

**THE OPEN SCHOOL TRUST**  
**COUNCIL MEMBERS' ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 30TH JUNE 2016**  
**COMPANY REG. NO. 02438525**  
**CHARITY NO. 328414**



THE OPEN SCHOOL TRUST

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

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

REGISTRATION NUMBER: 02438525 (Company limited by guarantee)

CHARITY NUMBER: 328414

COUNCIL MEMBERS:

- J.A. Dodds (Chairperson)
- G. Rumble (Vice Chairperson)
- S.E. Carlton (Resigned 20/01/2016)
- P. Lavender (Resigned 20/01/2016)
- R.A. Marshall (Appointed 08/04/2016)
- R.E. Moore (Appointed 06/11/2015)
- R. Morpeth (Chief Executive Officer)
- R. Dorrance
- C. Callaway

REGISTERED OFFICE 115c Milton Road  
Cambridge  
CB4 1XE

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

AUDITORS: Prentis & Co L.L.P  
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 2016

## COUNCIL MEMBERS' ANNUAL REPORT

The Council Members present their annual report and financial statements of the Trust for the year ended 30<sup>th</sup> June 2016. 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 children 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 work on improving the quality of teaching through tutor training and development continued. In addition to the replacement A-level courses which were commissioned to meet the reformed specifications, two new science subjects were added to the portfolio along with three new vocational courses.

The 2015/16 period focused on consolidating and strengthening the activities of the previous four years. The specific activities, projects and services have been described elsewhere in this report and have not changed over the last year.

*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, to maintain the income stream through enrolments and to build up reserves. It is noticeable that the sponsored enrolments from employers and other education providers have increased and so have enrolments through personal recommendation.

*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.

The government spending reviews has resulted in serious cut backs to the provision of part time adult learning which has created a greater need for the services that NEC provides.

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 2016

## COUNCIL MEMBERS' ANNUAL REPORT

## FINANCIAL REVIEW

*REVIEW OF THE FINANCIAL POSITION AT THE END OF THE YEAR*

Total unrestricted income for the year was £1,079,598 (2015 - £1,044,833 ) which reflects a small increase of income of just over 3% over the previous year. This was achieved despite continued uncertainties in the economy and certain areas of education that The Open School Trust provide courses.

Cash at bank and in hand significantly decreased to a debit balance of £37,699 (2015 – credit balance of £81,215) following significantly investment in course development and investment in new IT systems which will allow the Trust to streamline certain areas of the enrolment process and also distribution of materials.

Course income provides over 90% 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.

*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 16<sup>th</sup> 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 30<sup>th</sup> June 2016.

The governing document is the Memorandum and Articles of Association filed at Companies House on 20<sup>th</sup> 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 2016

## 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 Members expenses are disclosed in note 7 to the financial statements and related party transactions are disclosed in note 18 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**

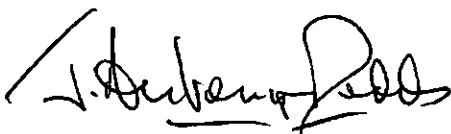
In the case of each of the persons who are Members of Council at the time when the Council Members' report is approved:

- (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 11th November 2016.



CHAIR OF THE MEMBERS OF COUNCIL  
J. A. DODDS

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

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

We have audited the financial statements of Open School Trust for the year ended 30 June 2016 which comprise of the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

## RESPECTIVE RESPONSIBILITIES OF COUNCIL MEMBERS AND THE AUDITORS

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.

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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors, including "APB Ethical Standards - Provisions Available for Small Entities (Revised)", in the circumstances set out in note 6 to the financial statements.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Members of Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Council Member's Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1(b) to the financial statements concerning the charitable company's ability to continue as a going concern. The charitable company incurred a net surplus of £30,224 during the year ended 30 June 2016 but at that date, the charitable company's current liabilities exceeded its current assets by £192,659.

As explained in note 1 to the financial statements the charitable company has had to invest significantly in new A Level courses and course delivery platforms. This expenditure has generated a net cash outflow financed in part by increased borrowing. The Council Members are expecting a long term positive impact from this investment but in the short term they have put in place a number of 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. In the meantime the charity is reliant on its bank to maintain the current facility it provides. The level of net current liabilities and overall level of liabilities indicate the existence of a material uncertainty which may cast significant doubt about the charitable company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the charitable company was unable to continue as a going concern.

## OPINION ON FINANCIAL STATEMENTS

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 2016, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

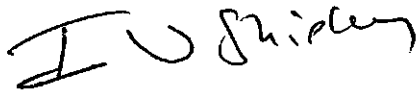
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.



