

THE OPEN SCHOOL TRUST
COUNCIL MEMBERS' ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30TH JUNE 2018
COMPANY REG. NO. 02438525
CHARITY NO. 328414



THE OPEN SCHOOL TRUST

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

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)
G. Rumble (Resigned 10.11.17)
R. Morpeth (Chief Executive Officer)
C. Callaway
J.A. Dodds
M.C. Kellett (Resigned 23.3.18)
R.A. Marshall
R.E. Moore
C.J. Woolfiscroft (Appointed 23.8.18)

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 2018

COUNCIL MEMBERS' ANNUAL REPORT

The Council Members present their annual report and financial statements of the Trust for the year ended 30th June 2018. 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 focusing on the improving the quality of services to our students have continued. The majority of all courses are now online and it is clear that students and tutors are benefitting from the increased interactivity and speed of communication. The major project to develop the portfolio of GCSE and A level courses is in its final stage and the next significant investment will be in a new website and ecommerce platform in order to strengthen the marketing of the courses and to make the enrolment process more efficient. These will be launched early in 2019.

The systems and procedures to provide approved assessment for courses with NEA [non examination assessment] are now well understood and embedded and this enables NEC to deliver a full range of GCSE's and A levels including English and history. We have experienced a significant increase in enrolments for maths and science subjects and this has encouraged us to add new courses for GCSE astronomy and A level further maths.

The college has strengthened its senior management by creating two new posts, a Deputy Director: finance and operations and a Head of Marketing and e commerce.

The 2017/18 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 in 2017.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

COUNCIL MEMBERS' ANNUAL REPORT

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 REVIEW

REVIEW OF THE FINANCIAL POSITION AT THE END OF THE YEAR

Total unrestricted income for the year was £1,249,484 (2017 - £1,065,270) which reflects an increase in income of 17.3% 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 balance of £129,447 (2017 - £83,730) 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.

FUNDRAISING

The Open School Trust does not openly fundraise or solicit donations from the public.

CURRENT FINANCIAL POSITION TO 9th NOVEMBER 2018

The Council Members are pleased to see sales income to the end of October 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 trustees have a target for free reserves of £1million, and expect this to be achieved over an 8 year term, through increased sales and careful cost management.

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 2018.

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

COUNCIL MEMBERS' ANNUAL REPORT

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"

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 principles 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) So far as each Member of Council is aware, there is no relevant audit information, being information needed by the Trust's auditor in connection with preparing their report, of which the Trust's auditor is unaware, and
- (b) Each Member of Council has 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 Trust's 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 9th November 2018.



CHAIR OF THE MEMBERS OF COUNCIL
R. DORRANCE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

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 2018 which comprise of the Statement of Financial Activities, the Balance Sheet, 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2018, and of its surplus 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 your attention to note 1b to the financial statements, which states the charity's current liabilities exceed its current assets by £121,875 and its total liabilities are £502,180. This financial position may cast doubt on the charity's ability to continue as a going concern. We understand the current business performance is strong which may ultimately replenish reserves, however, in the short term, there still exists significant doubt regarding going concern.

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 Council Members 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 2018

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 Companies Act 2006 or Charities Act 2011 requires us to report to you if, in our opinion:

- the charitable company has not kept adequate accounting records 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 trustee remuneration specified by law are not made; 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.

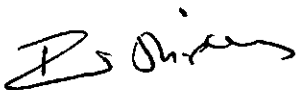
The Trustees have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006. Accordingly, we have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154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

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.



