THE KNOWL HILL FOUNDATION
(Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2001

REGISTERED NUMBER: 2274166

CHARITY NUMBER: 299690

THE KNOWL HILL FOUNDATION

Principal Business Address	School Lane Pirbright Surrey GU24 0JN
Registered office	Greenwood House 4/7 Salisbury Court London EC4Y 8BT
Bankers	Midland Bank plc 6 Commercial Way Woking Surrey GU21 1EZ
Auditors	Groves & Co Dorthonion Pyrford Road Woking Surrey GU22 8UF
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 2001

The Directors, who are the Trustees, present their Annual Report and the audited financial statements for the year ended 31 July 2001.

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 advisors and the company charity registration numbers are set out on page 1.

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

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

The company's Articles of Association require all serving directors to retire from office at each Annual General Meeting. The retiring 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 contracts or arrangements entered into by the company during the year.

Directors/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 KNOWL HILL FOUNDATION

REPORT OF THE TRUSTEES
For the year ended 31 July 2001

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.

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 education 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.

Review of Activities

The year has been busy and successful, but the Directors are aware that it is always necessary to keep abreast of the new directions that are being taken in the field of education, and that in order to equip the pupils who attend the school to take their place in the world of further education or work, then we must constantly strive to upgrade the facilities. To this end we have made the decision to apply for planning permission to rebuild the current Pottery block as a two storey building to be used for Art, 3D design, Design Technology and Music. We hope that this will help to develop the often strong creative talents of dyslexic children.

Like all schools we are experiencing a little difficulty with teacher retention, as our teachers are much in demand for their expertise and experience. Continued teacher training remains a priority, both in IT and specialist subjects.

To keep the fees affordable is becoming more difficult now that teachers' salaries are being raised at above inflation rates year on year, but we remain committed to the ideal that the school should be as accessible as possible. We have paid off all current borrowings shortly after the beginning of the new financial year.

THE KNOWL HILL FOUNDATION

REPORT OF THE TRUSTEES
For the year ended 31 July 2001

Organisation

It is organised in the manner that the directors think most suitable at the time - currently with 23 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 providing 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.

Small Company Exemptions

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 for small companies.

Auditors

The auditors, Messrs Groves & Co have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

This report was approved by the Board and signed on its behalf on 1st May 2002.

R McGuire

Mrs R McGuire
Secretary

Registered Number: 2274166

Charity Number: 299690

THE KNOWL HILL FOUNDATION

INDEPENDENT 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.

Respective Responsibilities of Trustees and Auditors

As described on page 2, the company's Trustees/Directors 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.

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 2001 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 applicable to the Company.

Groves & Co

GROVES & CO
Chartered Accountants
Registered Auditors

Date: 1st May 2002

Dorthonion
Pyrford Road
Woking
Surrey GU22 8UF

THE KNOWL HILL FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 July 2001

		Continuing Operations			
			2001		2000
	Note	General Funds £	Restricted Funds £	Total Funds £	Total Funds £
Incoming Resources					
Fees	2	551,068	-	551,068	461,419
Fund Raising		-	-	-	-
Donations		1,714	162,094	163,808	7,167
Investment income	7	6,348		6,348	3,549
Other income		1,423		1,423	29
Total incoming resources		560,553	162,094	722,647	472,164
Resources expended					
Direct charitable expenditure	4	477,448	55,026	532,474	433,560
Management and administration of the charity	5	47,779	-	47,779	40,241
Provision in year	15	30,000	-	30,000	30,000
Total resources expended	6	555,227	55,026	610,253	503,801
Net incoming/(outgoing) resources for the year	3	5,326	107,068	112,394	(31,637)
Transfer between funds	15	-	-	-	-
Net movement in funds		5,326	107,068	112,394	(31,637)
Fund balances brought forward at 1 August 2000		217,696	4,000	221,696	253,333
Fund balances carried forward at 31 July 2001	17	£223,022	£111,068	£334,090	£221,696

Designated funds are included in General Funds (see Note 15)

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 2001

	Notes	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	10		215,709		163,556
Current assets					
Stocks	11	3,000		3,000	
Debtors	12	5,888		667	
Cash at bank and at hand		141,055		105,588	
		149,943		109,255	
Creditors (Amounts falling due within one year)	13	(31,562)		(34,615)	
Net current assets			118,381		74,640
Total assets less current liabilities			334,090		238,196
Creditors (Amounts falling due after more than one year)	14		-		(16,500)
			£334,090		£221,696
Funds					
- General	15		223,022		217,696
- Restricted			111,068		4,000
Company Funds	17		£334,090		£221,696

The financial statements were approved by the Board of Directors and signed on its behalf on 1st May 2002.

.... Mrs N Todd

Director/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 2001

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 and in accordance with the Financial Reporting Standard for Small Entities.

