

THE OPEN SCHOOL TRUST

COUNCIL MEMBERS' ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30TH JUNE 2017

COMPANY REG. NO. 02438525

CHARITY NO. 328414



THE OPEN SCHOOL TRUST

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS

REGISTRATION NUMBER: 02438525 (Company limited by guarantee)

CHARITY NUMBER: 328414

COUNCIL MEMBERS: R. Dorrance (Chairperson appointed 11/11/2016)
G. Rumble (Vice Chairperson)
R. Morpeth (Chief Executive Officer)
C. Callaway
J.A. Dodds
M.C. Kellett (Appointed 11/11/2016)
R.A. Marshall
R.E. Moore

REGISTERED OFFICE 115c Milton Road
Cambridge
CB4 1XE

OPERATIONAL ADDRESS: School House
Homerton Gardens
Purbeck Road
Cambridge
CB2 8EB

AUDITORS: Prentis & Co LLP
Chartered Accountants & Statutory Auditors
115c Milton Road
Cambridge
CB4 1XE

BANKERS: CAF (Charities Aid Foundation) Bank National Westminster Bank
25 Kings Hill Avenue Kings Parade Branch
Kings Hill 10 Benet Street
West Malling, Kent Cambridge
ME19 4TA CB2 3PU

SOLICITORS: King & Co
238 High Street
Cottenham
Cambridge
CB4 8RZ

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

COUNCIL MEMBERS' ANNUAL REPORT

The Council Members present their annual report and financial statements of the Trust for the year ended 30th June 2017. The financial statements have been prepared to meet the requirements for a directors' report and financial statements for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and 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) (effective 1 January 2015).

OBJECTIVES AND ACTIVITIES

PURPOSES OF THE TRUST AS SET OUT IN THE GOVERNING DOCUMENT

The Trust's object is that of promoting education for the benefit of the public and to provide or assist in providing both adults and young people with sound general and specialised education and training. Our mission is "to widen learning opportunities for all by creating and promoting alternative modes of study for those who do not follow traditional educational routes".

MAIN ACTIVITIES UNDERTAKEN IN RELATION TO THOSE PURPOSES

The principal activities of the Trust during the year were the provision of education for adults and young people through distance learning courses and by publishing training and learning materials.

COUNCIL MEMBER'S REGARD TO THE CHARITY COMMISSION'S GUIDANCE ON PUBLIC BENEFIT

The Council Members confirm that they have complied with the duty of section 4 of the Charities Act 2011 relating to public benefit and have considered the Charity Commission's specific public benefit guidance on education, which forms the basis of the following review.

The Charities Act 2011 (Section 2 of Part 1) identifies "the advancement of education" as a public benefit and states that to advance education "means to promote, sustain and increase individual and collective knowledge and understanding of specific areas of study, skills and expertise".

There is clear commonality with this and the Trust's mission. The Trust's strategic objectives, which are kept under constant review, also support this mission. The Trust mainly works with individuals to achieve the advancement of education.

Additionally, the Trust is involved in a programme of improvement in delivery to ensure that education is brought to all people whatever their background in the most attractive and appropriate way. The Trust's work also involves keeping its courses and resources up to date in a wide range of curriculum areas.

ACHIEVEMENTS AND PERFORMANCE

EXPLANATION OF THE ACTIVITIES, PROJECTS AND SERVICES IDENTIFIED IN THE FINANCIAL STATEMENTS

The Trust fills a significant gap in providing educational opportunities for adults and young people who need flexible part time provision of courses. The Trust takes this role very seriously and invests resources on improving the quality of its course portfolio and enhancing the level of service it offers its students.

In this year the projects focused on improving the quality of the service to students have continued. The delivery of all the course portfolio moved to an online platform which provided the students with more flexibility and more opportunities for interactivity with both their tutors and other students. The project to migrate the course portfolio was executed well and has been welcomed by both students and tutors. The redevelopment of the replacement A level and GCSE courses to meet the new specifications continued and involved significant planned investment from the Trust. In addition, the Trust successfully negotiated an approved assessment procedure to enable it to support its students who were undertaking courses with Non-Examination Assessment (NEA) for example coursework. This puts the College in a stronger position to provide a seamless service to the students. New courses for the core subjects of GCSE English and maths were added to the portfolio.