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

7th February 2019

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 2018

STATEMENT OF FINANCIAL ACTIVITIES

	Notes	2018 Unrestricted Funds £	2018 Restricted Funds £	2018 Total Funds £	2017 Total Funds £
INCOME FROM:					
Charitable activities:					
Fees		1,229,349	-	1,229,349	998,497
Publications and licences		11,036	-	11,036	64,153
Project income	3	-	22,025	22,025	7,900
Other income		9,099	-	9,099	2,620
TOTAL INCOME		1,249,484	22,025	1,271,509	1,073,170
EXPENDITURE ON:					
Charitable activities:					
Fees	4	1,043,473	-	1,043,473	1,016,716
Publications and licences	4	140,565	-	140,565	80,894
Projects	4	-	14,359	14,359	7,109
Other costs	4	26,834	-	26,834	27,616
TOTAL EXPENDITURE		1,210,872	14,359	1,225,231	1,132,335
Net income and net movement in funds	5	38,612	7,666	46,278	(59,165)
RECONCILIATION OF FUNDS					
Total funds brought forward		179,680	791	180,471	239,636
Total funds carried forward		218,292	8,457	226,749	180,471

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

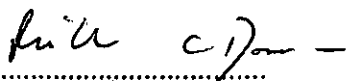
The notes on pages 10 to 16 form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

BALANCE SHEET

	Notes	2018		2017	
		£	£	£	£
FIXED ASSETS					
Intangible assets	8		439,176		439,890
Tangible assets	9		77,587		120,130
TOTAL FIXED ASSETS			<u>516,763</u>		<u>560,020</u>
CURRENT ASSETS					
Stocks	10	14,258		12,867	
Debtors	11	68,461		45,453	
Cash at bank and in hand		129,447		83,730	
TOTAL CURRENT ASSETS		<u>212,166</u>		<u>142,050</u>	
LIABILITIES:					
Creditors: Amounts falling due within one year	12		<u>(334,041)</u>		<u>(305,344)</u>
NET CURRENT LIABILITIES			<u>(121,875)</u>		<u>(163,294)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>394,888</u>		<u>396,726</u>
Creditors: Amounts falling due after more than one year	13		(63,565)		(122,301)
PROVISIONS FOR LIABILITIES	14		<u>(104,574)</u>		<u>(93,954)</u>
TOTAL NET ASSETS			<u>226,749</u>		<u>180,471</u>
THE FUNDS OF THE CHARITY:					
Unrestricted Funds	15		218,292		179,680
Restricted Funds	15		8,457		791
TOTAL FUNDS			<u>226,749</u>		<u>180,471</u>

The financial statements were approved by the Council of Trustees on 9th November 2018 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 2018

STATEMENT OF CASH FLOWS

	Notes	2018 Total Funds £	2017 Total Funds £
Cash flows from operating activities:			
<i>Net cash provided by/(used in) operating activities</i>	18	274,973	22,759
Cash flows from investing activities:			
Purchase of tangible fixed assets		(16,352)	(20,208)
Sale of tangible fixed assets		-	158
Capitalisation of intangible assets		(157,205)	(161,280)
<i>Net cash provided by/(used in) investing activities</i>		(173,557)	(181,330)
Cash flows from financing activities:			
Repayment of borrowing		(55,699)	-
Cash inflows from new borrowing		-	280,000
<i>Net cash provided by/(used in) financing activities</i>		(55,699)	280,000
<i>Change in cash and cash equivalents in the year</i>		45,717	121,429
Cash and cash equivalents brought forward		83,730	(37,699)
Cash and cash equivalents carried forward		129,447	83,730

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

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 2018 the charitable company's current liabilities exceeded its current assets by £121,875 (2017: £163,294) and the charitable company's total liabilities were £502,180 (2017: £521,599).

The trustees consider the charity to be a going concern. There has been a strong increase in both income and profitability and cash flow and if this is maintained, together with careful cost control, and the continued support of our bank and lenders, the charity's reserves can be replenished and will continue as a going concern in the medium term.

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 and Publications income:

Fee income represents the invoiced value of fees for distance learning courses and contracts 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.

Publication income represents the invoiced value of publications of learning material.

