

COMPANY REGISTRATION NUMBER 07549443

THE KHALSA ACADEMIES TRUST LIMITED

(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 AUGUST 2017

The Khalsa Academies Trust Limited
Reference and administrative details for the year ending 31st August 2017

Members

I Anderson
J Morgan
S S Thamu (appointed 1st July 2017)

Trustees and Directors

I S Uppal (Chairman, appointed 26th April 2017)
N S Kandola (Chief Executive and Accounting Officer)
J Morgan
T S Palray
J Docherty (appointed 26 April 2016)
Ms K Kaur Mann (appointed 26 April 2016)
C S Hall (resigned 21st February 2017)
S Basra (resigned 24th June 2017 as trustee but remains as employee)
S Vig (resigned 30th December 2016 due to retirement)
M Kaley (resigned 25th November 2016 as trustee but remains as employee)
D Shepherd (resigned 24th June 2017 as trustee but remains as employee)

Secretary

N S Kandola

Senior management team

D Shepherd – Deputy CEO and Director of Education
S S Basra – Director of Finance
M S Kaley – Director of Estates
S Piesse – Principal Khalsa Secondary Academy
A K Notta – Acting Principal The Khalsa Academy Wolverhampton
B Freeman – Head of Primary Atam Academy

Registered Office

4 Wood End Close
Farnham Common
Bucks
SL2 3RF

Company Registration Number

07549443

Auditors

Haines Watts
Old Station House
Station Approach
Newport Street
Swindon
SN1 3DU

The Khalsa Academies Trust Limited
Reference and administrative details for the year ending 31st August 2017

Bankers

Lloyds Bank
Threadneedle Street
London

Solicitors

Browne Jacobson LLP
6 Bevis Marks, London EC3A 7BA

Khalsa Academies Website www.khalsaacademiestrust.com

The Khalsa Academies Trust Limited

Trustees Report for the year ending 31st August 2017

The Trustees present their annual report together with the audited financial statements of the Academy Trust, Khalsa Academies Trust Limited, for period 1st September 2016 to 31st August 2017. The annual report serves the purpose of both a Trustees' report, and a Directors' report under company law.

The Khalsa Academies Trust is a Multi Academy Trust which supports local communities to help establish and run Sikh Schools. The Trust manages three schools:

- The Khalsa Secondary Academy in South Bucks which opened in 2013 as a Free School.
- The Khalsa Academy Wolverhampton which opened in 2014 as a Free School.
- Atam Academy in Redbridge, Essex which opened in September 2016.

The new schools are improving local educational opportunities and parental choice by providing new high-achieving schools.

Its academies have a combined pupil capacity of 2220 when all year groups are full (excluding sixth Form and Nursery) and had a roll of 822 in the school census on 5th October 2017.

Structure, Governance and Management

Constitution

The Khalsa Academies Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Trust.

The Trustees of the Khalsa Academies Trust and are also the directors of the Charitable Company for the purposes of company law. The charitable company is known as Khalsa Academies Trust Limited.

Details of the trustees who served during the year are included in the Reference and Administrative Details on page 2.

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 £10, for the debts and liabilities contracted before they ceased to be a member.

Trustees' Indemnities

The Trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

Method of Recruitment and Appointment or Election of Trustees

The articles of association require the appointment of at least three trustees to the Company. Members may appoint any number of trustees. The Board reviews its effectiveness continually, looking at the skills and performance of its trustees. During last year, the Board completed an audit of skills and identified the need for 2 new trustees in the areas of human resources and law. The posts were advertised on the inspiringthefuture.org service which is run by the Education and Employers service and the School Governors One Stop Shop (SGOSS) service. Two new trustees were appointed during this period through a structured interview process. When new trustees are to be appointed, the board will agree at that time an appropriate process and criteria for the recruitment based on the skill and capability requirements of the board, governance and good practice for multi academy trusts and the requirements of the company's governing documents.

The Khalsa Academies Trust Limited
Trustees Report for the year ending 31st August 2017

Policies and Procedures Adopted for the Induction and Training of Trustees.

Training and induction is tailored to new trustees appropriate to their requirements and previous experience. The Company has adopted an induction policy which provides guidance on access to policies, procedures, minutes, budgets, accounts and other relevant plans and documents that they need to fulfil their role as trustees. Trustees are briefed regularly by the executive team on educational development areas such as DFE policy updates on the Academies Handbook

Organisational Structure

There is a clear management structure to control the way in which the trust is run. The structure consists of three levels: the trustees, the executive team and the academies themselves. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The trustees are responsible for setting the overall strategy, adopting an annual operational plan, reviewing the educational progress of the academies, monitoring the trust by the use of budgets and making major decisions about the direction of the trust, capital expenditure and senior staff appointments.

The executive team control the trust at an operational level implementing the policies laid down by the trustees and reporting back to them. As a group, the executive team are responsible for the authorisation of head office spending within agreed budgets and the appointment of staff, though appointments to the executive team always involve a representative of the trustees.

The local governing bodies and the principals control the academies on a day to day basis. The local governing body for each academy is delegated local governance functions and retains a strong focus on three core strategic functions:

- ensuring clarity of vision, ethos and strategic direction
- holding the principal to account for the educational performance of the academy and its students
- overseeing the financial performance of the academy and making sure money is well spent
- providing centralised support services to the schools.

Arrangements for setting pay and remuneration of key management personnel

The Board has delegated the arrangement for setting the pay and remuneration for executive directors and senior management to the remuneration and nominations committee whose members comprise four non-executive directors and the Chair of the Trust. This committee reviews the performance of the executive directors and ensures that succession planning is in line with the plans of the Trust.

This committee also sets the band of annual pay increases for all staff as guidelines for each of the academies pay committees. The Trust scheme of delegation sets out the responsibility for pay increases for all staff within academies to the Principal and the pay committee.

Risk Management

The trustees are responsible for risk management and for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding public funds and other funds and assets for which it is responsible. The Board has established an Audit Committee to champion the identification and management of the significant risks faced by the organisation. It meets two times per year or as required and the terms of reference from the Board provide appropriate delegated powers to the Audit committee to fulfil this responsibility. Matters of significance at individual academies are escalated through appropriate procedures to this Committee.

The Khalsa Academies Trust Limited
Trustees Report for the year ending 31st August 2017

Strategic Report

Academic Performance and key performance indicators:

- To be a high performing and nationally recognised Trust
- All schools within the Trust aim to be outstanding within the first three-five years of opening or following an Ofsted inspection
- Outcomes for pupil progress are outstanding and in the top 20% schools nationally
- To be schools of first choice for Sikh and non-Sikh families with strong values and high levels of community engagement
- To have outstanding learning environments and engaging and inspiring pedagogy

1. Khalsa Secondary Academy, Stoke Poges

Khalsa Secondary Academy (KSA) is the most established school in the Trust. Opened in 2013 it has grown to a school population of 280 and numbers for next year's 7 is 92, the highest since opening. During last year the founding Principal left and was replaced in an acting capacity by the Vice-Principal, Mrs Piesse. Mrs. Piesse has since been appointed as the Principal.

Khalsa Secondary Academy is smaller than the average-sized secondary school. Currently plans are in motion for a new Sixth Form opening in September 2018. Almost all students are of Sikh/Non Sikh Indian ethnicity. More than half the pupils speak English as an additional language.