The 2016/17 period continued with the programme started in 2012 to consolidate and strengthen the work of the College in all areas.

SUMMARY OF THE MAIN ACHIEVEMENTS OF THE TRUST

The performance of the Trust was steady, building on the efforts in the previous years to strengthen the infrastructure of the organisation, especially the IT systems and course portfolio. This has required a calculated and planned investment of the Trust's resources but we can see the benefits of the efforts in improved efficiency, the excellent exam results our students achieve and also in the attractiveness of the courses to other providers like schools. The success of the campaign to provide assessment for NEA has had a wider benefit to lifelong learning and widening participation generally. The College was shortlisted for an award by the Times Education Supplement for this campaign.

THE DIFFERENCE THE TRUST'S WORK HAS MADE TO THE CIRCUMSTANCES OF ITS BENEFICIARIES

The Trust's mission is to open up access to learning opportunities for disadvantaged students, especially those who find it difficult to access mainstream provision. For example, offenders, people with disabilities and people who are caring for others. These qualifications open the door to career opportunities and to self-employment.

Well over 50% of the students report that they are studying in order to go on to university or to undertake other professional qualifications. Their studies and the qualifications they achieve will have a positive impact on their life chances.

The government spending reviews have resulted in serious cut backs to the provision of part time adult learning which has created a greater need for the services that the Trust provides through its trading name, the National Extension College (NEC).

During the year we have enabled over 1,000 students to take GCSE and A-level qualifications which are essential qualifications for entry to higher level courses. We have also supported over 200 students gain qualifications at levels 2 and 3 in Childcare, Teaching Assistants, business and management.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

COUNCIL MEMBERS' ANNUAL REPORT

FINANCIAL REVIEW

REVIEW OF THE FINANCIAL POSITION AT THE END OF THE YEAR

Total unrestricted income for the year was £1,065,270 (2016 - £1,079,598) which reflects a small decrease in income of 1.3% over the previous year. This was achieved despite continued uncertainties in the economy and certain areas of education in which The Open School Trust provide courses.

Cash at bank and in hand significantly increased to a credit balance of £83,730 (2016 – debit balance of £37,699) following success in obtaining new borrowing which has allowed the trust to continue with its significant investment in course development and investment in new IT systems which will continue to allow the Trust to streamline certain areas of the enrolment process and also distribution of materials.

Course income provides over 96% of the income of The Open School Trust and the Trust continues to try and expand its income from publication sales, licence income, royalties and administration income.

CURRENT FINANCIAL POSITION TO 23rd MARCH 2018

The Council Members are pleased to see sales income to the end of January 2018 have increased significantly. This has a positive effect on cashflow, particularly as a large proportion of our cost base is fixed.

RESERVES POLICY

The Council Members have considered that the most appropriate policy at present is to maintain all surplus funds in the bank current accounts. This policy is kept under review, having regard to the level of funds available. The Member of Council's investment powers are governed by the Trust Deed which permits The Open School Trust to invest the monies of the Trust not immediately required for its purposes in such ways as the Trust shall in its absolute discretion think fit.

STRUCTURE, GOVERNANCE AND MANAGEMENT

NATURE OF THE GOVERNING DOCUMENT

The Open School Trust (registered charity 328414) was incorporated in November 1989 with an object to promote education for the benefit of the public. The Open School Trust was dormant from 2003 to 2011 and was revived to take the National Extension College (NEC) out of the administration of the Learning and Skills Network. The Open School Trust took over the assets and the liabilities of the NEC on 16th December 2011 and has been running the college as a going concern. The Open School Trust continues to use the trading name National Extension College (NEC). These financial statements cover the 12 months of trading to 30th June 2017.

The governing document is the Memorandum and Articles of Association filed at Companies House on 20th October 1989.

CONSTITUTION OF THE CHARITY

The constitution of the Charity is contained in items 1 to 7 of the Memorandum of Association and items 1 to 69 of the Articles of Association.

