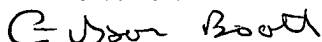
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

The work undertaken to draw our conclusions includes:

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

#### **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 from 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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

20/12/18

# **Khalsa Education Trust**

## **Statement of Financial Activities for the year ended 31 August 2018 (including Income and Expenditure Account)**

		Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2018	Total 2017
	Note	£	£	£	£	£
<b>Income and endowments from:</b>						
Donations and capital grants	2	-	-	128,438	128,438	1,796,633
<b>Charitable activities:</b>						
Funding for the academy trust's educational operations	3	-	650,058	-	650,058	499,240
Other trading activities	4	19,510	10,685	-	30,195	46,353
Investments		50	-	-	50	388
<b>Total</b>		<u>19,560</u>	<u>660,743</u>	<u>128,438</u>	<u>808,741</u>	<u>2,342,614</u>
<b>Expenditure on:</b>						
Raising funds	5	30,085	-	-	30,085	16,147
<b>Charitable activities:</b>						
Academy trust educational operations	6	-	640,776	149,917	790,693	744,007
<b>Total</b>		<u>30,085</u>	<u>640,776</u>	<u>149,917</u>	<u>820,778</u>	<u>760,154</u>
<b>Net income / (expenditure)</b>		(10,525)	19,967	(21,479)	(12,037)	1,582,460
<b>Other recognised gains / (losses):</b>						
Impairment of land and buildings		-	-	-	-	(336,126)
Actuarial gains on defined benefit pension schemes	13,17	-	8,000	-	8,000	13,000
<b>Net movement in funds</b>		<u>4,688</u>	<u>12,754</u>	<u>(21,479)</u>	<u>(4,037)</u>	<u>1,259,334</u>
<b>Reconciliation of funds</b>						
Total funds brought forward as previously stated		5,832	(139,224)	3,596,031	3,462,639	2,108,305
Prior year adjustment	19	-	-	-	-	95,000
Total funds brought forward restated		<u>5,832</u>	<u>(139,224)</u>	<u>3,596,031</u>	<u>3,462,639</u>	<u>2,203,305</u>
<b>Total funds carried forward</b>		<u>10,520</u>	<u>(126,470)</u>	<u>3,574,552</u>	<u>3,458,602</u>	<u>3,462,639</u>

# Khalsa Education Trust

## Balance Sheet as at 31 August 2018

		2018	2017
	Note	£	£
<b>Fixed assets</b>			
Tangible assets	10	3,573,314	3,594,792
<b>Current assets</b>			
Debtors	11	26,848	94,812
Cash at bank and in hand		146,387	110,010
		<u>173,235</u>	<u>204,822</u>
Creditors: Amounts falling due within one year	12	<u>(223,947)</u>	<u>(282,975)</u>
<b>Net current liabilities</b>		<u>(50,712)</u>	<u>(78,153)</u>
<b>Total assets less current liabilities</b>		3,522,602	3,516,639
<b>Net assets excluding pension liability</b>		<u>3,522,602</u>	<u>3,516,639</u>
Defined benefit pension scheme liability	17	<u>(64,000)</u>	<u>(54,000)</u>
<b>Total assets</b>		<u><u>3,458,602</u></u>	<u><u>3,462,639</u></u>
<b>Funds of the academy trust:</b>			
<b>Restricted funds</b>			
Fixed asset fund	13	3,574,552	3,596,031
Restricted income fund	13	(62,470)	(85,224)
Pension reserve	13	<u>(64,000)</u>	<u>(54,000)</u>
<b>Total restricted funds</b>		3,448,082	3,456,807
<b>Unrestricted income funds</b>	13	<u>10,520</u>	<u>5,832</u>
<b>Total funds</b>		<u><u>3,458,602</u></u>	<u><u>3,462,639</u></u>

The financial statements on pages 16 to 30 were approved by the trustees, and authorised for issue on 20.12.18 and are signed on their behalf by:



Mr H Singh Sidhu  
Trustee

Company Registration Number: 07954683

**Khalsa Education Trust**

**Statement of Cash Flows for the year ended 31 August 2018**

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Net cash provided by/(used in) operating activities	15	36,328	(471,733)
<b>Cash flows from investing activities</b>			
Interest receivable		50	388
Purchase of tangible fixed assets		(128,439)	(1,801,351)
Capital grants from DfE/ESFA		128,438	1,796,633
		<u>49</u>	<u>(4,330)</u>
<b>Change in cash and cash equivalents in the reporting period</b>		<u>36,377</u>	<u>(476,063)</u>
<b>Cash and cash equivalents at 1 September 2017</b>		110,010	586,073
<b>Cash and cash equivalents at the 31 August 2018</b>		<u><u>146,387</u></u>	<u><u>110,010</u></u>

## **Khalsa Education Trust**

### **Notes to the Financial Statements for the period ended 31 August 2018**

#### **1 Statement of Accounting Policies**

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

##### **Basis of Preparation**

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

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

##### **Going Concern**

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that, as a result of the having net current liabilities of £52,212, there is a material uncertainty that casts significant doubt on the ability of the company to continue as a going concern. The trustees have prepared forecasts that show a surplus of £50,075 for the year ending 31 August 2019 and that the deficit will be eliminated by 2019/20. In the meantime the company is expected to be able to continue as a going concern through careful management of working capital.

##### **Income**

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

##### **Grants**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

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

##### **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

##### **Other Income**

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.

##### **Donated goods, facilities and services**

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

## **Khalsa Education Trust**

### **Notes to the Financial Statements for the period ended 31 August 2018**

#### **1 Statement of Accounting Policies (continued)**

##### **Expenditure**

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

##### **Expenditure on Raising Funds**

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

##### **Charitable Activities**

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

##### **Tangible Fixed Assets**

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

Freehold land	Not depreciated
Freehold buildings	2% straight line
Leasehold improvements	over term of lease
Furniture and equipment	25% reducing balance
Computer hardware	25% straight line

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

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

##### **Liabilities**

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

##### **Leased Assets**

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

##### **Taxation**

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

## **Khalsa Education Trust**

### **Notes to the Financial Statements for the period ended 31 August 2018**

#### **1 Statement of Accounting Policies (continued)**

##### **Pensions Benefits**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 17, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

##### **Fund Accounting**

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education Funding Agency/Department for Education.

##### **Critical accounting estimates and areas of judgement**

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

##### *Critical accounting estimates and assumptions*

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 17, will impact the carrying amount of the pensions liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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

##### *Critical areas of judgement*

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



# **Khalsa Education Trust**

## **Notes to the Financial Statements for the year ended 31 August 2018 (continued)**

### **2 Donations and capital grants**

	Unrestricted Funds	Restricted Funds	Total 2018
	£	£	£
Capital Grants	-	128,438	128,438
	-	128,438	128,438

	Unrestricted Funds	Restricted Funds	Total 2017
	£	£	£
Capital Grants	-	1,796,633	1,796,633
	-	1,796,633	1,796,633

### **3 Funding for the Academy Trust's Educational Operations**

	Unrestricted Funds	Restricted Funds	Total 2018
	£	£	£
<b>DfE / ESFA grants</b>			
General Annual Grant (GAG)	-	588,639	588,639
Pupil premium	-	16,280	16,280
Other DfE/ESFA grants	-	42,599	42,599
	-	647,518	647,518

#### **Other Government grants**

Local authority grants	-	2,540	2,540
	-	2,540	2,540
	-	650,058	650,058

	Unrestricted Funds	Restricted Funds	Total 2017
	£	£	£
<b>DfE / ESFA grants</b>			
General Annual Grant (GAG)	-	455,815	455,815
Pupil premium	-	5,390	5,390
Other DfE/ESFA grants	-	38,035	38,035
	-	499,240	499,240

# Khalsa Education Trust

## Notes to the Financial Statements for the year ended 31 August 2018 (continued)

### 4 Other trading activities

	Unrestricted Funds	Restricted Funds	Total 2018
	£	£	£
Donations	3,562	-	3,562
Catering	-	3,705	3,705
Other income	15,948	6,980	22,928
	<u>19,510</u>	<u>10,685</u>	<u>30,195</u>

	Unrestricted Funds	Restricted Funds	Total 2017
	£	£	£
Donations	9,385	-	9,385
Catering	-	1,844	1,844
Other income	35,124	-	35,124
	<u>44,509</u>	<u>1,844</u>	<u>46,353</u>