External Reviews:

1. In April 2017 an education consultant at Buckinghamshire Learning Trust commented that the changes were positively impacting behaviour and this would secure a good outcome in an Ofsted inspection.
2. An external quality assurance inspection at KSA in May 2017 concurred that behaviour was good. Further work is needed to improve the quality of teaching and learning so that it is consistent across all subjects and teachers. The School Development Plan also worked cohesively with the strong Self Evaluation Form already in place.

GCSE Academic Performance 2016-17

Measure	National	KSA
%5+ English & Maths	52.80	64.3
%4+ English & Maths	71.0	78.6
Ebacc	24.5(2016)	54.0
A8	50.6(2016)	57.0
P8	0.00(2016)	+0.76

**The Khalsa Academies Trust Limited
Trustees Report for the year ending 31st August 2017**

These results are outstanding and placed the school in the top 30 schools nationally on progress made by pupils.

Careers Guidance

This impartial, quality dialogue with students and parents is essential for students' success. A careers advisor works with the school twice a week. Students and parents are well supported, events are laid on for students to develop their understanding of the world of work and have a range of individual and group sessions with different employers and higher education institutions.

School build

The school leaders continue to work hard with the EFSA and the contractors to ensure the building work at the school is phased appropriately and students, staff and parents receive regular communication at each stage of the process.

2. The Khalsa Academy Wolverhampton (formally The British Sikh School)

The Khalsa Academy Wolves opened in September 2014 as a 4 FE secondary school in temporary accommodation. It has developed well and admission numbers have steadily grown over the past 3 years. Currently there are 220 pupils in the school. This represents very good recruitment at 85% capacity. Numbers for 2017/18 are better still with 119 admitted into Year 7 from Published Admission Number of 120. This represents 99% capacity. The school is beginning to establish its reputation in with local community and is becoming a school of first choice.

Unfortunately the building project has been problematic in Wolverhampton and the new school build is a year behind schedule. It will be completed for September 2018. The school has been able to remain in the current temporary accommodation, now occupying a third floor. Although not ideal the school have made significant efforts to ensure there is a good learning environment. However, the additional year will cause constraints and this is unfortunate as the school is due its Ofsted inspection in 2017/18.

DFE Monitoring 2016/17

The school received its last monitoring visit by the DFE this academic year. The findings were very positive. The advisor commented on the improvements since the last visit and the strengthening of leadership across the school.

The Self-Evaluation Form and School Development Plan are both strong documents with a clear focus for driving improvement and the school's monitoring processes are robust. Teaching and learning is making positive progress and data on tracking pupil progress is comprehensive and shows an improving trend.

Academic performance:

The School uses Progress 8 and Attainment 8 as a global figure to track progress as a headline figure, this reflects the national KPIs. The school has aspirational targets with an additional +0.5 Progress 8 figure and currently for Year 7 at +0.29 and Year 8 at +0.1, this represents very good progress (national average -0.03). Attainment 8 in Years 7 and 8 are 4.9 (C/B) and 5.7 (B-).

Particularly impressive is the level of moderation that exists, particularly in the core subjects. The expected levels of work for high attainers, middle attainers and low attainers have been moderated with subject specialists in a local "outstanding" school.

Progress in the foundation subjects has improved considerably since extra curriculum time was focused on humanities. However the senior leadership team would like to ensure moderation with other schools to confirm the positive outcomes are robust.

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Overall assessments for SEND students and disadvantaged pupils show they are making good progress and are beginning to close the gap in performance compared to other pupils. Able and gifted students are also doing well and are being challenged in the core subjects. The degree of monitoring that exists in the core now needs to be duplicated in the foundation subjects.

3. Atam Academy, Redbridge, Essex

Atam Academy is planned to develop into an all-through school with pupils from 3-18. At the moment the school has pupils from Reception (4-5 year olds) to Year 2 (6-7 year olds) with two forms of entry into the primary phase. There are 79 children on roll with the head teacher, three class teachers, three teaching assistants and four part-time support staff. The school has successfully recruited for 2017/18 with 50 pupils to be admitted to Reception. This will take the school roll to 130. Nursery provision will open in September 2018 and secondary provision in September 2019.

Baseline on entry is below age-related expectations and a large percentage of the cohort is EAL (English as Additional Language) many of whose parents were born overseas. The new cohort for 2017/18 have improved age-related expectations on entry and up to 20% are non-Sikh.

In its first year of operation the school has created a caring and calm ethos where pupils are motivated to achieve highly and respectful of other people. Pupils have made excellent progress so that the majority reached the expected level and results were in line with national expectation.

DFE and external monitoring

The school has had DfE visits in 2016 and 2017. An external quality assurance review reported positively on the school and was in line with the school's own self-evaluation. It is currently good with outstanding features.

The school is currently in temporary premises on the site of a local Further Education college, which have been attractively refurbished and provide a welcoming and safe learning environment. The school's permanent building is being constructed directly behind the site and is currently on time to be completed ready for the school to move in and start operation from September 2018.

Development planning and evaluation is now thorough and detailed and reflects a model which is used across the Trust. The development plan which arises out of the evaluation is clear and identifies appropriate objectives to move the school forward. This is monitored at senior leadership level, governor level and at the Trust.

The classrooms used since September, provide exciting, rich and excellent learning environments and the influence of "cornerstones" which has just been introduced can be seen by increased creativity of the pupils.

Academic performance 2016-2017

In 2017 the school achieved 70% of Reception children achieving a Good Level of Development (GLD national 70.7%). The year group had a fifth children join it after the usual starting time and 80% of those on roll from September achieved the measure. 80% of children passed the phonics screening test in Year 1 (81% national).

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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 Plan has been approved by the Board of Trustees, including a robust and detailed financial projection based on prudent pupil number estimates & resourcing/staffing requirements which is now being executed to ensure that the financial position of the Trust continues to improve and delivers financial resilience & sustainability for the long term. Also, as noted in the Financial Review section, steps have now been taken to address the historical unrestricted deficits arising from transport, catering and enrichment activities. 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.

Principal Risks and Uncertainties

The principal risks identified by the trustees fall into two main categories which are

1. Financial (student numbers)

Each of our academies have opened within the last three years and whilst marketing remains a key priority, demand for places has been variable across the academies. Khalsa Secondary Academy has only recently been given planning permission to stay permanently at its current site and historically this factor has resulted in the school filling 75% of its available capacity. Similarly, The Khalsa Academy Wolverhampton is a new school which opened in 2015 and is running at 90% and Atam Academy is running at 83%. The local governing bodies along with staff and the Trustees actively support and engage in local marketing campaigns to drive up further demand for the academies.

There is also some risk around the level of government funding and whether these levels will take account of pay and pension funding increases in the public sector and general inflation.

2. Sites

Each of the academies are currently planning on moving to new buildings or refurbishment of the existing buildings. There is some risk that the new buildings may not be ready on time due to factors beyond the control of the Trustees. A dedicated estates lead is employed to ensure these building projects complete on time. There is some risk of the planning application for Atam Academy not being successful which may result in a delay in moving to the permanent site.