Project and 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 2018

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 2018

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

	2018 Unrestricted Funds £	2018 Restricted Funds £	2018 Total Funds £	2017 Total Funds £
Prisoner's Education Trust	-	22,025	22,025	7,900

4. EXPENDITURE ON:

CHARITABLE ACTIVITIES

	Activities Undertaken Directly £	Other Direct Costs £	Support Costs £	2018 Total £	2017 Total £
Fees	497,995	10,448	535,030	1,043,473	1,016,716
Publications & licences	125,154	-	15,411	140,565	80,894
Projects	-	14,359	-	14,359	7,109
Governance costs	-	-	26,834	26,834	27,616
	<u>623,149</u>	<u>24,807</u>	<u>577,275</u>	<u>1,225,231</u>	<u>1,132,335</u>

ANALYSIS OF SUPPORT COSTS

	Fees £	Publications & Licences £	Governance £	2018 Total £	2017 Total £
Postage and carriage	2,688	77	-	2,765	2,756
Staff costs	80,170	2,309	-	82,479	88,275
Office expenses	3,504	101	-	3,605	7,884
Computer and hardware expenses	58,530	1,686	-	60,216	50,691
Telephone	10,638	306	-	10,944	19,785
Depreciation and amortisation	210,743	6,071	-	216,814	156,151
Professional fees	-	-	-	-	22,096
Accountancy	9,530	275	-	9,805	17,313
Bad debts	1,124	32	-	1,156	(290)
Other costs	26	1	-	27	-
Bank and credit card charges	8,104	233	-	8,337	9,878
Loan Interest	11,275	325	-	11,600	-
Premises expenses	64,764	1,866	-	66,630	56,520
Advertising and marketing	73,933	2,130	-	76,063	73,121
	<u>535,029</u>	<u>15,412</u>	<u>-</u>	<u>550,441</u>	<u>504,180</u>

ANALYSIS OF GOVERNANCE COSTS

Legal and professional	-	-	8,787	8,787	8,661
Auditors remuneration	-	-	8,020	8,020	9,956
Trustees expenses	-	-	4,027	4,027	2,999
Apportionment of premises costs	-	-	6,000	6,000	6,000
	<u>535,029</u>	<u>15,412</u>	<u>26,834</u>	<u>577,275</u>	<u>531,796</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

5.	NET (EXPENDITURE)/INCOME FOR THE YEAR	2018	2017
	This is stated after charging:	£	£
	Auditors remuneration		
	- Audit	8,020	9,956
	- Other services (consultancy)	3,449	1,574
	Depreciation of tangible fixed assets	58,894	57,734
	Amortisation of intangible fixed assets	157,918	98,417
		<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	2018	2017
		£	£
	Salaries and wages	364,638	382,479
	Social security costs	17,209	30,638
	Pension contributions	19,456	18,336
	Restructuring costs	-	-
		<u>401,303</u>	<u>431,453</u>

The number of employees whose emoluments (salaries and pension contributions) exceeded £60,000 was nil (2017: nil). Trustees received no remuneration in the year (2017 - £nil). Trustee expenses reimbursed during the year were £4,027 (2017 - £2,999).

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

Charitable activities	15	13
Management and Administration	2	2
	<u>17</u>	<u>15</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 (2017 - £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 2017	301,166	354,608	655,774
Additions	-	157,205	157,205
Balance at 30th June 2018	<u>301,166</u>	<u>511,813</u>	<u>812,979</u>
AMORTISATION			
Balance at 1st July 2017	96,372	119,512	215,884
Charge for the year	25,599	132,320	157,919
Balance at 30th June 2018	<u>121,971</u>	<u>251,832</u>	<u>373,803</u>
NET BOOK VALUE as at 30th June 2018	<u>179,195</u>	<u>259,981</u>	<u>439,176</u>
NET BOOK VALUE as at 30th June 2017	<u>204,794</u>	<u>235,096</u>	<u>439,890</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