### 5 Expenditure

	Staff Costs	Non Pay Expenditure		Total
		Premises	Other	2018
	£	£	£	£
Expenditure on raising funds	-	-	30,085	30,085
Academy's educational operations:				
Direct costs	370,076	149,917	63,249	583,242
Allocated support costs	61,821	38,203	107,427	207,451
	<u>431,897</u>	<u>188,120</u>	<u>200,761</u>	<u>820,778</u>

	Staff Costs	Non Pay Expenditure		Total
		Premises	Other	2017
	£	£	£	£
Expenditure on raising funds	13,371	-	2,776	16,147
Academy's educational operations:				
Direct costs	403,770	108,570	48,937	561,277
Allocated support costs	59,796	32,145	90,789	182,730
	<u>476,937</u>	<u>140,715</u>	<u>142,502</u>	<u>760,154</u>

# **Khalsa Education Trust**

## **Notes to the Financial Statements for the year ended 31 August 2018 (continued)**

### **5 Expenditure (continued)**

Net income/(expenditure) for the period includes:

	2018	2017
	£	£
Operating lease rentals	-	7,250
Depreciation	149,917	108,570
Fees payable to auditor for:		
- audit	5,000	6,500
- other services	2,225	1,700
	<u>2,225</u>	<u>1,700</u>

### **6 Charitable Activities**

	Unrestricted Funds	Restricted Funds	Total	Total
	2018	2018	2018	2017
	£000	£000	£000	£000
Direct costs – educational operations	-	583,242	583,242	561,277
Support costs – educational operations	-	207,451	207,451	182,730
	<u>-</u>	<u>790,693</u>	<u>790,693</u>	<u>744,007</u>

	Unrestricted Funds	Restricted Funds	Total	Total
	2018	2018	2018	2017
	£000	£000	£000	£000
<b>Analysis of support costs</b>				
Support staff costs	-	61,821	61,821	59,796
Premises costs	-	38,203	38,203	32,145
Other support costs	-	99,607	99,607	81,014
Governance costs	-	7,820	7,820	9,775
	<u>-</u>	<u>207,451</u>	<u>207,451</u>	<u>182,730</u>

# **Khalsa Education Trust**

## **Notes to the Financial Statements for the year ended 31 August 2018 (continued)**

### **7 Staff**

#### **a. Staff costs**

Staff costs during the period were:

	Total 2018 £	Total 2017 £
Wages and salaries	214,106	240,987
Social security costs	17,833	22,593
Operating costs of defined benefit pension schemes	48,442	47,615
	<u>280,381</u>	<u>311,195</u>
Supply staff costs	151,516	123,118
Staff restructuring costs	-	42,624
	<u>431,897</u>	<u>476,937</u>
Staff restructuring costs comprise:		
Severance payments	-	42,624
	<u>-</u>	<u>42,624</u>

#### **b. Non statutory/non contractual staff severance payments**

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £nil (2017: £46,124) made to no (2017: two) employees.

#### **c. Staff numbers**

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

	2018 No.	2017 No.
Teachers	3	3
Administration and support	8	10
Management	1	2
	<u>12</u>	<u>15</u>

#### **d Higher paid staff**

No employees employee benefits (excluding employer pension costs) exceeded £60,000

	2018 No.	2017 No.
£80,001 - £90,000	-	1

#### **e Key management personnel**

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £126,227 (2016: £164,307).

# Khalsa Education Trust

## Notes to the Financial Statements for the year ended 31 August 2018 (continued)

### 8 Related Party Transactions - Trustees' Remuneration and Expenses

There was no remuneration paid to trustees during the year (2017: £nil)

No expenses were reimbursed to trustees during the year (2017: £nil)

Other related party transactions involving the trustees are set out in note 18.