3. Recruitment

There is a national shortage of teachers in England and the success of each academy is driven by the recruitment of high quality teaching staff. Due to the physical location of Khalsa Secondary Academy and the uncertainty of the planning decision, recruitment has been more difficult than usual. The trustees have entered a strategic partnership with one of the leading recruitment firms to attempt to find creative solutions to this problem.

Connected Organisations, including Related Party Relationships

There are no related parties which either control or significantly influence the decisions and operations of the Academy Trust subject to the disclosures made in note 20.

Objectives and Activities

The Khalsa Academies Trust (KAT) operates a small number of academies providing high quality publicly funded education for the benefit of students in their respective communities. The trustees understand their responsibilities to deliver this public benefit. Students are at the heart of everything KAT does. All of our students have a right to

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outstanding education in order to give them the best chances in life. The ethos of KAT is to support and value our students and staff and work closely with the governing bodies of each of the academies. The Sikh ethos of "Seva" is central to our day to day operations both with how students support their local communities and how the academies function.

Public Benefit

The Academy Trust is a charity that exists to provide free education to all the pupils in its care.

The Trustees have complied with their duty to have due regard to the guidance on public benefit issued by the Charity Commission in exercising their powers and duties.

Financial Review

The financial position of the Trust at the year end is set out on page 22.

The Academy Trust reports an in year operating deficit of £110,892 on restricted & restricted reserves (excluding restricted pension & fixed asset reserves), which has resulted in a cumulative reserves carry forward deficit of £182,193.

The main factors contributing to the operating deficit for the year were the unbudgeted costs associated with significantly strengthening the central KAT executive team by recruiting a full time Director of Education & Director of Estates to add capacity and expertise at a MAT level to support the schools. In addition, the deficit on unrestricted funds for the year increased by £104,334 to a cumulative carried forward loss of £179,114. This deficit, whilst budgeted for, is primarily due to catering, transport and enrichment costs exceeding the income collected during the year which has resulted in a strategical change for future years with catering & enrichment now being primarily outsourced to third party providers and transport provisions being phased out during 17/18 to be replaced by external providers in future years.

There continues to be an Year on Year increase in Pupil intake numbers and although Khalsa Secondary Academy is still below capacity, both Khalsa Academy Wolverhampton and Atam Academy are now achieving almost full subscription into New Year Groups and with the move into new State of the Art Permanent Building for 18/19, we anticipate that these schools will be oversubscribed in the near future. The Academy Trust has a three year financial plan in place to resolve the deficit position and move to a sustainable surplus position on a consolidated basis within the timeframe, based on a prudent projection of future student numbers, proactive marketing & recruitment efforts, staff retention and strong financial management & control. Similar to other Trusts, we are in an environment where pension costs & associated liabilities continue to increase as well as upward pressures on teaching & support staff salaries in a highly competitive and challenging recruitment market for talent.

In addition the Academy Trust was awarded capital grants for the year of £966,758 (net of vat) for buildings, ICT and FF&E.

Financial and Risk Management Objectives and Policies

The Academy Trust has its own policy and a regularly updated risk register.

Reserves Policy

The Trust held £2,707,268 of funds at the year end. Of this £2,886,382 represented restricted funds and £179,114 represented a deficit on unrestricted funds (See the Statement of Financial Activities on page 22).

The Trustees and Governing body will ensure that, going forward, on a consolidated Multi Academy Trust level, sufficient reserves are held in order to ensure that any delays to receiving the regular monthly funds from the Department for Education do not disrupt the regular outgoing payments required by the school.

Free reserves as well as restricted general reserves are in deficit at the year end and, as noted above, the Trust has a three year financial plan in place to resolve this deficit position.

**The Khalsa Academies Trust Limited
Trustees Report for the year ending 31st August 2017**

Investment Policy

The Academy Trust has a formal Investment Policy in place which specifies the level of risk and defined parameters for any investments to be considered, including the authority levels as outlined within the approved Scheme of Delegation.

At the present time, it is not anticipated that there will be surplus funds available for longer term investment but short term surplus funds are generally held in interest bearing deposit accounts, with minimal risk, with our main bankers.

Plans for Future Periods

The Trust is planning on opening further new free schools and been asked to submit a bid by the regional schools commissioner in line with the free school application process.

Khalsa Secondary Academy is now a Good School as rated by Ofsted. It also achieved an outstanding Section 48 inspection. Khalsa Secondary Academy buildings are now being refurbished which will enhance the quality of the educational environment for its pupils.

During 2018, we are planning to move The Khalsa Academy Wolverhampton from its current temporary buildings to its new facility in Wolverhampton. We are also planning to move Atam Academy from its current temporary buildings to its brand new facility in Redbridge.

Our short to medium term objectives include:

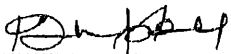
- To provide an exceptional academic education to all our students.
- Becomes the school of choice for local parents whether Sikh or of another faith or none.
- Achieves an Outstanding Ofsted rating within 5 years of opening.
- To recruit and retain the best quality staff.
- To operate the academies within a Sikh ethos of community service, meditation and honest living.

Auditor

In so far as the Trustees are aware:

- there is no relevant audit information of which the Charitable Company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the board of Trustees on and signed on its behalf by:

Signed: 

Name: Inder Singh Uppal
Chair of Trustees

Date: 19 Dec 2017

**The Khalsa Academies Trust Limited
Governance Statement**

Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that the Khalsa Academies 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 chief executive, 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 the Trust and the Secretary of State for Education. The chief executive is also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control. The Trustees have agreed that a governance review will take place in Jan 2018 and will report on its findings in the next report.

Governance

The information on governance included here supplements that described in the Trustees' report. The Board of Trustees has formally met 4 times during the year. Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of Possible
Inder Singh Uppal, Chair	1	1
N S Kandola, CEO	4	4
J Morgan	2	4
T S Palray	4	4
J Docherty	4	4
K K Lidher	3	4

Three sub-committees were operational during this period which included Finance and Resources, Audit and Risk and Remuneration and Nominations Committee. These sub committees met twice during the year.

Finance and Resources

	Meetings attended	Out of Possible
N S Kandola	3	3
M S Kaley	3	3
S S Basra	3	3
D Shepherd	2	2
T S Palray	1	2

Audit and Risk

	Meetings attended	Out of Possible
I Anderson, Chair	2	2
T S Palray	2	2
N S Kandola	2	2
S S Basra	2	2

Remuneration and Nominations Committee

	Meetings attended	Out of Possible
N S Kandola	2	2
J Docherty	2	2
K K Lidher	2	2
J Morgan	1	2

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Trustees Report for the year ending 31st August 2017

Each academy held full governing body meetings during the year along with 2 sub committees comprising finance & resources and educational standards.

Governance reviews were carried out by each academy trust along with appropriate courses for governors such as safeguarding, recruitment, holding the head to account. External safeguarding reviews were commissioned by the trustees for each academy as well as educational reviews.

Each academy had a DFE Inspection, usually twice per year and these have resulted in positive reports for each academy.

Review of Value for Money

As accounting officer, the CEO has responsibility for ensuring that the academies 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 academies' 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 trust follows the its financial policy for all procurement of products and services and during this financial period, no purchases for goods or services exceeding the tender limit were procured. The five-year contract for the supply of ICT products and services was tendered in 2014 through the DFE/EFA approved framework.

