

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018



DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

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DISCOVER LEARNING TRUST
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS, TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018**

Members

C Bell, Chair
L Brown (resigned 27 June 2018)
J Cuthbertson (appointed 26 June 2018)
A Hossack (appointed 26 June 2018)
L Nixon (resigned 27 June 2018)
L Simpson (resigned 27 June 2018)
H Westwater (appointed 26 June 2018)
L Williams

Trustees

A Cunningham, Executive Headteacher & AO¹
L Williams, Chair OCA and MAT¹
C Bell, Vice Chair OCA (resigned 3 July 2018)¹
L Nixon, Chair OPA¹
L Simpson, Vice Chair OPA¹
L Brown¹
K Burnikell (resigned 3 July 2018)
L Calder (resigned 3 July 2018)
J Chamberlain (resigned 3 July 2018)
J Coxon (appointed 10 October 2017, resigned 3 July 2018)
J Cuthbertson¹
P McAloon (resigned 3 July 2018)
K Peverley (resigned 6 February 2018)
J Quinn¹
M Simpson (resigned 3 July 2018)

¹ Members of Trust Board

Company registered number

08249250

Company name

Discover Learning Trust

Principal and registered office

Oxclose Community Academy
Dilston Close
Washington
Tyne and Wear
NE38 0LN

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS, TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018**

Company secretary

K Atkinson

Senior leadership team

A Cunningham, Executive Headteacher (OCA & OPA)
P Hegarty, Headteacher (OCA)
A Bolam, Headteacher (OPA)
A Butler, Deputy Headteacher (OPA)
E Quinn, Assistant Headteacher (OCA)
N Hardy, Assistant Headteacher (OCA)
J Lumley, Assistant Headteacher (OCA)
A J Parkes, Assistant Headteacher (OCA)
K Atkinson, Business Manager (OCA & OPA)

Independent auditors

Clive Owen LLP
Chartered Accountants
Statutory Auditors
Kepier House
Belmont Business Park
Durham
DH1 1TW

Bankers

Lloyds Bank plc
54 Fawcett Street
Sunderland
SR1 1SF

Solicitors

Womble Bond Dickinson UK LLP
One Trinity
Broad Chare
Newcastle Upon Tyne
NE1 2HF

DISCOVER LEARNING TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2017 to August 2018. The annual report serves the purposes of both a Trustees' Report, and a Directors' Report under company law.

The academy trust operates a Multi-Academy Trust (MAT) with one secondary school (Oxclose Community Academy) for pupils aged 11 to 16, and one primary (Oxclose Primary Academy) for pupils aged 4-10, serving a catchment area in the City of Sunderland. Oxclose Community Academy (OCA) is over-subscribed with a pupil capacity of 1,050 and a roll of 1,056 as stated in the most recent census return dated 5 May 2018. The Oxclose Primary Academy (OPA) has a pupil capacity of 240 and roll of 219 in the same census return.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the academy trust. The Trustees of Discover Learning Trust are also the directors of the charitable company for the purposes of company law. The charitable company operates as Discover Learning Trust.

Details of the Trustees who served during the are included in the Reference and administrative details on page 1.

Members' liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

Trustees' indemnities

The academy trust is a member of the Risk Protection Arrangements (RPA) to protect Trustees from claims arising against negligent acts, errors or omissions occurring whilst on trust business. Further details are provided in note 10.

Method of recruitment and appointment or election of Trustees

The term of office for any Trustee shall be four years, this time limit shall not apply to the Executive Headteacher. The appointment of the Chair and Vice Chair will be every two years as set out in the Articles of Association. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected.

Policies and procedures adopted for the induction and training of Trustees

The training and induction provided for new Trustees depends on their existing experience. Where necessary induction and training is provided on charity, educational, legal and financial matters. All new Trustees are given a tour of the academy and the chance to meet with staff and students. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Trustees. As there are normally only one or two Trustees a year, induction tends to be done informally and is tailored specifically to the individual.