THE BOARD OF TRUSTEES (COUNCIL MEMBERS)

The Council Members of the Trust are also directors for the purposes of company law. The Council Members (referred to in the company's articles as the "Council of Management") consists of not less than three members. At present, the Council comprises of seven members from a variety of professional backgrounds relevant to the work of the Trust and meet at least three times a year.

Council Members are responsible for the management of the risks faced by the Trust. Risks are identified and assessed and controls established throughout the year. Significant new ventures are subject to a risk analysis by the Council Members before they are approved. Council Members make a distinction between those initiatives which are subject to normal commercial practices and those which are subject to Government policy. In both cases, The Open School Trust conforms to the legislative framework.

The Trust maintains a Register of Interests and both Council Members and senior executive managers are required to declare annually, and whenever they may arise, any interest which may be perceived as being likely to interfere with the exercise of independent judgement.

The Council is also underpinned by a senior management team, which support its decision making. The senior management team meet on a monthly basis. Experts and tutors are engaged when required to provide the support and development of services.

RECRUITMENT OF NEW COUNCIL MEMBERS

The Trust may by ordinary resolution appoint a person who is willing to act as a Council Member, either to fill a vacancy or as an additional Council Member.

New Council Members are invited to familiarise themselves with the Trust and the context within which it operates. Briefing sessions jointly led by the Chief Executive Officer and the existing Council Members cover:

- The obligations of the management team.
- The main documents which set out the operational framework of the Trust.
- The current financial position including the latest published financial statements and the current management accounts.
- Future plans and objectives.
- The Charity Commission guide "The Essential Trustee"

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

COUNCIL MEMBERS' ANNUAL REPORT

KEY MANAGEMENT PERSONNEL REMUNERATION

The Council Members consider the Members of Council and the Chief Executive as comprising the key management personnel of the charitable company in charge of directing and controlling the charitable company and running and operating the charitable company on a day to day basis.

All Council Members and the Chief Executive give their time freely and neither the Council Members nor Chief Executive received any remuneration in the year. Details of Council Member's expenses are disclosed in note 6 to the financial statements and related party transactions are disclosed in note 17 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Internal controls over all forms of income, assets, commitment and expenditure continue to be refined to improve efficiency and effectiveness. Performance is monitored and appropriate management information is prepared and reviewed regularly by the management team and Trustees.

The Trust currently produces an annual budget and reports monthly against that budget, requiring managers to comment on variances and outline corrective action if required. The Council Members have delegated authority from the Council to ensure that an active risk management process is in place and form part of The Open School Trust's ongoing organisation activity.

STATEMENT OF MEMBERS OF COUNCIL RESPONSIBILITIES

The Members of Council are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust and of the surplus or deficit of the Trust for that year. In preparing those financial statements the Members of Council are required to:

- (a) Select suitable accounting policies and then apply them consistently;
- (b) Observe the methods and principals of the Charities SORP;
- (c) Make judgements and estimates that are reasonable and prudent;
- (d) State whether the policies adopted are in accordance with the Companies Act 2006 and with applicable accounting standards and Statements of Recommended Practice, subject to any material departures disclosed and explained in the financial statements;
- (e) Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Members of Council are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities Act 2011 and the Charities (Accounts and Reports) Regulations.

The Members of Council are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are Members of Council at the time when the Council Members' report is approved:

- (a) There is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the Trust's auditor is unaware, and
- (b) Each Member of Council, having made enquiries of fellow Members of Council and the Trust's auditor that they ought to have individually taken, have each taken all steps they ought to have taken as a Member of Council in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Auditors, Prentis & Co LLP, will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

APPROVAL

This report was approved by the Members of Council and signed on its behalf, on 23rd March 2018.



CHAIR OF THE MEMBERS OF COUNCIL
R. DORRANCE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE OPEN SCHOOL TRUST

OPINION

We have audited the financial statements of Open School Trust for the year ended 30 June 2017 which comprise of the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Council 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 charity's Council 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 charity and the charity's Council 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 charitable company's affairs as at 30th June 2017, and of its deficit 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.