The Purpose of 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 ongoing process designed to identify and prioritise the risks to the achievement of the Khalsa Academies 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 the Khalsa Academies Trust for the year ended 31 August 2017 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 Khalsa Academies 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 ongoing process for identifying, evaluating and managing the Trust Academies significant risks.

The Risk and Control Framework

The 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 governing body;
- 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.

An external review of the internal core financial systems and processes was commissioned by the audit committee during the year and carried out by an Mazars, an external auditor. Assurances were provided that there were no high or medium risks present.


The Khalsa Academies Trust Limited
Trustees Report for the year ending 31st August 2017

Review of Effectiveness

As Accounting Officer, the chief executive 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 audit committee
- the work of the external auditors
- the financial management and governance self – assessment process
- other explicit review/assurance mechanisms
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

Approved by order of the board of trustees on 19 December 2017 and signed on its behalf by:



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Inder Singh Uppal
Chair of Trustees



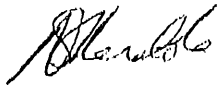
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Nick Singh Kandola
Accounting Officer

The Khalsa Academies Trust Limited
Statement On Regularity, Propriety And Compliance

As accounting officer of Khalsa Academies Trust Limited I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the 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 2016.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of all 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 2016.

With the exception of restricted funds being utilised to cover a shortfall in the unrestricted funds account as shown in the Statement of Financial Activities, I confirm that no instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the board of trustees and ESFA. If any instances are identified after the date of this statement, these will be notified to the board of trustees and ESFA:



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Nick Singh Kandola
Accounting officer

The Khalsa Academies Trust Limited
Statement Of Governors' Responsibilities

The trustees (who act as governors of Khalsa Academies Trust Limited) and are also directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report (including the Strategic Report) and the financial statements in accordance with Annual Accounts Direction published by ESFA, 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 the incoming resources and application of resources, including its income and expenditure. 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 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgements and 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 operation.

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 good financial management. They are also responsible for ensuring that grants received from the Education and Skills Funding Agency and Department for Education 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 Governing Body on 19th December 2017 and signed on its behalf by



Inder Singh Uppal
Chair of Trustees

The Khalsa Academies Trust Limited

Independent Auditor's Report to the members of The Khalsa Academies Trust Limited

We have audited the financial statements of Khalsa Academies Trust Limited (the 'academy trust') for the year ended 31 August 2017 which comprise the Statement of Financial Activities, Balance, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

This report is made solely to the academy trust's members, as a body, in accordance with Chapter 3 of Part 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 the academy trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2017, 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 2015 and the Academies Accounts Direction 2016 to 2017 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 the 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the academy trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the 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.

The Khalsa Academies Trust Limited
Independent Auditor's Report to the members of The Khalsa Academies Trust Limited

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) 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.

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 in relation to which 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 directors' 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 17, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the academy trust's internal control.

The Khalsa Academies Trust Limited

Independent Auditor's Report to the members of The Khalsa Academies Trust Limited

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the academy trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the academy trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Susan Plumb

Susan Plumb Senior Statutory Auditor
For and on behalf of Haines Watts, Statutory Auditor
Old Station House
Station Approach
Newport Street
Swindon
SN1 3DU

Date... 20/12/17

Independent Reporting Accountant's Assurance Report on Regularity to The Khalsa Academies Trust Limited and the Education Funding Agency

In accordance with the terms of our engagement letter dated 28 April 2016 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Khalsa Academies Trust Limited during the period 1 September 2016 to 31 August 2017 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 the Khalsa Academies Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Khalsa Academies 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 the Khalsa Academies Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Khalsa Academies Trust Limited's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Khalsa Academies Trust's funding agreement with the Secretary of State for Education dated 25 March 2015 and the Academies Financial Handbook, extant from 1 September 2016, 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 2016 to 2017. 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 1 September 2016 to 31 August 2017 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 2016 to 2017 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:

- consideration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance
- review of minutes which may be relevant to regularity
- consideration of discussions with key personnel
- substantive testing of individual transactions

Conclusion

With the exception of restricted funds being utilised to cover a shortfall in the unrestricted funds account, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Haines Watts

Haines Watts
Reporting Accountant
For and on behalf of Haines Watts, Chartered Accountants

Date *20/12/17*

The Khalsa Academies Trust Limited
Statement of Financial Activities for the year ended 31 August 2017
(including Income and Expenditure Account)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Pension Reserve £	Restricted Fixed Asset Funds £	Total 2017 £	Total 2016 £
Income from:							
Donations and capital grants	2	22,729	35,000	-	966,758	1,024,487	1,823,066
Transfer in of schools joining the Trust	21	-	-	-	-	-	231,441
<i>Charitable activities:</i>							
Funding for the academy trust's educational operation	5	-	3,874,181	-	-	3,874,181	2,456,822
Investments	3	2,621	-	-	-	2,621	4,046
Other trading income	4	386,400	-	-	-	386,400	207,763
Total		411,750	3,909,181	-	966,758	5,287,689	4,723,138
Expenditure on:							
Raising funds		516,084	-	-	-	516,084	260,884
<i>Charitable activities:</i>							
- Academy trust's educational operations	6	-	3,915,739	134,000	332,810	4,382,549	2,681,918
Total		516,084	3,915,739	134,000	332,810	4,898,633	2,942,802
Net income/(expenditure)		(104,334)	(6,558)	(134,000)	633,948	389,056	1,780,336
Transfers between funds		-	-	-	-	-	-
Net income/(expenditure) for the year		(104,334)	(6,558)	(134,000)	633,948	389,056	1,780,336
Other recognised gains and losses							
Actuarial gains/(losses) on defined benefit pension schemes	19	-	-	30,000	-	30,000	(58,000)
Net movement in funds		(104,334)	(6,558)	(104,000)	633,948	419,056	1,722,336
Funds brought forward 1 September 2016		(74,780)	3,479	(87,000)	2,446,513	2,288,212	565,876
Funds carried forward at 31 August 2017	14	(179,114)	(3,079)	(191,000)	3,080,461	2,707,268	2,288,212

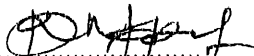
All income and expenditure derive from continuing activities.

The statement of financial activities includes all gains and losses recognised during the year.

The Khalsa Academies Trust Limited
Balance Sheet as at 31 August 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	10	3,267,091	2,575,539
Current assets			
Stock	11	17,139	28,976
Debtors	12	184,022	263,852
Cash at bank and in hand		656,823	815,557
		<u>857,984</u>	<u>1,108,385</u>
Creditors: Amounts falling due within one year	13	1,226,807	1,308,712
Net current (liabilities)/assets		<u>(368,823)</u>	<u>(200,327)</u>
Total assets excluding pension liability		2,898,268	2,375,212
Pension liability	19	(191,000)	(87,000)
Net assets including pension liability		<u>2,707,268</u>	<u>2,288,212</u>
Funds of the academy:			
Restricted funds			
Fixed asset funds	14	3,080,461	2,446,513
General funds	14	(3,079)	3,549
Pension reserve	19	<u>(191,000)</u>	<u>(87,000)</u>
Total restricted funds		2,886,382	2,362,992
Unrestricted funds		(179,114)	(74,780)
Total funds	14	<u>2,707,268</u>	<u>2,288,212</u>