### 9 Trustees' and Officers' Insurance

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

### 10 Tangible Fixed Assets

	Freehold Land and Buildings	Furniture and Equipment	Computer Hardware	Total
	£	£	£	£
<b>Cost</b>				
At 1 September 2017	3,423,866	216,086	121,994	3,761,946
Additions	-	-	128,439	128,439
At 31 August 2018	<u>3,423,866</u>	<u>216,086</u>	<u>250,433</u>	<u>3,890,385</u>
<b>Depreciation</b>				
At 1 September 2017	48,866	43,582	74,706	167,154
Charged in year	73,300	43,132	33,485	149,917
At 31 August 2018	<u>122,166</u>	<u>86,714</u>	<u>108,191</u>	<u>317,071</u>
<b>Net book values</b>				
At 31 August 2018	<u>3,301,700</u>	<u>129,372</u>	<u>142,242</u>	<u>3,573,314</u>
At 31 August 2017	<u>3,375,000</u>	<u>172,504</u>	<u>47,288</u>	<u>3,594,792</u>

### 11 Debtors

	2018	2017
	£	£
VAT recoverable	7,279	19,261
Prepayments and accrued income	19,569	75,551
	<u>26,848</u>	<u>94,812</u>

### 12 Creditors: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	166,954	83,782
Other taxation and social security	-	263
ESFA creditor: abatement of GAG	-	80,972
Other creditors	3,958	7,233
Accruals and deferred income	53,035	110,725
	<u>223,947</u>	<u>282,975</u>

# Khalsa Education Trust

## Notes to the Financial Statements for the year ended 31 August 2018 (continued)

### 12 Creditors: Amounts falling due within one year (continued)

Deferred income	2018	2017
	£	£
Deferred income at 1 September	12,223	20,379
Released from previous years	(12,223)	(20,379)
Resources deferred in the year	19,199	12,223
Deferred Income at 31 August	<u>19,199</u>	<u>12,223</u>

Deferred income at the year end included:

- . Universal Free School Meals funding received in advance £12,364 (2017: £8,923)
- . Pupil Premium funding received in advance £4,950 (2017 : £3,300)
- . Other DfE/ESFA funding received in advance £1,885 (2017: £nil)

### 13 Funds

	Balance at 1 September 2016	Income	Expenditure	Gains, losses and transfers	Balance at 31 August 2017
	£	£	£	£	£
<b>Restricted general funds</b>					
General Annual Grant (GAG)	(85,224)	588,639	(552,108)	(15,213)	(63,906)
Pupil Premium	-	16,280	(16,280)	-	-
Other DfE/ESFA grants	-	42,599	(42,599)	-	-
Other government grants	-	2,540	(2,540)	-	-
Other restricted income	-	6,980	(5,544)	-	1,436
Catering	-	3,705	(3,705)	-	-
Pension reserve	(54,000)	-	(18,000)	8,000	(64,000)
	<u>(139,224)</u>	<u>660,743</u>	<u>(640,776)</u>	<u>(7,213)</u>	<u>(126,470)</u>
<b>Restricted fixed asset funds</b>					
DfE/ESFA capital grants	3,501,031	128,438	(149,917)	-	3,479,552
Donated assets	95,000	-	-	-	95,000
	<u>3,596,031</u>	<u>128,438</u>	<u>(149,917)</u>	<u>-</u>	<u>3,574,552</u>
<b>Total restricted funds</b>	<u>3,456,807</u>	<u>789,181</u>	<u>(790,693)</u>	<u>(7,213)</u>	<u>3,448,082</u>
<b>Total unrestricted funds</b>	<u>5,832</u>	<u>19,560</u>	<u>(30,085)</u>	<u>15,213</u>	<u>10,520</u>
<b>Total funds</b>	<u>3,462,639</u>	<u>808,741</u>	<u>(820,778)</u>	<u>8,000</u>	<u>3,458,602</u>

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

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

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

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

The GAG deficit arose in 2016/17 as a result of three one-off items: a decrease in number of pupils eligible for free school meals; slightly higher PNA than expected; and two staff severance payments. The deficit has been reduced by £21,318 in 2017/18

The trustees have prepared forecasts that show a surplus of £50,075 for the year ending 31 August 2019 and that the deficit will be eliminated by 2019/20.

The transfer of £15,213 out of GAG represents academy funding towards the transport facility enabling children to access the school from outside the local area.