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

22 November 2016

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 2016

## STATEMENT OF FINANCIAL ACTIVITIES

	Notes	2016 Total Unrestricted Funds £	2015 Total Unrestricted Funds £
<b>INCOME FROM:</b>			
<b>Charitable activities:</b>			
Fees		1,032,147	982,978
Publications and licences		43,032	45,167
Grants	3	-	11,425
Other income		4,419	4,754
<b>Investments</b>	4	-	509
<b>TOTAL INCOME</b>		<u>1,079,598</u>	<u>1,044,833</u>
<b>EXPENDITURE ON:</b>			
<b>Raising funds</b>	5	568	8,330
<b>Charitable activities:</b>			
Fees	5	930,370	832,018
Publications and licences	5	96,449	104,789
Grants	5	-	16,634
Other costs	5	21,987	22,534
<b>TOTAL EXPENDITURE</b>		<u>1,049,374</u>	<u>984,305</u>
<b>Net income and net movement in funds</b>	6	30,224	60,528
<b>RECONCILIATION OF FUNDS</b>			
Total funds brought forward		209,412	148,884
<b>Total funds carried forward</b>		<u>239,636</u>	<u>209,412</u>

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

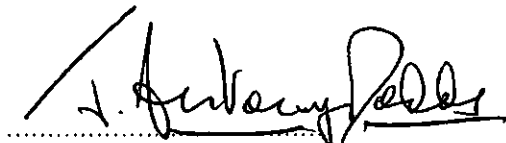
The notes on pages 10 to 16 form part of these financial statements.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

## BALANCE SHEET

	Notes	2016		2015	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	9		377,027		306,310
Tangible assets	10		157,800		42,715
<b>TOTAL FIXED ASSETS</b>			<u>534,827</u>		<u>349,025</u>
<b>CURRENT ASSETS</b>					
Stocks	11	5,386		5,910	
Debtors	12	45,011		36,305	
Cash at bank and in hand		200		81,215	
<b>TOTAL CURRENT ASSETS</b>		<u>50,597</u>		<u>123,430</u>	
<b>LIABILITIES:</b>					
<b>Creditors: Amounts falling due within one year</b>	13		<u>(243,256)</u>		<u>(169,275)</u>
<b>NET CURRENT LIABILITIES</b>			<u>(192,659)</u>		<u>(45,845)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>342,168</u>		<u>303,180</u>
<b>PROVISIONS FOR LIABILITIES</b>	14		<u>(102,532)</u>		<u>(93,768)</u>
<b>TOTAL NET ASSETS</b>			<u>239,636</u>		<u>209,412</u>
<b>THE FUNDS OF THE CHARITY:</b>					
Unrestricted Funds	17		<u>239,636</u>		<u>209,412</u>

The financial statements were approved by the Council of Trustees on 11th November 2016 and signed on its behalf by



CHAIR OF THE COUNCIL OF MEMBERS  
J. A. DODDS

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

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

## STATEMENT OF CASH FLOWS

	Notes	2016 Total Funds £	2015 Total Funds £
<b>Cash flows from operating activities:</b>			
<i>Net cash provided by (used in) operating activities</i>	19	130,801	110,768
<b>Cash flows from investing activities:</b>			
Interest received		-	509
Purchase of tangible fixed assets		(124,705)	(39,902)
Capitalisation of intangible assets		(143,010)	(50,318)
<i>Net cash provided by (used in) investing activities</i>		(267,715)	(89,711)
<b>Cash flows from financing activities:</b>			
Repayment of borrowing		-	-
Cash inflows from new borrowing		18,000	-
<i>Net cash provided by (used in) financing activities</i>		18,000	-
<i>Change in cash and cash equivalents in the year</i>		(118,914)	21,057
<b>Cash and cash equivalents brought forward</b>		81,215	60,158
<b>Cash and cash equivalents carried forward</b>		(37,699)	81,215

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

## 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.

At 30th June 2016 the charitable company's current liabilities exceeded its current assets by £192,659 (2015: £45,845) and the charitable company has had a large cash outflow this year (£118,914 as opposed to cash inflow in 2015 of £21,057). The outflow was caused by the charitable company's investment in new A-Level course material caused by changes in syllabuses and structure of A-Levels and new course delivery platforms. Both of these were 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. In the meantime they are introducing some additional measures to defer further non-essential 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) RECONCILIATION WITH PREVIOUS GENERALLY ACCEPTED ACCOUNTING PRACTICE

In preparing the financial statements, the Council Members have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102, a restatement of the comparative items was needed.