The financial statements on pages 24-46 were approved by the trustees, and authorised for issue on 19 Dec 17 and are signed on their behalf by:


 Inder Singh Uppal
 Chair of Trustees

Company Limited by Guarantee
 Registration Number 07549443

The Khalsa Academies Trust Limited
Cash Flow Statement for the year ended 31 August 2017

	Notes	2017 £	2016 £
Net cash flows from operating activities	22	(103,751)	923,178
Cash flows from investing activities	23	(54,983)	(165,755)
Change in cash and cash equivalents in the reporting period	24	<u>(158,734)</u>	<u>757,423</u>
Reconciliation of net cash flow to movement in net funds			
Cash and cash equivalents at 1 September 2016		815,557	58,134
Cash and cash equivalents at 31 August 2017	24	<u>656,823</u>	<u>815,557</u>

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017

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 (FRS 102), 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 (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the entity and rounded to £. Khalsa Academies Trust Limited 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 academy trust to continue as a going concern. The trustees make this assessment in respect of a period of one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Based on the consolidated budget & subsequent updated forecasts for FY 17/18, the Trust is anticipated to generate a satisfactory level of in year operating surplus with an expectation and objective to at least a breakeven position on cumulative reserves by the end of the 17/18 Academic Year. Also, as noted in the Financial Review section, steps have now been taken to address the historical unrestricted deficits arising from the provision of catering, enrichment and transport activities. In addition, the approved 3 year plan shows that the Trust will be generating acceptable in year surpluses in future years to ensure that sufficient reserves are built up to ensure a sustainable financial future for the Trust.

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 receivable

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.

Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1. Statement of accounting policies (continued)

Income (continued)

Grants receivable (continued)

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.

Donated goods, facilities and services

The value of donated services and gifts in kind provided are recognised at an estimate of their gross value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with Academy Trust's accounting policies.

Other income

Other income is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.

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.

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.

All resources expended are inclusive of Irrecoverable VAT.

Tangible Fixed Assets

Assets costing £500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Assets being constructed are included in fixed assets at cost and will be depreciated once the assets come into use.

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 restrictions 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.

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting Policies (continued)

Fixed Asset (continued)

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight-line/reducing balance basis over its expected useful lives, as follows:

Leasehold improvement	-	50 years (if site expected to be permanent)
Leasehold improvement	-	2 years (if site expected to be short term)
Fixtures, fittings and equipment	-	10 Years
ICT equipment	-	5 years
Motor vehicles	-	4 years

The depreciation period selected of 50 years is on the assumption that the property will be transferred to the Trust. The improvements may have to be written off over a shorter period.

Transfer in of schools joining the Trust

The transfer in to the Academy Trust involved the transfer of identifiable assets and liabilities and the operations of the schools for nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis. The assets and liabilities have been transferred at fair value. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised as a donation in the Statement of Financial Activities.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Debtors and prepayments

Trade and other debtors are recognised at the settlement amount due after any trade discounts. Prepayments are valued at the amount prepaid net of any discounts.

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

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.

Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1 Accounting Policies (continued)

Taxation

The Academy 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 is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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.

Leased Assets

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

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').

The TPS is a defined benefit schemes, is contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Academy.

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 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 quinquennial valuations using a prospective benefit method. As stated in Note 19, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year

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 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 at the discretion of the trustees.

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

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency/Department for Education.

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1. Accounting policies (continued)
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 19, will impact the carrying amount of the pension 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 2017. 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.

2 Donations and capital grants

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Capital grants	-	966,758	966,758	1,775,041
Donated services	-	35,000	35,000	35,000
Other donations	22,729	-	22,729	13,025
	<u>22,729</u>	<u>-</u>	<u>22,729</u>	<u>13,025</u>
	<u>22,729</u>	<u>1,001,758</u>	<u>1,024,487</u>	<u>1,823,066</u>

Income from donations and capital grants was £1,024,487 (2016 - £1,823,066) of which £22,729 (2016 - £13,025) was attributable to unrestricted funds, £35,000 (2016 - £35,000) was attributable to restricted general funds and £966,758 (2016 - £1,775,041) was attributable to restricted fixed asset funds.

3 Investment income

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Bank interest	2,621	-	2,621	4,046
	<u>2,621</u>	<u>-</u>	<u>2,621</u>	<u>4,046</u>

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

4 Other Trading Income

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Lunch provision	122,054	-	122,054	101,826
Transport	106,146	-	106,146	54,084
Trips	81,396	-	81,396	-
Enrichment activities	22,251	-	22,251	34,620
Other	54,553	-	54,553	17,233
	<u>386,400</u>	<u>-</u>	<u>386,400</u>	<u>207,763</u>

5 Funding for Academy Trust's Educational Operations

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
DfE/EFA revenue grants				
General Annual Grant	-	3,495,158	3,495,158	2,239,903
Start up Grant	-	-	-	210,000
Post opening grant	-	368,750	368,750	-
Other DfE/EFA grants	-	10,273	10,273	6,919
	<u>-</u>	<u>3,874,181</u>	<u>3,874,181</u>	<u>2,456,822</u>

Funding for academy trust's educational operations was £3,874,181 (2016 - £2,456,822) of which all was attributable to restricted general funds (2016 same).

£8,168 (2016 - £6,919) of other DfE/EFA grants were received for the general premises maintenance purposes.

6 Expenditure

	Staff Costs £	Non Pay Expenditure		Total 2017 £	Total 2016 £
		Premises £	Other Costs £		
Expenditure on raising funds	139,592	-	376,492	516,084	260,884
Academy Trust's educational operations					
- Direct costs	2,539,118	620,515	174,238	3,333,871	1,994,906
- Allocated support costs	629,520	-	419,158	1,048,678	687,012
	<u>3,168,638</u>	<u>620,515</u>	<u>593,396</u>	<u>4,382,549</u>	<u>2,681,918</u>
	<u>3,308,230</u>	<u>620,515</u>	<u>969,888</u>	<u>4,898,633</u>	<u>2,942,802</u>

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

6 Expenditure continued

All expenditure on raising funds above was attributable to unrestricted funds (2016 same).

£3,915,832 (2016 - £2,481,201) of the above expenditure on the academy trust's educational operations was attributable to restricted general funds and £332,717 (2016 - £200,717) was attributable to restricted fixed asset funds.

Net income / expenditure for the year includes:

	2017 £	2016 £
Operating lease rentals	34,644	13,916
Depreciation	332,810	200,771
Fees payable to the auditor for:		
Audit	6,500	5,500
Other services	1,950	1,750
	<hr/>	<hr/>

Charitable activities – educational operations

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Direct costs	-	3,333,871	3,333,871	1,994,906
Allocated support costs				
Support staff costs	-	629,520	629,520	318,242
Technology costs	-	61,365	61,365	42,586
Other support costs	-	303,947	303,947	290,773
Governance	-	53,846	53,846	35,411
	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	1,048,678	1,048,678	687,012
	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	4,382,549	4,382,549	2,681,918

Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

7 Staff Costs

	2017	2016
	£	£
Staff costs during the period were:		
Wages and salaries	2,386,314	1,457,244
Social security costs	217,485	125,565
Pension	323,504	192,098
Operating costs of defined benefit pension schemes	<u>134,000</u>	<u>20,000</u>
	3,061,303	1,794,907
Supply staff	<u>246,927</u>	<u>179,653</u>
Total	<u>3,308,230</u>	<u>1,974,560</u>

The average number of persons (including senior management team) employed by the Academy Trust during the year, and the full time equivalents, was as follows:

	2017	2016
	Number	Number
Charitable Activities		
Teachers	38	22
Administration and support	47	25
Management	<u>7</u>	<u>5</u>
	<u>92</u>	<u>51</u>

(a) Higher paid staff

The number of employees whose employee benefits (excluding employer pension contributions) exceeded £60,000 was:

	2017	2016
	No.	No.
£60,001 - £70,000	3	-
£70,001 - £80,000	1	1
£80,000 - £90,000	0	1
£90,000 - £100,000	<u>1</u>	<u>-</u>

(b) Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust during the year (including former senior management team members) was £536,605 (2016: £363,400).