**Khalsa Education Trust**
**Notes to the Financial Statements for the year ended 31 August 2018 (continued)**
**13 Funds (continued)**

Comparative information in respect of the preceeding year is as follows:

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2017 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	4,729	455,815	(545,768)	-	(85,224)
Pupil Premium	-	5,390	(5,390)	-	-
Other DfE/ESFA grants	-	38,035	(38,035)	-	-
Catering	-	1,844	(1,844)	-	-
Pension reserve	(49,000)	-	(18,000)	13,000	(54,000)
	<u>(44,271)</u>	<u>501,084</u>	<u>(609,037)</u>	<u>13,000</u>	<u>(139,224)</u>
<b>Restricted fixed asset funds</b>					
DfE/ESFA capital grants	2,149,094	1,796,633	(108,570)	(336,126)	3,501,031
Donated assets	95,000	-	-	-	95,000
	<u>2,244,094</u>	<u>1,796,633</u>	<u>(108,570)</u>	<u>(336,126)</u>	<u>3,596,031</u>
<b>Total restricted funds</b>	<u>2,199,823</u>	<u>2,297,717</u>	<u>(717,607)</u>	<u>(323,126)</u>	<u>3,456,807</u>
<b>Total unrestricted funds</b>	<u>3,482</u>	<u>44,897</u>	<u>(42,547)</u>	<u>-</u>	<u>5,832</u>
<b>Total funds</b>	<u>2,203,305</u>	<u>2,342,614</u>	<u>(760,154)</u>	<u>(323,126)</u>	<u>3,462,639</u>

A 2 year combined position is as follows:

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	4,729	1,044,454	(1,097,876)	(15,213)	(63,906)
Pupil Premium	-	21,670	(21,670)	-	-
Other DfE/ESFA grants	-	80,634	(80,634)	-	-
Catering	-	5,549	(5,549)	-	-
Pension reserve	(49,000)	-	(36,000)	21,000	(64,000)
	<u>(44,271)</u>	<u>1,161,827</u>	<u>(1,249,813)</u>	<u>5,787</u>	<u>(126,470)</u>
<b>Restricted fixed asset funds</b>					
DfE/ESFA capital grants	2,149,094	1,925,071	(258,487)	(336,126)	3,479,552
Donated assets	95,000	-	-	-	95,000
	<u>2,244,094</u>	<u>1,925,071</u>	<u>(258,487)</u>	<u>(336,126)</u>	<u>3,574,552</u>
<b>Total restricted funds</b>	<u>2,199,823</u>	<u>3,086,898</u>	<u>(1,508,300)</u>	<u>(330,339)</u>	<u>3,448,082</u>
<b>Total unrestricted funds</b>	<u>3,482</u>	<u>64,457</u>	<u>(72,632)</u>	<u>15,213</u>	<u>10,520</u>
<b>Total funds</b>	<u>2,203,305</u>	<u>3,151,355</u>	<u>(1,580,932)</u>	<u>(315,126)</u>	<u>3,458,602</u>

# Khalsa Education Trust

## Notes to the Financial Statements for the year ended 31 August 2018 (continued)

### 14 Analysis of Net Assets between Funds

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£	£	£	£
Tangible fixed assets	-	-	3,573,314	3,573,314
Current assets	10,520	161,477	1,238	173,235
Current liabilities	-	223,947	-	(223,947)
Pension scheme liability	-	(64,000)	-	(64,000)
Total net assets	<u>10,520</u>	<u>(126,470)</u>	<u>3,574,552</u>	<u>3,458,602</u>

Fund balances at 31 August 2017 are represented by:

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£	£	£	£
Tangible fixed assets	-	-	3,594,792	3,594,792
Current assets	5,832	197,751	1,239	204,822
Current liabilities	-	(282,975)	-	(282,975)
Pension scheme liability	-	(54,000)	-	(54,000)
Total net assets	<u>5,832</u>	<u>(139,224)</u>	<u>3,596,031</u>	<u>3,462,639</u>

### 15 Reconciliation of Net Income to Net Cash Flow from Operating Activities

	2018	2017
	£	£
Net (expenditure)/ income for the reporting period	(12,037)	1,582,460
Adjusted for:		
Depreciation charges (note 10)	149,917	108,570
Capital grants from DfE and other capital income (note 2)	(128,438)	(1,796,633)
Interest receivable	(50)	(388)
Defined benefit pension scheme cost less contributions payable (note 17)	17,000	17,000
Defined benefit pension scheme finance cost (note 17)	1,000	1,000
Decrease in debtors	67,964	652,550
Decrease in creditors	(59,028)	(1,036,292)
Net cash provided by/(used in) Operating Activities	<u>36,328</u>	<u>(471,733)</u>

### 16 Members' Liability

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

### 17 Pension and Similar Obligations

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Yorkshire Pension Fund (WYPF). Both are multi-employer defined benefit pension schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

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



## **Khalsa Education Trust**

### **Notes to the Financial Statements for the period ended 31 August 2018 (continued)**

#### **17 Pension and Similar Obligations (continued)**

##### **Teachers' Pension Scheme**

###### **Introduction**

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

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

###### **Valuation of the Teachers' Pension Scheme**

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

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge);
- 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%.