BASIS OF 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 charitable company 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 the provisions available for small entities, in the circumstances set out in note 5 to the financial statements, 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1(b) in the financial statements, which indicates the charitable company incurred a net unrestricted fund deficit of £59,956 during the year ended 30 June 2017 and at that date, the charitable company's current liabilities exceeded its current assets by £163,294 with total liabilities of £521,599.

As explained in note 1(b) to the financial statements, the charitable company has continued to invest significantly in new A Level and GCSE courses and course delivery platforms. This expenditure has generated a net cash outflow before additional borrowing was acquired to invest in updating the charitable company's course development programme. The Council Members are expecting a long term positive impact from this investment (and there is evidence of a significant uptum of sales and thus a positive effect on cashflow at the date of this report) but in the short term they continue to review and put in place additional measures to improve the financial position of the charity including reassessing and deferring non-essential investment in course development to match more closely with anticipated current revenue streams.

As stated in note 1(b), these events or conditions, along with the other matters as set forth in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The other information comprises the information included in the Council Members' Annual Report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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.

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 Council Member's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Council Member's Annual Report has been prepared in accordance with applicable legal requirements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE OPEN SCHOOL TRUST

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Council Member's Annual Report.

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Council Member's Annual Report is inconsistent in any material respect with the financial statements; or
- the charitable company has not kept adequate accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF COUNCIL MEMBERS

As explained more fully in the Council Members' responsibilities statement in the Council Member's Annual Report, the Members of Council (who are also the directors of the charitable company 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 Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

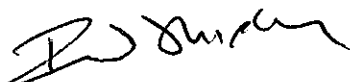
In preparing the financial statements, the Council Members are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council Members either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

The Trustees have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006. Accordingly, we have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



IAN SHIPLEY FCCA (Senior Statutory Auditor)
FOR AND ON BEHALF OF
PRENTIS & CO LLP
CHARTERED ACCOUNTANTS
& STATUTORY AUDITORS
115c Milton Road
Cambridge
CB4 1XE

26th March 2018

Prentis & Co LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

STATEMENT OF FINANCIAL ACTIVITIES

	Notes	2017 Unrestricted Funds £	2017 Restricted Funds £	2017 Total Funds £	2016 Total Funds £
INCOME FROM:					
Charitable activities:					
Fees		998,497	-	998,497	1,032,147
Publications and licences		64,153	-	64,153	43,032
Project income	3	-	7,900	7,900	-
Other income		2,620	-	2,620	4,419
TOTAL INCOME		<u>1,065,270</u>	<u>7,900</u>	<u>1,073,170</u>	<u>1,079,598</u>
EXPENDITURE ON:					
Raising funds					
	4	-	-	-	568
Charitable activities:					
Fees	4	1,016,716	-	1,016,716	930,370
Publications and licences	4	80,894	-	80,894	96,449
Projects	4	-	7,109	7,109	-
Other costs	4	27,616	-	27,616	21,987
TOTAL EXPENDITURE		<u>1,125,226</u>	<u>7,109</u>	<u>1,132,335</u>	<u>1,049,374</u>
Net income and net movement in funds	5	(59,956)	791	(59,165)	30,224
RECONCILIATION OF FUNDS					
Total funds brought forward		239,636	-	239,636	209,412
Total funds carried forward		<u>179,680</u>	<u>791</u>	<u>180,471</u>	<u>239,636</u>

The Statement of Financial Activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.

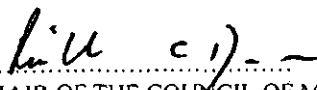
The notes on pages 10 to 16 form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

BALANCE SHEET

	Notes	2017		2016	
		£	£	£	£
FIXED ASSETS					
Intangible assets	8		439,890		377,027
Tangible assets	9		120,130		157,800
TOTAL FIXED ASSETS			<u>560,020</u>		<u>534,827</u>
CURRENT ASSETS					
Stocks	10	12,867		8,710	
Debtors	11	45,453		41,687	
Cash at bank and in hand		83,730		200	
TOTAL CURRENT ASSETS		<u>142,050</u>		<u>50,597</u>	
LIABILITIES:					
Creditors: Amounts falling due within one year	12		<u>(305,344)</u>		<u>(243,256)</u>
NET CURRENT LIABILITIES			<u>(163,294)</u>		<u>(192,659)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>396,726</u>		<u>342,168</u>
Creditors: Amounts falling due after more than one year	13		<u>(122,301)</u>		-
PROVISIONS FOR LIABILITIES	14		<u>(93,954)</u>		<u>(102,532)</u>
TOTAL NET ASSETS			<u>180,471</u>		<u>239,636</u>
THE FUNDS OF THE CHARITY:					
Unrestricted Funds	15		179,680		239,636
Restricted Funds	15		791		-
TOTAL FUNDS			<u>180,471</u>		<u>239,636</u>