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

c) Central services

The academy trust has provided the following central services to its academies during the year:

Finance
 Accounting
 Reporting and Compliance
 IT and HR management
 Educational support
 Site/facilities support

The trust charges for these services on the following basis:

For 16-17, the trust charged each school based on fixed amounts agreed as part of the Budget approval process and was based on the anticipated level of time & resources required during the year, including project management during the Pre-Opening Phase of the Atam Academy.

The actual amounts charged during the year were as follows:

	2017 £	2016 £
Atam Academy	39,996	63,237
Khalsa Secondary Academy	108,108	33,850
The Khalsa Academy Wolverhampton	65,976	64,000
	214,080	161,087

8. Related Party Transactions - Trustees' Remuneration and Expenses

In accordance with the Articles of Association, Trustees may enter into a contract for the supply of goods or services to the Company, other than for acting as a Trustee providing the sums paid to the Trustee are reasonable and the Trustee is absent from the part of a meeting which there is discussion about the remuneration. No remuneration is paid for acting as a Trustee or Member. In addition, some staff may serve as Trustees and they may receive their remuneration in their capacity as employees of the Trust, but no remuneration is paid for acting as a Trustee or Member. The other Trustees did not receive any fees or remuneration for the performance of their role as Trustees, but were reimbursed expenses necessarily incurred in that role.

N S KANDOLA (Trustee and Chair) (See note 20)

Consultancy services £55,000-£60,000 (2016: £10,000-£15,000) and Remuneration £0-£5,000 (2016 Nil)
 Employer's pension contribution £375 (2016 Nil)
 Consultancy services ended when N S KANDOLA became the CEO.

S S BASRA (Trustee, resigned 24th June 2017 and Director of Finance)

Remuneration £60,000-£65,000 (2016: £55,000 - £60,000)
 Employer's pension contribution £14,820 (2016 £12,062)

M S KALEY (Trustee, resigned 25th November 2016)

Remuneration £40,000-£45,000 (2016: £10,000-£15,000)
 Employer's pension contribution £5,522 (2016 £2,527)

S VIG (Trustee and Executive Principal, resigned 12 January 2017)

Remuneration £10,000-£15,000 (2016: £30,000 - £35,000)
 Employer's pension contribution £Nil (2016 Nil)

D SHEPPARD (Trustee, resigned 24th June 2017 and Deputy CEO & Director of Education)

Remuneration £90,000-£95,000 (2016: £30,000 - £35,000)
 Employer's pension contribution £15,287 (2016 Nil)

The Khalsa Academies Trust Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

During the year ended 31 August 2017 £457 (2016 £1,582) of travel and subsistence expenses were reimbursed to two (2016 one trustee) in their capacity as trustee. Related party transactions involving the trustees are set out in note 20.

During the year a non-statutory/non-contractual severance payment of £20,000 (£12,000) was made.

9. Trustees' and Officers' Insurance

The academy trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

For 2015, the Academy purchased its own 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 £2,000,000 on any one claim and the cost for the year ended 31 August 2017 was £11,669.

10. Tangible Fixed Assets

	Leasehold Improvements	Assets under construction	Furniture and Equipment	Computer Equipment	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 September 2016	659,023	1,127,993	362,586	765,132	32,634	2,947,368
Additions	133,026	552,851	80,906	257,588	-	1,024,362
At 31 August 2017	<u>792,049</u>	<u>1,680,844</u>	<u>443,492</u>	<u>1,022,720</u>	<u>32,634</u>	3,971,730
Depreciation						
At 1 September 2016	52,165	-	62,876	239,773	17,024	371,829
Charged in period	105,904	-	41,894	176,854	8,158	332,810
At 31 August 2017	<u>158,069</u>	<u>-</u>	<u>104,770</u>	<u>416,627</u>	<u>25,182</u>	704,639
Net book values						
At 31 August 2017	<u>633,980</u>	<u>1,680,844</u>	<u>338,722</u>	<u>606,093</u>	<u>7,452</u>	3,267,091
At 31 September 2016	606,858	1,127,993	299,719	525,359	15,610	2,575,539

The academy trust's transactions relating to land and buildings included:

1. continued refurbishment of Pioneer House, the Khalsa Secondary Academy site in Stoke Poges
2. refurbishment of the temporary site at Parkfield in Wolverhampton which The Khalsa Academy Wolverhampton is currently occupying

In addition construction has begun on the permanent site for The Khalsa Academy Wolverhampton at the former Tarmac Building; costs incurred to date are classified as "assets under construction".

As noted in note 17 a 125 year lease was granted to the Trust in respect of the permanent site for The Khalsa Academy Wolverhampton to enable construction work on commence at cost of £3.1m during the year, funded by the DfE. Once construction has been completed and the site occupied a valuation will be placed on the land and buildings for inclusion in the financial statements in accordance with the Academies Accounts Directive 2016-2017.

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

11. Stock

	2017 £	2016 £
Books	17,139	14,752
Equipment	-	14,224
	<u>17,139</u>	<u>28,876</u>

12. Debtors

	2017 £	2016 £
VAT recoverable	87,055	48,014
Other debtors	6,771	14,565
Prepayments and accrued grant income	90,196	201,273
	<u>184,022</u>	<u>263,852</u>

13. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	206,836	307,853
Taxation and social security	58,223	50,727
ESFA abatement of GAG	58,771	23,413
Other creditors, accruals and deferred income	902,976	926,719
	<u>1,226,807</u>	<u>1,308,712</u>

Deferred Income

	2017 £	2016 £
Deferred income at start of the year	55,319	-
Released from previous years	(55,319)	-
Resources deferred in the year	80,714	55,319
Deferred income at end of year	<u>80,714</u>	<u>55,319</u>

Deferred income represents EFA funding received in advance of the 17/18 academic year.

