THE KNOWL HILL FOUNDATION
(Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

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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For the year ended 31 July 2002

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THE KNOWL HILL FOUNDATION

REPORT OF THE TRUSTEES
For the year ended 31 July 2002

The Directors, who are the Trustees, present their Annual Report and the audited financial statements for the year ended 31 July 2002.

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
J Capito
G Walker

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 2002

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

This year the school has gained in reputation, and has become the school of choice for increasing numbers of parents, including several from America and Europe. We have an excellent reputation for our high teaching standards and the pastoral care we offer the children in our charge.

The computerised classroom system has attracted a lot of interest, and Sheffield University, together with the British Dyslexia Association have recently filmed the system in action in our classrooms to illustrate best practice to student teachers in training.

An important project toward which we have been working for some years is the replacement of the pottery annexe. We have obtained planning permission for a two storey building, to house Pottery, Art, Music and Drama and Design Technology. Building will commence in June 2003, and the project is due to be completed by October the same year. The cost of the project is high to reflect the high standards required of new educational building, and the requirement to provide disabled access, including a lift.

Our next project will be the installation of a lift in the main building, which will be a major work, to be built on the outside of the building, because of space constraints.

We offer 4 half bursaries on a yearly basis, and will continue to do so as long as economics allow.

The aim of the Board remains to ensure the school is run for the benefit of the children, to constantly improve their surroundings and facilities, and provide them with the best teaching we can, with the help of our excellent and dedicated staff.

THE KNOWL HILL FOUNDATION

REPORT OF THE TRUSTEES
For the year ended 31 July 2002

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 8 to 15. 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.

Reserves Policy

The Trustees nominate projects which they intend to fund out of existing resources and, accordingly, of the reserves balance of unrestricted funds amounting to £ some £ has been so earmarked and therefore the reserves balance for the continuing operations of the charity amounts to £

Investment Policy

The Company operates a system with its bankers whereby funds not required for everyday running of the charity are transferred to a deposit account. In addition longer term funds are held in a high interest rate account. The charity holds no other investments.

Grant Making Policy

The charity does not have a formal grant making policy at the present time, however assistance is given to local state schools wherever possible.

Risk and Risk Management

The proactive management of risk has always been part of the regular decision making process of the Company. Following recent guidance, Accounting and Reporting by Charities (SORP 2000), the Company will take the opportunity to embrace its recommendations and formalise processes and reporting structures.

REPORT OF THE TRUSTEES
For the year ended 31 July 2002 (Continued)

This process is fully supported by the Board of Directors/Trustees. Whilst risk management remains a prime responsibility of the Board and ultimately the Chairman, ongoing management of these arrangements will be delegated to senior management. The risk management function includes the assessment of adequacy of the management process and controls of the following risk areas:

1) Operations
2) Finance
3) Strategy
4) Disaster recovery
5) Health and Safety
6) Reputation
7) Achieving aims and objectives

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 6 August 2003.

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 8 to 15 which have been prepared in accordance with the Financial Reporting Standard for Smaller entities (effective June 2002) and under the historical cost convention and the accounting policies set out on page 10.

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charity'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

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.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

INDEPENDENT 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 2002 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: 6August 2003

Dorthonion
Pyrford Road
Woking
Surrey GU22 8UF

THE KNOWL HILL FOUNDATION
STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 July 2002

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds £	2001 Total Funds £
Incoming Resources:					
Donations and gifts		375	3,500	3,875	163,808
Activities in furtherance of the Charity's objectives	2	568,993	-	568,993	552,491
Investment Income Interest receivable	7	5,578	-	5,578	6,348
Total incoming resources		574,946	3,500	578,446	722,647
Resources expended					
Less: Cost of generating funds Fund raising costs		-	-	-	-
Net incoming resources available for charitable application		574,946	3,500	578,446	722,647
Charitable expenditure					
Costs of activities in furtherance of the objectives of the Charity	3	462,899	58,534	521,433	559,907
Support Costs	4	43,937	-	43,937	47,493
Management and administering the Charity	5	2,868	-	2,868	2,853
Total charitable expenditure		509,704	58,534	568,238	610,253
Total resources expended	6	509,704	58,534	568,238	610,253
Net incoming/(outgoing) resources before transfers		65,242	(55,034)	10,208	112,394
Transfer between funds		-	-	-	-
Net incoming/(outgoing) resources		65,242	(55,034)	10,208	112,394
Net movement of funds		65,242	(55,034)	10,208	112,394
Balances brought forward 1.8.2001		223,022	111,068	334,090	221,696
Balances carried forward 31.7.2002	17	£288,264	£56,034	£344,298	£334,090

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

The notes on pages 10 to 15 form an integral part of these financial statements

THE KNOWL HILL FOUNDATION

BALANCE SHEET

As at 31 July 2002

	Notes	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	10		142,182		215,709
Current assets					
Stocks	11	3,000		3,000	
Debtors	12	1,623		5,888	
Cash at bank and at hand		215,383		141,055	
		220,006		149,943	
Creditors (Amounts falling due within one year)	13	(17,890)		(31,562)	
Net current assets			202,116		118,381
Total assets less current liabilities			344,298		334,090
Creditors (Amounts falling due after more than one year)	14		-		-
			£344,298		£334,090
Funds					
- Unrestricted	15		288,264		223,022
- Restricted			56,034		111,068
Company Funds	17		£344,298		£334,090

These accounts were prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002)

The financial statements were approved by the Board of Directors and signed on its behalf on 6 August 2003.

