THE KNOWL HILL FOUNDATION
(Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1997

REGISTERED NUMBER: 2274166

CHARITY NUMBER: 299690

THE KNOWL HILL FOUNDATION

Registered Office	Greenwood House 4/7 Salisbury Court London EC4Y 8BT
Bankers	Midland Bank plc 6 Commercial Way Woking Surrey GU21 1EZ
Auditors	Hughes Allen Greenwood House 4/7 Salisbury Court London EC4Y 8BT
Company Registration Number	2274166
Registered Charity Number	299690

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THE KNOWL HILL FOUNDATION

REPORT OF THE TRUSTEES
For the year ended 31 July 1997

The Directors present their Annual Report and the audited financial statements for the year ended 31 July 1997.

Legal and Administrative Information

The company is a registered charity, incorporated under the Companies Act 1985 as a company limited by guarantee, and its Memorandum and Articles of Association. Each of the members have undertaken to contribute the sum of £1 in the event of the company being insolvent on winding up. The company is managed on behalf of the members by a Board of Directors.

Details of the registered office the company's advisers and the company charity registration numbers are set out on page 1.

The directors who served during the year were as follows:-

N Todd
R Wallis
A P Hunt
P Delf
B Harnett
J Capito

The company's Articles of Association require all serving directors to retire from office at each Annual General Meeting. The returning directors are eligible for re-election. In accordance therewith, all directors have retired by rotation and, being eligible, offer themselves for re-election.

As the company is limited by Guarantee, no director held any shares in the company, and none had any interest in any contacts or arrangements entered into by the company during the year.

Objects

The company is a non-political, non-religious, British charity engaged in promoting and providing for the advancement of the education of dyslexic children, who for one reason or another have been failed by mainstream schools, and who need the specialist teaching in a small caring environment, which can be provided at The Knowl Hill School in Pirbright, Surrey.

In addition, the foundation aspires to help educate teachers from the mainstream of eduction to recognise, and help children in their schools who may be dyslexic.

There has been no change in the declared policy of the Foundation. The Foundation continues to attract pupils, to The Knowl School, from both the private sector, and from ten different local authorities.

THE KNOWL HILL FOUNDATION

REPORT OF THE TRUSTEES
For the year ended 31 July 1997

Review of Activities

In the past year the Foundation has completed a major building programme at The Knowl Hill school, which included a new science laboratory, art room and four new classrooms.

The Foundation has also paid for the installation of a schoolwide computer network together with connection to the Internet via an ISDN line. Further costs have been incurred in providing training to all staff to ensure that full use is made of the computer system for classroom teaching.

The Foundation also supplies, at no cost, a specialist teacher one morning a week to the state primary school in the village of Pirbright, to give individual tuition to dyslexic pupils bases there.

In the coming year, The Foundation intends to improve the play area around the Knowl School, by providing an adventure paly area, a basketball court, and a garden area.

Organisation

It is organised in the manner that the directors think most suitable at the time - currently with 22 staff members at The Knowl School including 2 staff members who carry out the management and administration of the Foundation.

Financial Review

The accounts of the Foundation can be found on pages 6 to 13. These accounts comply with current statutory requirements and the Foundation's governing document.

It is confirmed that on a fund by fund basis, the Foundation has sufficient assets available to enable it to meet its obligations as they fall due.

The directors consider that a significant reserve is required to meet the substantial programme of provide for a two storey classroom extension to the Knowl School.

The application of the Foundation funds is detailed in notes 4, 5 and 6 to the accounts.

Auditors

The auditors, Hughes Allen, are willing to be re-appointed in accordance with Section 384 of the Companies Act 1985.

This report was approved by the Board of Directors and signed on its behalf on 19 February 1998.

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Mrs N Todd
Secretary

AUDITORS' REPORT TO THE MEMBERS OF THE KNOWL HILL FOUNDATION

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Statement of Trustees' Responsibilities

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Auditors' Responsibilities

As described above, the company's Trustees are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

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

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

AUDITORS' REPORT TO THE MEMBERS OF THE KNOWL HILL FOUNDATION (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 1997 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hughes Allen

HUGHES ALLEN
Chartered Accountants
Registered Auditors

Date: 19 February 1998

Greenwood House
4/7 Salisbury Court
London EC4Y 8BT

THE KNOWL HILL FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 July 1997

	Note	1997 General Funds £	1997 Designated Funds £	1997 Total Funds £	1996 Total Funds £
Incoming Resources					
Fees	2	397,695	-	397,695	325,048
Fund Raising		-	-	-	14
Donations		250	-	250	1,025
Investment income	7	1,810	-	1,810	2,641
Other income		16,477	-	16,477	17,097
Total incoming resources		416,232	-	416,232	345,825
Resources Expended					
Direct charitable expenditure	4	306,287	-	298,821	253,450
Management and administration of the Charity	5	32,640	-	40,106	23,673
Release of provision	15	-	14,346	14,346	7,637
Total resources expended		338,927	14,346	353,273	284,760
Net incoming/(outgoing) resources for the year	3	77,305	(14,346)	62,959	61,065
Transfer to designated funds	15	(107,896)	107,896	-	-
Net movement in funds		(30,591)	93,550	62,959	61,065
Fund balances brought forward at 1 August 1996		66,820	95,000	161,820	100,755
Fund balances carried forward at 31 July 1997		£36,229	£188,550	£224,779	£161,820

The notes on pages 8 to 13 form an integral part of these financial statements.