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

14. Funds

	Balance at 1 September 2016 £	Incoming Resources £	Resources Expended £	Gains/(losses) and transfers £	Balance at 31 August 2017 £
Restricted general funds					
General Annual grant	(26,521)	3,495,158	(3,471,716)	-	(3,079)
Start up grant	30,000	-	(30,000)	-	-
Other grants	-	10,273	(10,273)	-	-
Post opening grants	-	368,750	(368,750)	-	-
Lease rent donation	-	35,000	(35,000)	-	-
Pension reserve	(87,000)	-	(134,000)	30,000	(191,000)
	<u>(83,521)</u>	<u>3,909,181</u>	<u>(4,049,739)</u>	<u>30,000</u>	<u>(194,079)</u>
Restricted fixed asset funds					
DfE/ESFA capital grants	2,446,513	966,758	(332,810)	-	3,080,461
	<u>2,446,513</u>	<u>966,758</u>	<u>(332,810)</u>	<u>-</u>	<u>3,080,461</u>
Total restricted funds	2,362,992	4,875,939	(4,382,549)	30,000	2,886,382
Unrestricted funds	(74,780)	411,750	(516,084)	-	(179,114)
Total funds	<u>2,288,212</u>	<u>5,287,689</u>	<u>(4,898,633)</u>	<u>30,000</u>	<u>2,707,268</u>

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

Restricted General funds are those which are supplied for a specific duty and the funds spent only in accordance with the agreement or restrictions placed upon them.

Restricted Fixed Asset funds are assets purchased from funds received for that specific purpose.

Unrestricted funds are all other sources of income generated by the Academy to which no restrictions apply regarding the way they are spent.

The trust is carrying a net deficit of £182,286 on restricted general funds (excluding pension reserves) plus the balance on unrestricted fund at 31 August 2017. This is due essentially to historical school transport and catering costs not being fully recovered from pupils during the initial start up phases of schools. The trust has a three year financial plan in place to resolve the deficit position and move to a surplus.

Total funds analysis by academy

Fund balances at 31 August 2017 were allocated as follows:

	2017 £	2016 £
Khalsa Secondary Academy	(80,422)	(75,955)
The Khalsa Academy Wolverhampton	80,763	(35,129)
The Atam Academy	123,624	90,814
Central services	(306,158)	(51,027)
Total before fixed assets and pension reserve	<u>(182,193)</u>	<u>(71,297)</u>
Restricted fixed asset fund	3,080,461	2,446,513
Pension reserve	(191,000)	(87,000)
Total	<u>2,707,268</u>	<u>2,288,216</u>

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

14. Funds (continued)

The cumulative deficit for Khalsa Secondary Academy has increased marginally during the year by £4,467 to £80,422 due primarily to higher teacher supply costs coupled with lower than budgeted pupil numbers. The cumulative surplus for Khalsa Academy Wolverhampton has increased significantly during the year by £115,892 to £80,763 due to strong pupil number intakes and prudent financial management. The cumulative surplus for Atam Academy has increased during the year by £32,810 to £123,624 due to encouraging pupil number intakes and prudent financial management during its first year of operations.

The In Year deficit on Funds for Central MAT Services of £255,131 is attributable to the strategic decision taken by the Trust to invest in the recruitment of a substantive full time Director of Education, together with a full time Director of Estates, so that a strong level of support, expertise & capacity exists at Trust level to support all the schools going forward.

Total cost analysis by academy

Expenditure incurred by each academy during the year was as follows:

	Teaching and Educational Support Staff Costs £	Educational Supplies £	Other Costs excluding Depreciation £	Total 2017 £	Total 2016 £
The Khalsa Academy Wolverhampton	954,453	32,201	195,597	1,182,251	750,666
Khalsa Academy	1,626,984	87,578	504,340	2,218,902	1,665,956
Atam Academy	404,639	43,306	243,671	691,616	78,603
Central services	322,154	11,153	139,840	473,147	246,806
Academy trust	3,308,230	174,238	1,083,448	4,565,916	2,742,031

15. Analysis of net assets between funds

Fund balances at 31 August 2017 are represented by:

	Unrestricted Funds 2017 £	Restricted General Funds 2017 £	Restricted pension reserve 2017 £	Restricted Fixed Asset Funds 2017 £	Total Funds 2017 £	Total Funds 2016 £
Tangible fixed assets	-	186,630	-	3,080,461	3,267,091	2,575,539
Current assets	-	857,984	-	-	857,984	1,108,385
Current liabilities	(179,114)	(1,047,693)	-	-	(1,226,807)	(1,308,712)
Pension liability	-	-	(191,000)	-	(191,000)	(87,000)
Total net assets/(liabilities)	(179,114)	(3,079)	(191,000)	3,080,461	2,707,268	2,288,212

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

16. Capital commitments

	2017 £	2016 £
Contracted for, but not provided in the financial statements	nil	nil

17. Commitments under operating leases

At 31 August 2017 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2017 £	2016 £
Amounts due within one year	19,320	13,916
Amounts due between one and five years	-	-
Amounts due after five years	-	-
	<u>19,320</u>	<u>13,916</u>

Land and Buildings Lease arrangements

- The Khalsa Secondary Academy building has been leased from the ESFA to the Trust since September 2013 at nil rent under a rolling one year lease. Until such times as all refurbishment costs have been carried out and the site is handed over to the Trust no value is to be attributed to the occupation of the site in the accounts.
- The temporary site which The Khalsa Academy Wolverhampton currently occupies has been leased from Wolverhampton City Council since 1 September 2015. This lease has been extended into 2017/18 whilst the permanent site is built. The annual rent of £35,000 is funded by the ESFA and has been included as income and expenditure in these financial statements (see note 2). It is anticipated that the school will move to its permanent location by September 2018.

To enable construction work on the permanent site to be carried out a 125 year lease was granted to the Trust during last year, underwritten by the DfE. Once construction has been completed and the site occupied a valuation will be placed on the land and buildings for inclusion in the financial statements in accordance with the Academies Accounts Directive 2016-2017.

- Atam Academy building is leased from Redbridge College until 31st July 2018, after which time the school will move to its permanent location. The annual rent of £128,313 for 16/17 was funded by the ESFA. Construction of the new site commenced during the year.

18. 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.

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

19. 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 Barnett Waddingham. Both are defined-benefit schemes.

The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £37,147 (2016: £28,388) were payable to the schemes at 31 August 2017 and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, 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

Not less than every four years 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; and
- 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%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS 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 £400,024 (2016: £260,285).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

The Khalsa Academies Trust Limited

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

19 Pension and similar obligations (continued)

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £92,165 (2016 £63,446), of which employer's contributions totalled £69,191 (2016 £48,357) and employees' contributions totalled £22,974 (2016 £15,089). The agreed contribution rates for future years are 20.5% - 22.8% for employers and 5.5% - 9.9% (depending on salary and section) 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 – Khalsa Secondary Academy

	At 31 August 2017	At 31 August 2016
Rate of increase in salaries	4.2%	4.1%
Rate of increase for pensions in payment / inflation	2.7%	2.3%
Discount rate for scheme liabilities	2.6%	2.2%

Principal Actuarial Assumptions – The Khalsa Academy Wolverhampton

	At 31 August 2017	At 31 August 2016
Rate of increase in salaries	4.2%	3.75%
Rate of increase for pensions in payment / inflation	2.7%	2.0%
Discount rate for scheme liabilities	2.6%	2.2%

Principal Actuarial Assumptions – ATAM Academy

	At 31 August 2017	At 31 August 2016
Rate of increase in salaries	2.4%	2.0%
Rate of increase for pensions in payment / inflation	2.4%	2.0%
Discount rate for scheme liabilities	2.5%	2.1%

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

19 Pension and similar obligations (continued)

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

Khalsa Secondary Academy:-

	At 31 August 2017	At 31 August 2016
<i>Retiring today</i>		
Males	23.9	23.8
Females	26.0	26.2
<i>Retiring in 20 years</i>		
Males	26.2	26.1
Females	28.3	28.5