The financial statements were approved by the Council of Trustees on 10th November 2017 and signed on its behalf by


 CHAIR OF THE COUNCIL OF MEMBERS
 R. DORRANCE

The notes on pages 10 to 16 form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

STATEMENT OF CASH FLOWS

	Notes	2017 Total Funds £	2016 Total Funds £
Cash flows from operating activities:			
<i>Net cash provided by/(used in) operating activities</i>	18	<u>22,759</u>	<u>130,801</u>
Cash flows from investing activities:			
Purchase of tangible fixed assets		(20,208)	(124,705)
Sale of tangible fixed assets		158	-
Capitalisation of intangible assets		(161,280)	(143,010)
<i>Net cash provided by/(used in) investing activities</i>		<u>(181,330)</u>	<u>(267,715)</u>
Cash flows from financing activities:			
Repayment of borrowing		-	-
Cash inflows from new borrowing		280,000	18,000
<i>Net cash provided by/(used in) financing activities</i>		<u>280,000</u>	<u>18,000</u>
<i>Change in cash and cash equivalents in the year</i>		121,429	(118,914)
Cash and cash equivalents brought forward		(37,699)	81,215
Cash and cash equivalents carried forward		<u>83,730</u>	<u>(37,699)</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Open School Trust meets the definition of a public benefit entity under FRS 102.

Assets and liabilities are initially recognised at historical cost or transaction values unless otherwise stated in the relevant accounting policy notes.

(b) ASSESSMENT OF GOING CONCERN

The financial statements have been prepared on a going concern basis.

This may not be appropriate because at 30th June 2017 the charitable company's current liabilities exceeded its current assets by £163,294 (2016: £192,659) and the charitable company's total liabilities were £521,599 (2016: £345,788). The charitable company has had a large cash inflow this year (£121,429 as opposed to cash outflow in 2016 of £118,914) as a result of new borrowings in the year totalling £280,000.

The Charity accessed new borrowings in the year are to help finance its continued investment on new A-Level and GCSE course material caused by changes in syllabuses and structure of A-Levels and new course delivery platforms. It has also enabled the charity to restructure its existing debt by replacing its reliance on its overdraft (facility now withdrawn). Both of these are essential for the charitable company to continue its works. The Council Members expect to see better future returns due to the new delivery platforms and higher revenues from the new syllabuses and at the date the accounts were signed there had been a significant increase in course income for the first 7 months of the new financial year. As many of the Charity's costs are fixed this has a positive effect on cashflow. The Council Members are mindful of the need to build sustainable reserves and continue to review non-essential expenditure and investment and more closely align current investment expenditure with current surplus revenues.

The financial statements do not include any adjustment that would result from the going concern basis being inappropriate.

(c) INCOME RECOGNITION

All incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the money and the amounts can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

Fee income:

Fee income represents the invoiced value of services and goods net of Value Added Tax and discounts. Because of the nature and advantage of distance learning there is no set length of a course. Courses can be undertaken in a matter of weeks or over a year, courses can be purchased simply for the material to support the material of other educators, and students can cease their studies permanently because of a number outside factors. Because of the above there is no reliable measure of the length of a course and timing of the income stream. Therefore the trust considers it appropriate to recognise fee income where a course has been ordered.

Grant income:

Income from grants, whether 'capital' grants or 'revenue' grants, is recognised when the trust has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Investment income:

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the trust; this is normally upon notification of the interest paid or payable by the bank.

