

THE KNOWL HILL FOUNDATION
(Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2003

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	HSBC plc 6 Commercial Way Woking Surrey GU21 1EZ
Auditors	Groves & Co Dorhinton 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 2003

The Directors, who are the Trustees, present their Annual Report and the audited financial statements for the year ended 31 July 2003.

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
B Harnett
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 2003

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 Trustees are pleased to report that the building of the new Arts Block is underway, with completion expected by November 2003. This represents a major improvement to the facilities of the school, and incorporates designated space for Art, 3d Design (Pottery and sculpture), Design Technology and Music and Drama. In line with all new education buildings it is fully accessible, with a lift to the upper floor, and ramped entrance. In the near future the trustees will have to explore the possibility of a lift in the main building, not an easy prospect, either in terms of feasibility or cost. The trustees however are committed as always, to provide the very best facilities to all pupils, present and future, to enable them to reach their full potential, both educationally and as rounded human beings. The ever-escalating cost of manpower and equipment is making it increasingly difficult to keep the fees at a level of affordability to give the maximum number of parents the opportunity to educate their dyslexic children in a setting and with the expertise that they need in order to succeed in the future. The proportion of state-funded pupils at the school is maintained at just above 50%, but we are asked more and more to accept children from the state whose main problem appears to be behavioural, so we turn down as many as we accept.

THE KNOWL HILL FOUNDATION

REPORT OF THE TRUSTEES

For the year ended 31 July 2003

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

Each Trustee nominates projects which it intends to fund out of its existing resources and, accordingly, of the reserves balance of unrestricted funds amounting to £345,445 some £215,000 has been so earmarked and therefore the reserves balance for the continuing operations of the charity amounts to £130,445.

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.

THE KNOWL HILL FOUNDATION

REPORT OF THE TRUSTEES For the year ended 31 July 2003 (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 28 April 2004.



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.

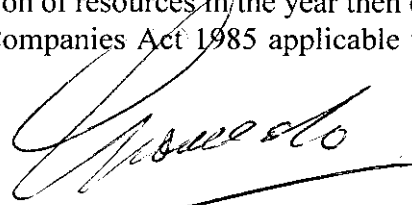
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

THE KNOWL HILL FOUNDATION

**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 2003 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
Chartered Accountants
Registered Auditors

Date: 28 April 2004

Dorthonion
Pyrford Road
Woking
Surrey GU22 8UF

THE KNOWL HILL FOUNDATION
STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 July 2003

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds £	2002 Total Funds £
Incoming Resources:					
Donations and gifts		1,311	3,500	4,811	3,875
Activities in furtherance of the Charity's objectives	2	596,791	-	596,791	568,993
Investment Income					
Interest receivable	7	<u>5,913</u>	<u>-</u>	<u>5,913</u>	<u>5,578</u>
Total incoming resources		<u>604,015</u>	<u>3,500</u>	<u>607,515</u>	<u>578,446</u>
Resources expended					
Less: Cost of generating funds					
Fund raising costs		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net incoming resources available for charitable application		<u>604,015</u>	<u>3,500</u>	<u>607,515</u>	<u>578,446</u>
Charitable expenditure					
Costs of activities in furtherance of the objectives of the Charity	3	498,014	58,534	556,548	521,433
Support Costs	4	45,952	-	45,952	43,937
Management and administering the Charity	5	<u>2,868</u>	<u>-</u>	<u>2,868</u>	<u>2,868</u>
Total charitable expenditure		<u>546,834</u>	<u>58,534</u>	<u>605,368</u>	<u>568,238</u>
Total resources expended	6	<u>546,834</u>	<u>58,534</u>	<u>605,368</u>	<u>568,238</u>
Net incoming/(outgoing) resources before transfers		57,181	(55,034)	2,147	10,208
Transfer between funds		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net incoming/(outgoing) resources		<u>57,181</u>	<u>(55,034)</u>	<u>2,147</u>	<u>10,208</u>
Net movement of funds		57,181	(55,034)	2,147	10,208
Balances brought forward 1.8.2002		<u>288,264</u>	<u>56,034</u>	<u>344,298</u>	<u>334,090</u>
Balances carried forward 31.7.2003	17	<u>£345,445</u>	<u>£1,000</u>	<u>£346,445</u>	<u>£344,298</u>

Designated funds are included in Unrestricted Funds (see Note 14)

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

THE KNOWL HILL FOUNDATION

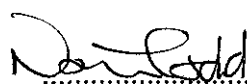
BALANCE SHEET

As at 31 July 2003

	Notes	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	10		126,306		142,182
Current assets					
Stocks	11	3,000		3,000	
Debtors	12	1,930		1,623	
Cash at bank and at hand		<u>231,492</u>		<u>215,383</u>	
		236,422		220,006	
Creditors (Amounts falling due within one year)	13	<u>(16,283)</u>		<u>(17,890)</u>	
Net current assets			<u>220,139</u>		<u>202,116</u>
Total assets less current liabilities			<u>£346,445</u>		<u>£344,298</u>
Funds					
- Unrestricted	14		345,445		288,264
- Restricted			<u>1,000</u>		<u>56,034</u>
Company Funds	16		<u>£346,445</u>		<u>£344,298</u>

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 28 April 2004


 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 2003

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 provide 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
Buildings under construction	-	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 2003 (Continued)