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

The pension costs paid to TPS in the period amounted to £20,442 (2017: £25,615).

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

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

##### **Local Government Pension Scheme**

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

The total contribution made for the year ended 31 August 2018 was £16,000 (2017: £9,000), of which employer's contributions totalled £11,000 (2017: £5,000) and employees' contributions totalled £5,000 (2017: £4,000). The agreed contribution rates for future years are 11.1% for employers and between 5.5% and 12.5% for employees.

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

###### **Principal Actuarial Assumptions**

	At 31 August 2018	At 31 August 2017
Rate of increase in salaries	3.25%	3.15%
Rate of increase for pensions in payment/inflation	3.10%	1.90%
Discount rate for scheme liabilities	2.80%	2.50%
Inflation assumption (CPI)	3.10%	1.90%

# Khalsa Education Trust

## Notes to the Financial Statements for the year ended 31 August 2018 (continued)

### 17 Pension and Similar Obligations (continued)

#### Local Government Pension Scheme (continued)

#### Principal Actuarial Assumptions

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

	At 31 August 2018	At 31 August 2017
<i>Retiring today</i>		
Males	22.1	22.1
Females	25.3	25.0
<i>Retiring in 20 years</i>		
Males	23.1	23.0
Females	27.1	27.0

#### Sensitivity analysis on defined benefit obligations

	At 31 August 2018 £	At 31 August 2017 £
Discount rate +0.1%	115,000	90,000
Discount rate -0.1%	123,000	96,000
Mortality assumption - 1 year increase	116,000	90,000
Mortality assumption - 1 year decrease	122,000	96,000
CPI rate +0.1%	122,000	94,000
CPI rate -0.1%	116,000	92,000

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

	Fair value at 31 August 2018 £	Fair value at 31 August 2016 £
Equity instruments	41,030	30,069
Bonds	7,865	5,265
Property	2,310	1,755
Other	3,795	1,911
Total market value of assets	55,000	39,000
Present value of scheme liabilities		
- funded	(119,000)	(93,000)
Deficit in scheme	<u>(64,000)</u>	<u>(54,000)</u>

The actual return on scheme assets was £nil (2017: £4,000).

#### Amounts recognised in the statement of financial activities

	2018 £	2017 £
Current service cost	28,000	12,000
Net interest cost	1,000	-
Total operating charge	<u>29,000</u>	<u>12,000</u>

# Khalsa Education Trust

## Notes to the Financial Statements for the year ended 31 August 2018 (continued)

### 17 Pension and Similar Obligations (continued)

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

	2018	2017
	£	£
At 1 September	93,000	75,000
Current service cost	28,000	22,000
Interest cost	2,000	2,000
Employee contributions	5,000	4,000
Actuarial gain	(9,000)	(10,000)
At 31 August	<u>119,000</u>	<u>93,000</u>

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

	2017	2016
	£	£
At 1 September	39,000	26,000
Interest income	1,000	1,000
Actuarial (loss)/gain	(1,000)	3,000
Employer contributions	11,000	5,000
Employee contributions	5,000	4,000
At 31 August	<u>55,000</u>	<u>39,000</u>

### 18 Related Party Transactions

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

South Asian Arts UK - a charity in which Dr Jatinder Singh is a trustee

The trust received income totalling £1,500 (2017: £nil) for a summer school provision.

### 19 Prior year adjustment

In 2013 the academy trust was gifted freehold land and buildings from Leeds City Council. Previously there was no valuation included in the financial statements for the land and buildings as no reliable estimate of the value was available. A valuation was obtained at 31 August 2017 providing a value of £95,000 for the land and £3,280,000 for the buildings. The carrying amount of the buildings was in excess of this amount and therefore an impairment of £336,126 was included in the year ended 31 August 2017. The land has been included as a prior year adjustment as the trustees consider there will not have been any material change in the value of the land since it was donated to the academy trust in 2013.