At the date of transition, in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short-term compensated absence arising from employee entitlement to paid annual leave. The initial liability recognised at the date of transition was for the holiday entitlement carried forward and for the entitlement arising in the year but not taken. The initial liability was for £6,223. No other restatements were required. In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided:

<b>Reconciliation of funds and balances</b>	1 July 2014 £	30 June 2015 £
Fund balances as previously stated	155,107	215,635
Short-term compensated absences	(6,223)	(6,223)
Fund balances as restated	<u>148,884</u>	<u>209,412</u>

## (d) 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 of 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

## NOTES TO THE FINANCIAL STATEMENTS

## (d) INCOME RECOGNITION (...CONT.)

*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.

## (e) 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.

*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 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

## NOTES TO THE FINANCIAL STATEMENTS

**(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.

**(m) TRANSITION TO FRS 102**

The opening fund balances at the date of transition have been restated (see note 1c) due to a liability for holiday pay but no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 July 2015.

**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 GRANTS**

2016 Total £	2015 Total £
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Nominet	-	11,425
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**4. INCOME FROM INVESTMENTS**

2016 Total £	2015 Total £
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Bank interest receivable	-	509
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**5. EXPENDITURE ON:****RAISING FUNDS**

2016 Total £	2015 Total £
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Fundraising costs	568	8330
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**CHARITABLE ACTIVITIES**

	Activities Undertaken Directly £	Other Direct Costs £	Support Costs (page 12) £	2016 Total £	2015 Total £
Fees	559,671	9,651	361,048	930,370	832,018
Publications & licences	79,827	-	16,622	96,449	104,789
Grants	-	-	-	-	16,634
Governance costs	-	-	21,987	21,987	22,534
	<u>639,498</u>	<u>9,651</u>	<u>399,657</u>	<u>1,048,806</u>	<u>975,975</u>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

## NOTES TO THE FINANCIAL STATEMENTS

## EXPENDITURE ON: (...CONT.)

## ANALYSIS OF SUPPORT COSTS

	Fees £	Publications & Licences £	Governance £	2016 Total £	2015 Total £
Postage and carriage	5,543	255	-	5,798	5,528
Staff costs	62,374	2,871	-	65,245	57,749
Office expenses	7,639	352	-	7,991	5,139
Computer and hardware expenses	40,480	1,863	-	42,343	34,639
Telephone	13,035	600	-	13,635	13,825
Depreciation and amortisation	78,304	3,609	-	81,913	35,434
Professional fees	28,061	1,291	-	29,352	48,687
Audit and accountancy	16,113	742	-	16,855	13,857
Bad debts	(2,098)	(97)	-	(2,195)	(1,985)
Other costs	96	4	-	100	2,562
Recruitment costs	4,243	195	-	4,438	778
Bank and credit card charges	25,312	1,165	-	26,477	17,604
Premises expenses	41,521	1,911	-	43,432	33,262
Advertising and marketing	40,425	1,861	-	42,286	44,634
	<u>361,048</u>	<u>16,622</u>	<u>-</u>	<u>377,670</u>	<u>311,713</u>

## ANALYSIS OF GOVERNANCE COSTS

Legal and professional	-	-	3,228	3,228	4,310
Audit and accountancy	-	-	9,334	9,334	9,779
Trustees expenses	-	-	3,425	3,425	2,445
Apportionment of premises costs	-	-	6,000	6,000	6,000
	<u>361,048</u>	<u>16,622</u>	<u>21,987</u>	<u>399,657</u>	<u>334,247</u>

## 6. NET INCOME FOR THE YEAR

This is stated after charging:

	2016 £	2015 £
Auditors remuneration - Audit	9,334	9,779
- Other services (consultancy)	2,448	2,004
Depreciation of tangible fixed assets	9,620	20,376
Amortisation of intangible fixed assets	25,599	15,058

## 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.

## 7. ANALYSIS OF STAFF COSTS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2016 £	2015 £
Salaries and wages	406,370	354,886
Social security costs	31,245	29,402
Pension contributions	16,273	18,362
Restructuring costs	34,374	9,048
	<u>488,262</u>	<u>411,698</u>

The number of employees whose emoluments (salaries and pension contributions) exceeded £60,000 was nil (2015: nil). Trustees received no remuneration in the year (2015 - £nil). Trustee expenses reimbursed during the year were £3,425 (2015 - £2,445).

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

## NOTES TO THE FINANCIAL STATEMENTS

ANALYSIS OF STAFF COSTS AND REMUNERATION OF  
KEY MANAGEMENT PERSONNEL (...CONT.)

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

Charitable activities	18	16
Management and Administration	2	2
	<u>20</u>	<u>18</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 (2015 - £nil).