THE KNOWL HILL FOUNDATION

BALANCE SHEET

As at 31 July 1997

	Notes	1997 £	1997 £	1996 £	1996 £
Fixed Assets					
Tangible assets	10		301,721		148,096
Current Assets					
Stocks	11	3,000		3,000	
Debtors	12	5,113		516	
Cash at bank and in hand		99,096		65,720	
		107,209		69,236	
Creditors (Amounts falling due within one year)	13	(94,350)		(28,517)	
Net current assets			12,859		40,719
Total assets less current liabilities			314,580		188,815
Creditors (Amounts falling due after more than one year	14		(89,801)		(26,995)
			£224,779		£161,820
Unrestricted Funds					
Designated Funds	15		188,550		95,000
Other Unrestricted Funds			36,229		66,820
Company Funds	17		£224,779		£161,820

The financial statements were approved by the Board of Trustees and signed on its behalf on 19 February 1998

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Trustee

The notes on pages 8 to 13 form an integral part of these financial statements.

THE KNOWL HILL FOUNDATION

NOTES TO THE ACCOUNTS
For the year ended 31 July 1997

1. **Accounting Policies**

The financial statements have been prepared in accordance with applicable Accounting Standards and the Statement of Recommended Practice Accounting by Charities. A summary of the principal accounting policies is set out below:

1.1 **Accounting Convention**

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption from preparing a cash flow statement on the grounds that it qualifies as a small company.

1.2 **Value Added Tax**

The company is not registered for Value Added Tax (VAT), and accordingly, where relevant, capital and revenue expenditure includes VAT.

1.3 **Income**

Income represents amounts receivable for services provided and receipts from charitable activities.

1.4 **Stock**

Stock is valued at the lower of cost and net realisable value.

1.5 **Depreciation**

Depreciation is provided to write off the cost less estimated residual value of each asset over its expected useful life, using the following bases and rates:

Freehold land and buildings	-	Nil
Freehold Refurbishment	-	Straight line over 5 years
Equipment	-	Straight line over 5 years

No depreciation has been charged on freehold buildings because in the opinion of the Trustees the open market value of the buildings is greater than cost.

1.6 **Charitable Status**

The company is a registered Charity (number 299690).

2. **Income**

The total income of the company for the year has been derived from its principal activity wholly undertaken in the UK.

NOTES TO THE ACCOUNTS
For the year ended 31 July 1997 (Continued)

3. Operating Profit

Operating profit is stated after charging:

	1997 £	1996 £
Depreciation of tangible assets	65,465	29,157
Auditors' remuneration - audit	800	800
- other	2,020	2,396

4. Direct Charitable Expenditure
- all unrestricted funds

	1997 Total	1996 Total
Provision of educational services	£306,287	£253,450

5. Management and Administration of the Charity
- all unrestricted funds

	1997 £	1996 £
Salaries and office costs	25,811	20,690
Audit and accountancy	282	320
Depreciation	6,547	2,663
	£ 32,640	£ 23,673

6. Total Resources Expended

	Staff costs £	Depreciation £	Other Costs £	Total 1997 £	Total 1996 £
Educational services	193,153	58,918	54,216	306,287	253,450
Management and administration	24,759	6,547	1,334	32,640	23,673
	£217,912	£ 65,465	£ 55,550	£338,927	£277,123

Staff Costs:

	1997 £	1996 £
Wages and salaries	201,412	174,699
Social security costs	16,500	13,908
	£217,912	£188,607

NOTES TO THE ACCOUNTS
For the year ended 31 July 1997 (Continued)

6. Total Resources Expended (Continued)

Number of employees

The average weekly number of employees during the year was:

	1997 Number	1996 Number
Teachers	20	19
Administration and Trustees	8	7
	28	26

No employee earned £40,000 p.a. or more.

No remuneration or expenses have been paid to trustees in the year (1996: NIL).