.... Mrs N Todd
Director/Trustee

The notes on pages 10 to 15 form an integral part of these financial statements.

THE KNOWL HILL FOUNDATION
NOTES TO THE ACCOUNTS
For the year ended 31 July 2002

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 (effective June 2002).

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.

THE KNOWL HILL FOUNDATION
NOTES TO THE ACCOUNTS
For the year ended 31 July 2002 (Continued)

	2002	2001
3. **Charitable Expenditure** - (includes restricted funds £57,534)		
Provision of educational services	£521,433	£559,907

	2002	2001
4. **Support Costs** Staff costs (including proportion overheads £10,150) 2001: £15,317)	£43,937	£47,493

	2002 £	2001 £
5. **Management and Administering the Charity** All unrestricted funds		
Auditors Remuneration	2,868	2,853
Meeting Costs	-	-
Legal and constitutional costs	-	-
	£2,868	£2,853

6. **Total Resources Expended**

	Staff Costs £	Depreciation £	Other Costs	Total 2002 £	Total 2001 £
Educational services	330,096	68,844	122,493	521,433	559,907
Support Costs	33,787	7,649	2,501	43,937	47,493
Management and administration	-	-	2,868	2,868	2,853
	£363,883	£76,493	£127,862	£568,238	£610,253

Staff Costs:	2002 £	2001 £
Wages and salaries	334,632	337,822
Social security costs	29,251	29,697
	£363,883	£367,519

6. Total Resources Expended (continued

	2002 Number	2001 Number
Number of employees		
The average monthly number of employees during the year was		
Teachers	20	21
Administration and Trustees	9	8
	29	29

No employees earned £50,000 p.a. or more

No remuneration or expenses have been paid to trustees in the year (2001: NIL)

Other Costs:	2002 £	2001 £
Bursary reserve provision	30,000	30,000
Training	827	3,450
Tutoring	21,128	3,134
Premises and insurance	10,114	6,393
Educational supplies	14,234	12,184
Clubs and school outings	656	5,193
Repairs and cleaning	24,349	23,942
Other	26,554	29,509
	£127,862	£113,805

7. Income from Investments

	2002 £	2001 £
Other interest receivable	£5,578	£6,348

8. Interest Payable

	2002 £	2001 £
On bank loans and overdrafts	-	(388)
On other loans	15	1,255
	£15	£867

9. Taxation

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

10. Tangible Assets

	Land and Buildings Freehold £	Equipment £	Total £
Cost			
At 1 August 2001	474,824	307,886	782,710
Additions	-	2,966	2,966
At 31 July 2002	474,824	310,852	785,676
Depreciation			
At 1 August 2001	399,683	167,318	567,001
Charge for year	8,281	68,212	76,493
At 31 July 2002	407,964	235,530	643,494
Net book values			
At 31 July 2002	£66,860	£75,322	£142,182
At 31 July 2001	£75,141	£140,568	£215,709

All the above assets are used for direct charitable purposes.

11. Stocks

	2002 £	2001 £
Stock of stationery and teaching materials	£3,000	£3,000

12. Debtors

	2002 £	2001 £
Trade debtors	269	5,388
Prepayments and accrued income	1354	500
	£1,623	£5,888

13. Creditors (Amounts falling due within one year)

	2002 £	2001 £
Bank loans and overdrafts	-	-
Taxes and social security costs	8,462	8,922
Other creditors	1,478	16,500
Accruals and deferred income	7,950	6,140
	£17,890	£31,562

14. **Creditors (Amounts falling due after more than one year)**	**2002 £**	**2001 £**
Bank loans	-	-
Other loans	-	16,500
	£ -	£16,500
Bank loans and Other Loans		
Repayable within 1 year	-	16,500
Repayable within 1 and 2 years	-	-
Included in current liabilities	-	16,500
	£ -	£ -

The other loans 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 in the year.

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 2001 £	New designations £	Utilised/ Released £	Balance 31 July 2002 £
Bursary Reserve	15,000	30,000	30,000	15,000
School extension	100,000	100,000	-	200,000

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.

16. Analysis of Net Assets between Funds

	Tangible Fixed Assets £	Net Current Assets £	2002 Total £
Restricted Funds	56,034	-	56,034
Unrestricted Funds			
General (non designated)	-	73,264	73,264
Designated (see note 15)	86,148	128,852	215,000
	£142,182	£202,116	£344,298

17. Company Funds

	2002 £	2001 £
Retained surplus at 1 August 2001	334,090	221,696
Retained surplus for the year	10,208	112,394
Retained surpluses at 31 July 2002	£344,298	£334,090

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:

	2002 £	2001 £
Capital expenditure contracted for but not provided	£ -	£ -
Capital expenditure authorised but not contracted for	£ -	£ -

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.