(d) EXPENDITURE AND IRRECOVERABLE VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses including support costs and governance costs are allocated or apportioned to the following expenditure headings as follows:

Raising funds:

Costs of raising funds comprise the costs of seeking and applying for grants and costs associated with the seeking and arranging of licence fee agreements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

(e) EXPENDITURE AND IRRECOVERABLE VAT (....CONT.)*Charitable activities:*

Expenditure on charitable activities includes the costs of activities undertaken to further the purposes of the trust and their associated support costs. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis.

Governance costs include all expenditure not directly related to the charitable activity or fundraising ventures. This includes an appropriate proportion of costs of renting and running office premises, staff salaries for administration staff and audit fees.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(f) OPERATING LEASES

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the Statement of Financial Activities as incurred.

(g) TANGIBLE FIXED ASSETS

The charity has a policy of capitalising fixed assets with a cost in excess of £250. Depreciation is provided on all tangible fixed assets at rates calculated to write-off the costs less estimated residual value of each asset over its expected useful life as follows:

Leasehold improvements	- 4 years straight line
Equipment and software	- 3 and 4 years straight line

(h) INTANGIBLE FIXED ASSETS*Goodwill:*

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the separable net assets. The Council Members had previously estimated the economic life to be 20 years for which it was amortised to the Statement of Financial Activities from 1 July 2012.

Following a review undertaken by the Council Members, from 1 July 2015 it was agreed that the economic life was to be reduced and as such the remaining value of the goodwill will be amortised over the next 10 years.

Course development:

The Trust defers course development expenditure on new course products where the project meets the criteria set out for deferred costs in FRS 102.

Identifiable development expenditure is deferred on clearly defined projects where the outcome has been assured with reasonable certainty and is viable in light of current market conditions. Income is expected to exceed all development costs. The life of each course on completion and commencement of marketing is expected to be 3 years and each course is reviewed annually to ensure commercial prospects remain, otherwise the costs are written off in that year.

(i) STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Cost of course materials and publications includes materials, printing and other direct costs at cost price.

(j) DEBTORS

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

(k) CREDITORS

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

(l) PROVISIONS FOR LIABILITIES

A provision for deferred income relating to the tutor element of each course is included under liabilities.

Each course sold comprises of study materials and tutor support. The length of time taken to complete the course depends on the student's objectives and often the course is purchased for the study materials alone. Tutor support is given for a period of 24 months from the start of the course and that part of the course fees is estimated and deferred over that period.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

2. LEGAL STATUS OF THE CHARITY

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

3. INCOME FROM PROJECTS

	2017 Unrestricted Funds £	2017 Restricted Funds £	2017 Total Funds £	2016 Total Funds £
Prisoner's Education Trust	-	7,900	7,900	-

4. EXPENDITURE ON:

RAISING FUNDS

	2017 Total £	2016 Total £
Fundraising costs	-	568

CHARITABLE ACTIVITIES

	Activities Undertaken Directly £	Other Direct Costs £	Support Costs £	2017 Total £	2016 Total £
Fees	515,404	11,251	490,061	1,016,716	930,370
Publications & licences	66,775	-	14,119	80,894	96,449
Projects	-	7,109	-	7,109	-
Governance costs	-	-	27,616	27,616	21,987
	<u>582,179</u>	<u>18,360</u>	<u>531,796</u>	<u>1,132,335</u>	<u>1,048,806</u>

ANALYSIS OF SUPPORT COSTS

	Fees £	Publications & Licences £	Governance £	2017 Total £	2016 Total £
Postage and carriage	2,679	77	-	2,756	5,798
Staff costs	85,803	2,472	-	88,275	65,245
Office expenses	7,663	221	-	7,884	7,991
Computer and hardware expenses	49,272	1,419	-	50,691	42,343
Telephone	19,231	554	-	19,785	13,635
Depreciation and amortisation	151,778	4,373	-	156,151	81,913
Professional fees	21,477	619	-	22,096	29,352
Accountancy	16,828	485	-	17,313	16,855
Bad debts	(282)	(8)	-	(290)	(2,195)
Other costs	-	-	-	-	100
Recruitment costs	-	-	-	-	4,438
Bank and credit card charges	9,601	277	-	9,878	26,477
Premises expenses	54,937	1,583	-	56,520	43,432
Advertising and marketing	71,074	2,047	-	73,121	42,286
	<u>490,061</u>	<u>14,119</u>	<u>-</u>	<u>504,180</u>	<u>377,670</u>