The Khalsa Academy Wolverhampton :-

	At 31 August 2017	At 31 August 2016
<i>Retiring today</i>		
Males	21.8	23.1
Females	24.3	25.8
<i>Retiring in 20 years</i>		
Males	24.0	25.3
Females	26.6	28.1

ATAM Academy:-

	At 31 August 2017	At 31 August 2016
<i>Current pensioners</i>		
Males	22.1	-
Females	24.2	-
<i>Future pensioners</i>		
Males	23.9	-
Females	26.3	-

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

19 Pension and similar obligations (continued)

The share of the assets and liabilities in the scheme and the expected rates of return were:

Khalsa Secondary Academy

	Fair value at 31 Aug 2017 £000	Fair value at 31 Aug 2016 £000
Equities	55	52
Bonds	13	12
Property	7	8
Gilts	9	11
Cash	3	3
Other	11	1
Total market value of assets	98	95

Actual return on fund assets was £15,000 (2016 £10,000)

The Khalsa Academy Wolverhampton

	Fair value at 31 Aug 2017 £000	Fair value at 31 Aug 2017 £000
Equities	41	11
Gilts	5	1
Bonds	3	1
Property	5	1
Cash	3	1
Other	9	2
Total market value of assets	66	17

Actual return on fund assets was £6,000 (2016 £1,000)

ATAM Academy– plan assets as a percentage of total plan assets

	31 August 2017 %	31 August 2017 %
Equities	72	68%
Bonds	20	24%
Property	8	8%
Total market value of assets	100%	100%

Actual return on fund assets was 10.9%

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year
Ended 31 August 2017 (continued)

19 Pension and similar obligations (continued)

Combined amounts recognised in the statement of financial position

	2017 £000	2016 £000
Present value of defined benefit obligation	373	199
Fair value of fund assets	(182)	(112)
Net defined benefit liability	<u>191</u>	<u>87</u>

Combined amount recognised in the statement of financial activities for both academies

	2017 £000	2016 £000
Current service cost (net of employee contributions)	206	68
Net interest cost	-	(1)
Total operating charge	<u>206</u>	<u>67</u>

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

	2017 £000	2016 £000
At 1 September	199	50
Current service cost	211	68
Interest cost	4	2
Employee contributions	20	14
Change in assumptions	13	66
Experience losses	(72)	-
Benefits paid	(2)	(1)
At 31 August	<u>373</u>	<u>199</u>

Movements in the fair value of the share of scheme assets:

	2017 £000	2016 £000
At 1 September	112	41
Interest on assets	4	3
Return on assets less interest	17	8
Actuarial gains/(losses)	(46)	-
Employer contributions	72	47
Employee contributions	25	14
Benefits paid	(2)	(1)
At 31 August	<u>182</u>	<u>112</u>

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

19 Pension and similar obligations (continued)

Remeasurement included in the Statement of Financial Activities

	2017	2016
	£000	£000
Return on fixed assets in excess of interest	17	8
Other actuarial gains / (losses)	(46)	-
Experience gains / (losses)	72	-
Change in assumptions	(13)	66
At 31 August	30	(58)

Sensitivity analysis – Khalsa Secondary Academy

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	221	228	235
Projected service cost	91	94	97
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	228	228	228
Projected service cost	94	94	94
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	235	228	221
Projected service cost	97	94	221
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of total obligation	235	228	221
Projected service cost	97	94	91

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

Sensitivity analysis – The Khalsa Academy Wolverhampton

	£000	£ 000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	110	114	118
Projected service cost	60	62	64
Adjustment to long term salary increase	0.1%	0.0%	-0.1
Present value of total obligation	114	114	114
Projected service cost	62	62	62
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	118	114	110
Projected service cost	64	62	60
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of total obligation	118	114	110
Projected service cost	64	62	60

Sensitivity analysis – ATAM Academy

Change in assumptions at 31 August 2017:	Approx % Increase to DB obligation	Approx monetary amount £000
0.5% decrease in real discount rate	16%	5
0.5% increase in salary increase rate	0%	-
0.5% increase in the pension increase rate	16%	5

20 Related Party Transactions

No related party transactions with trustees occurred during the year except for the following:-

The remuneration paid to N S Kandola for consultancy services are covered under a contract for services through a company, Vidiaa Ltd and are for services other than acting as a trustee. This contract for services was agreed by the Remuneration and Nominations Committee which was chaired by an Independent Director in the absence of N S Kandola. The maximum value of the agreed contract was £65,000 per annum. The remuneration agreed for N S Kandola was on the basis that it is equivalent to a similar level of remuneration that he is currently earning at his main employer. The principal of the agreement was that N S Kandola does not lose any income for services provided to the Trust and nor does he gain any additional benefit from this arrangement. This arrangement ceased on 31 July 2017 when N S Kandola was appointed CEO.

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

21 Academies Joining the Trust During Last Year

On 1 September 2015 The Khalsa Academy Wolverhampton and Atam Academy joined the Trust and all the operations and assets and liabilities of these schools were transferred to the Trust for £nil consideration on that date.

The transfer was accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net gain / loss in the Statement of Financial Activities as Donations – transfer in of free schools.

The following tables set out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

	The Khalsa Academy Wolverhampton	Atam Academy	Total
	£	£	£
Tangible fixed assets			
Freehold land and buildings	-	-	-
Leasehold land and buildings	-	-	-
Other tangible fixed assets	231,357	-	231,357
Grant income receivable	26,788	-	26,788
VAT receivable	55,207	-	55,207
Cash	518,127	11,318	529,445
Other debtors	14,736	30,983	45,719
ESFA VAT creditor	657,085	-	657,085
Net assets / (liabilities)	189,130	42,301	231,441
Represented by			
Restricted fixed asset fund	135,424	-	135,424
Surplus funds	53,716	42,301	96,017
Total	189,130	42,301	231,441

The Khalsa Academies Trust Limited
Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

22 Reconciliation of net income to net cash inflow from operating activities

	2017 £	2016 £
Net income/expenditure for the reporting period (as per the Statement of Financial Activities)	419,056	1,722,336
Adjusted for:		
Depreciation (note 10)	332,180	200,771
FRS 102 pension	104,000	78,000
Capital grants from DfE/ESFA	(966,758)	(1,775,041)
Interest receivable (note 3)	(2,621)	(4,056)
Decrease/(increase) in stocks	11,836	(17,140)
Decrease/(increase) in debtors	80,461	(210,805)
(Decrease)/increase in creditors	(81,905)	929,103
Net cash (used in) provided by operating activities	<u>(103,751)</u>	<u>923,178</u>

23 Cash flows from investing activities

	2017 £	2016 £
Purchase of tangible fixed assets	(1,024,362)	(1,944,842)
Capital grants from DfE/ESFA	966,758	1,775,041
Interest received	2,621	4,046
Net cash provided by/ (used in) investing activities	<u>(54,983)</u>	<u>(166,755)</u>

24 Analysis of cash and cash equivalents

	At 1 September 2016 £	Cash flows £	At 31 August 2017 £
Cash in hand and at bank	815,557	(158,734)	656,823
	<u>815,557</u>	<u>(158,734)</u>	<u>656,823</u>