## 8. 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.

## 9. INTANGIBLE FIXED ASSETS

	Goodwill £	Course Development £	Total £
<b>COST OR VALUATION</b>			
Balance at 1st July 2015	301,166	50,318	351,484
Additions	-	143,010	143,010
Balance at 30th June 2016	<u>301,166</u>	<u>193,328</u>	<u>494,494</u>
<b>AMORTISATION</b>			
Balance at 1st July 2015	45,174	-	45,174
Charge for the year	25,599	46,694	72,293
Balance at 30th June 2016	<u>70,773</u>	<u>46,694</u>	<u>117,467</u>
NET BOOK VALUE as at 30th June 2016	<u>230,393</u>	<u>146,634</u>	<u>377,027</u>
NET BOOK VALUE as at 30th June 2015	<u>255,992</u>	<u>50,318</u>	<u>306,310</u>

## 10. TANGIBLE FIXED ASSETS

	Leasehold Improvement £	Equipment & Software £	Total £
<b>COST OR VALUATION</b>			
Balance at 1st July 2015	58,981	104,530	163,511
Additions	27,553	97,152	124,705
Disposals	(58,981)	-	(58,981)
Balance at 30th June 2016	<u>27,553</u>	<u>201,682</u>	<u>229,235</u>
<b>DEPRECIATION</b>			
Balance at 1st July 2015	58,981	61,815	120,796
Charge for the year	1,722	7,898	9,620
Eliminated on disposal	(58,981)	-	(58,981)
Balance at 30th June 2016	<u>1,722</u>	<u>69,713</u>	<u>71,435</u>
NET BOOK VALUE as at 30th June 2016	<u>25,831</u>	<u>131,969</u>	<u>157,800</u>
NET BOOK VALUE as at 30th June 2015	<u>-</u>	<u>42,715</u>	<u>42,715</u>

## 11. STOCKS

	2016 £	2015 £
Finished goods and goods for resale	<u>5,386</u>	<u>5,910</u>



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

## NOTES TO THE FINANCIAL STATEMENTS

12.	DEBTORS	2016	2015
		£	£
	Trade debtors	23,516	19,911
	Prepayments and accrued income	21,495	16,394
		<u>45,011</u>	<u>36,305</u>
13.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2016	2015
		£	£
	Trade creditors	122,354	88,906
	Bank overdrafts	37,899	-
	Other creditors	18,000	-
	Accruals and deferred income	65,003	80,369
		<u>243,256</u>	<u>169,275</u>
14.	PROVISIONS FOR LIABILITIES	2016	2015
		£	£
	Balance at 1st July 2015	93,768	106,789
	Movement in provision	8,764	(13,021)
	Balance at 30th June 2016	<u>102,532</u>	<u>93,768</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. SECURED DEBTS

The total amount included in creditors for which security has been given is £37,899.

An "all property assets and rights of the company advised now or in the future" floating charge are held by the Trust's bankers over the Trust's assets.

16.	CAPITAL COMMITMENTS	2016	2015
		£	£
	Approved by the Board but not contracted or provided for in the financial statements	-	9,757

## 17. RESERVES

	Brought Forward	Incoming Resources	Resources Expended	Carried Forward
	£	£	£	£
UNRESTRICTED FUNDS				
General funds	<u>209,412</u>	<u>1,079,598</u>	<u>(1,049,374)</u>	<u>239,636</u>

## 18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	2016	2015
	Unrestricted Funds	Unrestricted Funds
	£	£
Intangible fixed assets	377,027	306,310
Tangible fixed assets	157,800	42,715
Current assets	50,597	123,430
Creditors due within one year	(243,256)	(169,275)
Provision for liabilities	(102,532)	(93,768)
	<u>239,636</u>	<u>209,412</u>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

## NOTES TO THE FINANCIAL STATEMENTS

## 18. RELATED PARTY TRANSACTIONS

In the year R. Morpeth provided the charity with a short term loan of £18,000 to help aid the cash flow of The Open School Trust during the summer of 2016. The loan was lent with an agreed interest rate payable to R. Morpeth of 19.89% to match that charged to her under a separate commercial overdraft account facility.

At the balance sheet date an amount of £18,000 was owed to R. Morpeth.

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

	2016 £	2015 £
Net movement in funds	30,224	60,528
Add: Depreciation	9,620	20,376
Add: Amortisation	72,293	15,058
Less: Interest received	-	(509)
(Increase)/decrease in stocks	524	(88)
(Increase)/decrease in debtors	(8,706)	19,504
Increase/(decrease) in creditors	26,846	(4,101)
	<u>130,801</u>	<u>110,768</u>

## 20. PENSIONS

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors.

The assets of the scheme are administered by an independent pensions provider.

Pension payments recognised as an expense during the year amount to £16,273 (2015: £18,362).