Other costs:

	1997 £
Training	1,329
Tutoring	9,180
Premises and insurance	4,567
Educational supplies	8,545
Clubs and school outings	1,054
Repairs and cleaning	5,821
Other	25,054
	£ 55,550

7. Income from Investments

	1997 £	1996 £
Other interest receivable	£ 1,810	£ 2,641

8. Interest Payable

	1997 £	1996 £
On bank loans and overdrafts	3,198	3,910
On other loans	6,800	-
	£ 9,998	£ 3,910

9. Taxation

The company is a registered Charity and has exemption from corporation tax.

NOTES TO THE ACCOUNTS
For the year ended 31 July 1997 (Continued)

10. **Tangible Assets**

	Land and buildings Freehold £	Portacabin £	Equipment £	Total £
Cost				
At 1 August 1996	262,579	4,645	29,623	296,847
Additions	170,839	-	48,251	219,090
Disposals	-	(4,645)	-	(4,645)
At 31 July 1997	433,418	-	77,874	511,292
Depreciation				
At 1 August 1996	125,214	4,645	18,892	148,751
Charge for year	52,144	-	13,321	65,465
Eliminated on disposal	-	(4,645)	-	(4,645)
At 31 July 1997	177,358	-	32,213	209,571
Net book values				
At 31 July 1997	£256,060	£ -	£ 45,661	£301,721
At 31 July 1996	£137,365	£ -	£ 10,731	£148,096

11. **Stocks**

	1997 £	1996 £
Stock of stationery and teaching materials	£ 3,000	£ 3,000

12. **Debtors**

	1997 £	1996 £
Trade debtors	4,685	-
Prepayments and accrued income	428	516
	£ 5,113	£ 516

13. **Creditors (Amounts falling due within one year)**

	1997 £	1996 £
Bank loans and overdrafts	27,089	18,616
Taxes and social security costs	4,674	4,232
Other creditors	15,000	1,522
Accruals and deferred income	47,587	4,147
	£ 94,350	£ 28,517

14. **Creditors (Amounts falling due after more than one year)**

	1997 £	1996 £
Bank loans	19,801	26,995
Other loans	70,000	-
	£ 89,801	£ 26,995

Bank Loans and Other Loans

	1997 £	1996 £
Repayable within 1 year	21,864	6,533
Repayable between 1 and 2 years	23,864	6,864
Repayable between 2 and 5 years	65,937	20,131
	111,665	33,528
Included in current liabilities	(21,864)	(6,533)
	£ 89,801	£ 26,995

The bank loan is secured by a legal mortgage over the freehold property, a fixed charge over book assets and a floating charge over other assets of the School. The bank loan is repayable by monthly instalments of £838.50 inclusive of interest. Interest is charged at 10.44% per annum. The bank loan at 31 July 1997 amounted to £26,665 which represents 10.4% of the net book value of the freehold property.

The other loan is repayable by annual instalments, inclusive of interest, of £21,800, £22,600 and £24,240 respectively for the first 3 years, with the remaining balance split equally in years 4 and 5. Interest is charged at 8% per annum for the first three years and at 2% above base rate thereafter.

15. **Designated Funds**

The income funds of the Charity include the following designated funds which have been set aside out of unrestricted funds by the Trustees for specific purposes:

	Balance 1 August 1996 £	New designations £	Utilised/ Released £	Balance 31 July 1997 £
Bursary Reserve	10,000	19,346	(14,346)	15,000
School extension	85,000	88,550	-	173,550
	£ 95,000	£107,896	£(14,346)	£188,550

The Bursary reserve fund is to be used to assist in providing bursaries for children in need.

The School extension fund has been established to provide for the two storey classroom extension.

NOTES TO THE ACCOUNTS
For the year ended 31 July 1997 (Continued)

16. **Analysis of Net Assets between Funds**

	Tangible Fixed Assets £	Net Current Assets £	Long-term Creditors £	1997 Total £
Designated Funds				
Bursary reserve	-	15,000	-	15,000
School extension	85,000	-	-	85,000
	85,000	15,000	-	100,000
General Funds	216,721	(2,141)	(89,801)	124,779
	£301,721	£ 12,859	£(89,801)	£224,779

17. **Company Funds**

	1997 £	1996 £
Retained surpluses at 1 August 1996	161,820	100,755
Retained surplus for the year	62,959	61,065
Retained surpluses at 31 July 1997	£224,779	£161,820

As the company is limited by guarantee, the movement of funds for the year is represented by the retained surplus for the year.

18. **Contingent liabilities**

There were no contingent liabilities outstanding against the company as at 31 July 1997 (1996: NIL).

19. **Capital Commitments**

Details of capital commitments at the accounting date are as follows:

	1997	1996
Capital expenditure contracted for but not provided	£ 1,465	£139,913
Capital expenditure authorised but not contracted for	£ 60,000	£ 2,939

20. **Summary of Income and Expenditure**

In accordance with the Statement of Recommended Practice for Charities no separate Summary of Income and Expenditure is given due to all relevant information being disclosed elsewhere in the financial statements.