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
School laptop network	-	Straight line over 3 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 2001 (Continued)

3. **Operating Profit**	**2001** £	**2000** £
Operating profit is stated after charging:		
Depreciation of tangible assets	128,929	72,550
Auditors' remuneration	850	800

4. **Direct Charitable Expenditure** - (includes restricted funds £55,026)	**2001**	**2000**
Provision of educational services	£562,474	£433,560

5. **Management and Administration of the Charity** All unrestricted funds	**2001** £	**2000** £
Salaries and office costs	34,601	32,713
Audit and accountancy	285	273
Depreciation	12,893	7,255
	£47,779	£40,241

6. **Total Resources Expended**

	Staff Costs £	**Depreciation** £	**Other Costs** £	**Total 2001** £	**Total 2000** £
Educational services	335,343	116,036	111,095	562,474	463,560
Management and administration	32,176	12,893	2,710	47,779	40,241
	£367,519	£128,929	£113,805	£610,253	£503,801

Staff Costs:	**2001** £	**2000** £
Wages and salaries	337,822	316,678
Social security costs	29,697	26,161
	£367,519	£342,839

THE KNOWL HILL FOUNDATION
NOTES TO THE ACCOUNTS
For the year ended 31 July 2001 (Continued)

6. **Total Resources Expended (Continued)**

	2001 Number	2000 Number
Number of employees		
The average monthly number of employees during the year was		
Teachers	21	21
Administration and Trustees	8	8
	29	29

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

No remuneration or expenses have been paid to trustees in the year (2000: NIL).

Other Costs:	2001 £	2000 £
Bursary reserve provision	30,000	30,000
Training	3,450	819
Tutoring	3,134	876
Premises and insurance	6,393	5,518
Educational supplies	12,184	10,016
Clubs and school outings	5,193	8,322
Repairs and cleaning	23,942	7,830
Other	29,509	25,031
	£113,805	£88,412

7. **Income from Investments**	2001	2000
Other interest receivable	£6,348	£3,549

8. **Interest Payable**	2001	2000
On bank loans and overdrafts	(388)	682
On other loans	1,255	2,526
	£867	£3,208

9. **Taxation**

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

THE KNOWL HILL FOUNDATION
NOTES TO THE ACCOUNTS
For the year ended 31 July 2001 (Continued)

10. Tangible Assets

	Land and Buildings Freehold £	Equipment £	Total £
Cost			
At 1 August 2000	474,824	126,804	601,628
Additions	-	181,082	181,082
At 31 July 2001	474,824	307,886	782,710
Depreciation			
At 1 August 2000	348,013	90,059	438,072
Charge for year	51,670	77,259	128,929
At 31 July 2001	399,683	167,318	567,001
Net book values			
At 31 July 2001	£75,141	£140,568	£215,709
At 31 July 2000	£126,811	£36,745	£163,556

All the above assets are used for direct charitable purposes.

11. Stocks

	2001 £	2000 £
Stock of stationery and teaching materials	£3,000	£3,000

12. Debtors

	2001 £	2000 £
Trade debtors	5,388	140
Prepayments and accrued income	500	527
	£5,888	£667

13. Creditors (Amounts falling due within one year)

	2001 £	2000 £
Bank loans and overdrafts	-	1,226
Taxes and social security costs	8,922	8,347
Other creditors	16,500	16,500
Accruals and deferred income	6,140	8,542
	£31,562	£34,615

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

	2001 £	2000 £
Bank loans	-	-
Other loans	-	16,500
	£ -	£16,500

Bank loans and Other Loans

	2001 £	2000 £
Repayable within 1 year	16,500	17,726
Repayable within 1 and 2 years	-	16,500
	16,500	34,226
Included in current liabilities	(16,500)	(17,726)
	£ -	£16,500

The bank loan was 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 and was fully repaid in the year.

The other loan from August 1996 is secured by a legal mortgage over the freehold property and 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. This loan was fully repaid after the year end (August 2001).

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 2000 £	New designations £	Utilised/ Released £	Balance 31 July 2001 £
Bursary Reserve	15,000	30,000	30,000	15,000
School extension	43,389	56,611	-	100,000

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 building.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001 (Continued)

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

	Tangible Fixed Assets £	Net Current Assets £	2001 Total £
Restricted Funds	111,068	-	111,068
General Funds			
General (non designated)	4,641	103,381	108,022
Designated (see note 15)	100,000	15,000	115,000
	£215,709	£118,381	£334,090

17. **Company Funds**

	2001 £	2000 £
Retained surplus at 1 August 2000	221,696	253,333
Retained surplus for the year	112,394	(31,637)
Retained surpluses at 31 July 2001	£334,090	£221,696

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

18. **Capital Commitments**

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

	2001 £	2000 £
Capital expenditure contracted for but not provided	£ -	£ -
Capital expenditure authorised but not contracted for	£	£163,000

19. **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

20. **Ultimate Controlling Party**

The company is controlled by the Trustees.