ANALYSIS OF GOVERNANCE COSTS

Legal and professional	-	-	8,661	8,661	3,228
Auditors remuneration	-	-	9,956	9,956	9,334
Trustees expenses	-	-	2,999	2,999	3,425
Apportionment of premises costs	-	-	6,000	6,000	6,000
	<u>490,061</u>	<u>14,119</u>	<u>27,616</u>	<u>531,796</u>	<u>399,657</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

5.	NET (EXPENDITURE)/INCOME FOR THE YEAR	2017	2016
	This is stated after charging:	£	£
	Auditors remuneration		
	- Audit	9,956	9,334
	- Other services (consultancy)	1,574	2,448
	Depreciation of tangible fixed assets	57,734	9,620
	Amortisation of intangible fixed assets	98,417	25,599
		<u> </u>	<u> </u>

MANAGEMENT THREAT IN RELATION TO NON-AUDIT SERVICES

In common with many other businesses of our size and nature we use our auditors to assist with the preparation of the financial statements.

6.	ANALYSIS OF STAFF COSTS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL	2017	2016
		£	£
	Salaries and wages	382,479	406,370
	Social security costs	30,638	31,245
	Pension contributions	18,336	16,273
	Restructuring costs	-	34,374
		<u>431,453</u>	<u>488,262</u>

The number of employees whose emoluments (salaries and pension contributions) exceeded £60,000 was nil (2016: nil). Trustees received no remuneration in the year (2016 - £nil). Trustee expenses reimbursed during the year were £2,999 (2016 - £3,425).

The average weekly number of staff employed by the charity during the year were:

Charitable activities	13	18
Management and Administration	2	2
	<u>15</u>	<u>20</u>

The Trust considers its key management personnel comprise of the Council Members and the Chief Executive Officer, all of which received no remuneration in the year (2016 - £nil).

7. TAXATION

As a charity, Open School Trust is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the year.

8. INTANGIBLE FIXED ASSETS

	Goodwill	Course Development	Total
	£	£	£
COST OR VALUATION			
Balance at 1st July 2016	301,166	193,328	494,494
Additions	-	161,280	161,280
Balance at 30th June 2017	<u>301,166</u>	<u>354,608</u>	<u>655,774</u>
AMORTISATION			
Balance at 1st July 2016	70,773	46,694	117,467
Charge for the year	25,599	72,818	98,417
Balance at 30th June 2017	<u>96,372</u>	<u>119,512</u>	<u>215,884</u>
NET BOOK VALUE as at 30th June 2017	<u>204,794</u>	<u>235,096</u>	<u>439,890</u>
NET BOOK VALUE as at 30th June 2016	<u>230,393</u>	<u>146,634</u>	<u>377,027</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

9.	TANGIBLE FIXED ASSETS	Leasehold Improvement £	Equipment & Software £	Total £
	COST OR VALUATION			
	Balance at 1st July 2016	27,553	201,682	229,235
	Additions	2,520	17,688	20,208
	Disposals	-	(864)	(864)
	Balance at 30th June 2017	<u>30,073</u>	<u>218,506</u>	<u>248,579</u>
	DEPRECIATION			
	Balance at 1st July 2016	1,722	69,713	71,435
	Charge for the year	7,518	50,216	57,734
	Eliminated on disposal	-	(720)	(720)
	Balance at 30th June 2017	<u>9,240</u>	<u>119,209</u>	<u>128,449</u>
	NET BOOK VALUE as at 30th June 2017	<u>20,833</u>	<u>99,297</u>	<u>120,130</u>
	NET BOOK VALUE as at 30th June 2016	<u>25,831</u>	<u>131,969</u>	<u>157,800</u>
10.	STOCKS		2017 £	2016 £
	Finished goods and goods for resale		<u>12,867</u>	<u>8,710</u>
11.	DEBTORS		2017 £	2016 £
	Trade debtors		30,496	23,516
	Prepayments and accrued income		14,957	18,171
			<u>45,453</u>	<u>41,687</u>
12.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		2017 £	2016 £
	Trade creditors		101,838	122,354
	Bank overdrafts		-	37,899
	Other creditors		150,024	18,000
	Commercial loan		27,699	-
	Accruals and deferred income		25,783	65,003
			<u>305,344</u>	<u>243,256</u>
13.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		2017 £	2016 £
	Commercial loan		<u>122,301</u>	<u>-</u>