3.	Charitable Expenditure - (includes restricted funds £58,534)			2003	2002	
	Provision of educational services			<u>£556,548</u>	<u>£521,433</u>	
4.	Support Costs Staff costs (including proportion overheads £10,219) (2002: £10,150)			2003 <u>£45,952</u>	2002 <u>£43,937</u>	
5.	Management and Administering the Charity All unrestricted funds			2003 £	2002 £	
	Auditors Remuneration			2,868	2,868	
	Meeting Costs			-	-	
	Legal and constitutional costs			-	-	
				<u>£2,868</u>	<u>£2,868</u>	
6.	Total Resources Expended					
		Staff Costs £	Depreciation £	Other Costs £	Total 2003 £	Total 2002 £
	Educational Services	369,543	67,671	119,334	556,548	521,433
	Support Costs	35,733	7,519	2,700	45,952	43,937
	Management and administration	-	-	2,868	2,868	2,868
		<u>£405,276</u>	<u>£75,190</u>	<u>£124,902</u>	<u>£605,368</u>	<u>£568,238</u>
	Staff costs:			2003	2002	
	Wages and salaries			372,276	334,632	
	Social security costs			<u>33,000</u>	<u>29,251</u>	
				<u>£405,276</u>	<u>£363,883</u>	

THE KNOWL HILL FOUNDATION
NOTES TO THE ACCOUNTS
For the year ended 31 July 2003 (Continued)

6. Total Resources Expended (continued)

	2003	2002
	Number	Number
Number of employees		
The average monthly number of employees during the year was		
Teachers	21	20
Administration and Trustees	9	9
	<u>30</u>	<u>29</u>

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

No remuneration or expenses have been paid to trustees in the year (2002: NIL)

Other Costs:	2003	2002
	£	£
Bursary reserve provision	30,000	30,000
Training	1,448	827
Tutoring	12,743	21,128
Premises and insurance	11,640	10,114
Educational supplies	14,907	14,234
Clubs and school outings	669	656
Repairs and cleaning	27,345	24,349
Other	<u>26,150</u>	<u>26,554</u>
	<u>£124,902</u>	<u>£127,862</u>

7. Income from Investments

	2003	2002
	£	£
Other interest receivable	<u>£5,913</u>	<u>£5,578</u>

8. Interest Payable

	2003	2002
	£	£
On bank loans and overdrafts	-	-
On other loans	<u>-</u>	<u>15</u>

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 2003 (Continued)

10. Tangible Assets	Land and Buildings Freehold £	Equipment £	Total £
Cost			
At 1 August 2002	474,824	310,852	785,676
Additions	<u>57,403</u>	<u>1,911</u>	<u>59,314</u>
At 31 July 2003	<u>532,227</u>	<u>312,763</u>	<u>844,990</u>
Depreciation			
At 1 August 2002	407,964	235,530	643,494
Charge for year	<u>10,090</u>	<u>65,100</u>	<u>75,190</u>
At 31 July 2003	<u>418,054</u>	<u>300,630</u>	<u>718,684</u>
Net book values			
At 31 July 2003	<u>114,173</u>	<u>12,133</u>	<u>126,306</u>
At 31 July 2002	<u>66,860</u>	<u>75,322</u>	<u>142,182</u>

All the above assets are used for direct charitable purposes
Included in freehold land and buildings is £57,403 assets under construction which is the two storey school building. This building was completed in the following year.

11. Stocks	2003 £	2002 £
Stock of stationery and teaching materials	<u>£3,000</u>	<u>£3,000</u>
12. Debtors	2003 £	2002 £
Trade debtors	-	269
Prepayments and accrued income	<u>1,930</u>	<u>1,354</u>
	<u>£1,930</u>	<u>£1,354</u>
13. Creditors (Amounts falling due within one year)	2003 £	2002 £
Taxes and social security costs	10,213	8,462
Other creditors	491	1,478
Accruals and deferred income	<u>5,579</u>	<u>7,950</u>
	<u>£16,283</u>	<u>£17,890</u>

THE KNOWL HILL FOUNDATION
NOTES TO THE ACCOUNTS
For the year ended 31 July 2003 (Continued)

14. 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 2002 £	New Designations £	Utilised/ Released £	Balance 31 July 2003 £
Bursary reserve	15,000	30,000	30,000	15,000
School extension	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>

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.

THE KNOWL HILL FOUNDATION
NOTES TO THE ACCOUNTS
For the year ended 31 July 2003 (Continued)

15. Analysis of Net Assets between Funds

	Tangible Fixed Assets £	Net Current Assets	2003 Total £
Restricted Funds	1,000	-	1,000
Unrestricted Funds			
General (non designated)	-	130,445	130,445
Designated (see note 14)	<u>125,306</u>	<u>89,694</u>	<u>215,000</u>
	<u>£126,306</u>	<u>£220,139</u>	<u>£346,445</u>

16. Company Funds

	2003 £	2002 £
Retained surplus at 1 August 2002	344,298	334,090
Retained surplus for the year	<u>2,147</u>	<u>10,208</u>
Retained surpluses at 31 July 2003	<u>£346,445</u>	<u>£344,298</u>

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

17. Capital Commitments

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

	2003 £	2002 £
Capital expenditure contracted for but not provided	<u>£195,000</u>	<u>£ -</u>
Capital expenditure authorised but not contracted for	<u>£ -</u>	<u>£ -</u>

18. 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.

19. Ultimate Controlling Party

The company is controlled by the Trustees.