9.	TANGIBLE FIXED ASSETS	Leasehold Improvement £	Equipment & Software £	Total £
	COST OR VALUATION			
	Balance at 1st July 2017	30,073	218,506	248,579
	Additions	-	16,352	16,352
	Disposals	-	-	-
	Balance at 30th June 2018	<u>30,073</u>	<u>234,858</u>	<u>264,931</u>
	DEPRECIATION			
	Balance at 1st July 2017	9,240	119,209	128,449
	Charge for the year	7,518	51,377	58,895
	Eliminated on disposal	-	-	-
	Balance at 30th June 2018	<u>16,758</u>	<u>170,586</u>	<u>187,344</u>
	NET BOOK VALUE as at 30th June 2018	<u>13,315</u>	<u>64,272</u>	<u>77,587</u>
	NET BOOK VALUE as at 30th June 2017	<u>20,833</u>	<u>99,297</u>	<u>120,130</u>
10.	STOCKS		2018 £	2017 £
	Finished goods and goods for resale		<u>14,258</u>	<u>12,867</u>
11.	DEBTORS		2018 £	2017 £
	Trade debtors		44,305	30,496
	Prepayments and accrued income		<u>24,156</u>	<u>14,957</u>
			<u>68,461</u>	<u>45,453</u>
12.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		2018 £	2017 £
	Trade creditors		63,824	101,838
	Other creditors		144,390	150,024
	Commercial loan		58,736	27,699
	Accruals and deferred income		<u>67,091</u>	<u>25,783</u>
			<u>334,041</u>	<u>305,344</u>
13.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		2018 £	2017 £
	Commercial loan		<u>63,565</u>	<u>122,301</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:		2018 £	2017 £
	Within one year		58,736	27,699
	Between one and two years		63,565	58,736
	Between two and five years		-	63,565
			<u>122,301</u>	<u>150,000</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

14.	PROVISIONS FOR LIABILITIES	2018	2017
		£	£
	Balance brought forward	93,954	102,532
	Movement in provision	10,620	(8,578)
	Balance carried forward	<u>104,574</u>	<u>93,954</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>179,680</u>	<u>1,249,484</u>	<u>1,210,872</u>	-	<u>218,292</u>
	RESTRICTED FUNDS					
	Digital Learning for Prisoners	<u>791</u>	<u>22,025</u>	<u>14,359</u>	-	<u>8,457</u>
	TOTAL FUNDS	<u>180,471</u>	<u>1,271,509</u>	<u>1,225,231</u>	-	<u>226,749</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	2018	2018	2018	2017
		Unrestricted	Restricted	Total	Total
		Funds	Funds	Funds	Funds
		£	£	£	£
	Intangible fixed assets	439,176	-	439,176	439,890
	Tangible fixed assets	77,587	-	77,587	120,130
	Current assets	203,709	8,457	212,166	142,050
	Creditors due within one year	(334,041)	-	(334,041)	(305,344)
	Creditors due after one year	(63,565)	-	(63,565)	(122,301)
	Provision for liabilities	(104,574)	-	(104,574)	(93,954)
		<u>218,292</u>	<u>8,457</u>	<u>226,749</u>	<u>180,471</u>

17. **RELATED PARTY TRANSACTIONS**

In the year R. Morpeth provided the charity with a further short term loan of £45,000 to help aid the cash flow of The Open School Trust during the summer of 2018. The loan was lent interest free and is repayable on demand.

At the balance sheet date the total amount of £45,000 (2017: £68,000) was owed to R. Morpeth.

In the year L. Sullivan, partner of R. Morpeth, provided the charity with a short term loan of £75,000 to help aid the cash flow of The Open School Trust during the summer of 2018. The loan was lent interest free and is repayable on demand.

At the balance sheet date the total amount of £75,000 (2017: £80,000) was owed to L. Sullivan.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

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

	2018	2017
	£	£
Net movement in funds	46,278	(59,165)
Add: Depreciation	58,895	57,734
Add: Amortisation	157,919	98,417
Less: Profit on disposal of fixed asset	-	(14)
(Increase)/decrease in stocks	(1,391)	(4,157)
(Increase)/decrease in debtors	(23,008)	(3,766)
Increase/(decrease) in creditors	36,280	(66,290)
	<u>274,973</u>	<u>22,759</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 £19,456 (2017: £18,336).