The above commercial loan is with Big Issue Invest Access Limited which is repayable over 37 months with interest being charged at 8% per annum.

The above loan repayments fall due as follows:	2017 £	2016 £
Within one year	27,699	-
Between one and two years	58,736	-
Between two and five years	63,565	-
	<u>150,000</u>	<u>-</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

14.	PROVISIONS FOR LIABILITIES	2017 £	2016 £
	Balance brought forward	102,532	93,768
	Movement in provision	(8,578)	8,764
	Balance carried forward	<u>93,954</u>	<u>102,532</u>

The provision relates to deferred course fee income. As the Trust accepts students on a regular basis, it is expected that the provision will be in line with student numbers. The provision is calculated on the income received from course sales, discounted to remove all non-tutor cost elements that are considered expended on the purchase of the course, and deferred over the expected life of a course up to a 24 month period from commencement of the course.

15.	ANALYSIS OF CHARITABLE FUNDS	Brought Forward £	Income £	Expenditure £	Transfers £	Carried Forward £
	UNRESTRICTED FUNDS					
	General funds	<u>239,636</u>	<u>1,065,270</u>	<u>(1,125,226)</u>	-	<u>179,680</u>
	RESTRICTED FUNDS					
	Digital Learning for Prisoners	-	<u>7,900</u>	<u>(7,109)</u>	-	<u>791</u>
	TOTAL FUNDS	<u>239,636</u>	<u>1,073,170</u>	<u>(1,132,335)</u>	-	<u>180,471</u>

Restricted fund purpose:

Digital Learning for Prisoners - funding received towards a joint project with the Prisoner's Education Trust to provide prisoners with access to interactive, digital, higher level learning opportunities through the prison service's developing secure content management system.

16.	ANALYSIS OF NET ASSETS BETWEEN FUNDS	2017 Unrestricted Funds £	2017 Restricted Funds £	2017 Total Funds £	2016 Total Funds £
	Intangible fixed assets	439,890	-	439,890	377,027
	Tangible fixed assets	120,130	-	120,130	157,800
	Current assets	141,259	791	142,050	50,597
	Creditors due within one year	(305,344)	-	(305,344)	(243,256)
	Creditors due after one year	(122,301)	-	(122,301)	-
	Provision for liabilities	(93,954)	-	(93,954)	(102,532)
		<u>179,680</u>	<u>791</u>	<u>180,471</u>	<u>239,636</u>

17. RELATED PARTY TRANSACTIONS

In the year R. Morpeth provided the charity with a further short term loan of £50,000 to help aid the cash flow of The Open School Trust during the summer of 2017. The loan was lent interest free and is repayable on demand.

At the balance sheet date the total amount of £68,000 (2016: £18,000) was owed to R. Morpeth.

In the year L. Sullivan, partner of R. Morpeth, provided the charity with a short term loan of £80,000 to help aid the cash flow of The Open School Trust during the summer of 2017. The loan was lent interest free and is repayable on demand.

At the balance sheet date the total amount of £80,000 (2016: £nil) was owed to L. Sullivan.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

18. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017	2016
	£	£
Net movement in funds	(59,165)	30,224
Add: Depreciation	57,734	9,620
Add: Amortisation	98,417	72,293
Less: Profit on disposal of fixed asset	(14)	-
(Increase)/decrease in stocks	(4,157)	(2,800)
(Increase)/decrease in debtors	(3,766)	(5,382)
Increase/(decrease) in creditors	(66,290)	26,846
	<u>22,759</u>	<u>130,801</u>

19. PENSIONS

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to £18,336 (2016: £16,273).