DISCOVER LEARNING TRUST
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Organisational structure

During the year the academy trust continued to operate a unified management structure. The structure consists of five levels: The Trustees, Executive Group, Senior Leadership Team, Extended Leadership and Middle Management Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Trustees have fully delegated powers for all financial and personnel decisions and accountabilities for both academies. All other responsibilities have been delegated to the Governing Bodies of both academies, which include Trustees who act as advisory Governors to the Trust Board.

The Executive Headteacher works closely with the Headteachers of Oxclose Community Academy and Oxclose Primary Academy who control the academies at a leadership level implementing the policies and reporting them back through a trust agreed and approved organisational structure. Further leadership is provided through the Senior Leadership Teams of both academies, including 4 Assistant Headteachers, a Deputy Headteacher 2 Teacher and Learning Responsibilities (TLR) holders and a Business Manager who work across both academies operating under the delegated responsibilities assigned by the Board of Trustees.

The Middle Management of the Academy is centered on Heads of Department and Heads of Year (Oxclose Community Academy) and subject leaders (Oxclose Primary Academy). These managers are responsible for the day to day operations of the academy, organising teaching staff, curriculum, students, supplies and services. Teachers in the primary academy assume middle management responsibilities for individual areas of the curriculum as curriculum leaders.

Arrangements for setting pay and remuneration of key management personnel

To comply with the STPCD, the Governing Body will only review the pay of leadership group posts appointed prior to 1 September 2014 in the following circumstances:

- individual responsibilities have significantly changed on or after 1 September 2014;
- to maintain consistency either with pay arrangements for new appointments to the leadership group made on or after 1 September 2014 or with pay arrangements for a member(s) of the leadership group whose responsibilities have significantly changed on or after that date.

Any such review will be done so in accordance with the provisions of the STPCD. For new appointments, the Governing Body will comply with paragraphs 5 to 9 of the STPCD.

When determining a pay range, the Governing Body will allow at least 5 reference points for performance related progression. In this trust, the Governing Body will use reference points to determine Leadership Group salaries.

Pay Progression – Leadership Group

The Governing Body will annually review the salaries of the members of the Leadership Group in accordance with paragraph 11 of the STCPD. All decisions regarding pay progression will be related to the individual's performance and appraisal reports.

Where the evidence demonstrates sustained high quality of performance, the Governing Body will consider the award of one point. Where the evidence shows exceptional performance, the Governing Body may consider the use of its flexibilities to pay enhanced pay progression up to the maximum of two additional points.

If a member of the leadership group reaches the top of their pay range, they will continue to be paid at the top of that range until such time as the Governing Body is able to reassess the pay range using the new method stipulated in part 2 of the STPCD.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Trade union facility time

The academy trust did not employ any trade union officials during the period.

Related parties and other connected charities and organisations

The academy trust will disclose full details of any related parties or other organisations, educational or other, on their website. In terms of the funding, the academy trust holds the funding agreements for both academies and takes full responsibility for the delegation and retention for funds for joint usage. Additional educational challenge is accessed through a number of sources; such as partnership working with other schools and organisations external review/audit processes, plus buying educational consultancy services recognised as providing consistently good and effective challenge.

Further details are stated in note 23 to the Financial Statements.

OBJECTIVES AND ACTIVITIES

Principal activity

The principal object and activity is the operation of Discover Learning Trust, to provide free education for young people of all abilities, based on an inclusive, balanced and broad curriculum for students between the age of 4 to 16. The Governing Body and staff of the academies are committed to providing an outstanding education, which will support children's particular needs and encourage the development of their academic, social and intellectual understanding.

We strive to make our motto 'Value Diversity Strive for Excellence' a reality in order that the young people of our academies are given the best possible opportunity to succeed in life. We pride ourselves in nurturing confident, responsible, kind young people who are well equipped to take on the challenges of further education and employment and to achieve a fulfilling life.

Objects and aims

Our objectives for the year include the following:

- We aim to ensure a continuing process of improvement in all aspects of the academy trust's work.
- To continually raise standards of pupil attainment through a focus on individual achievement and improving standards of teaching and leadership.
- Challenge all within the Discover Learning Trust to fulfil their responsibilities and be accountable for outcomes.
- To develop a culture of respect through the development of a culture of care, support and ambition in all of our schools.

The academies have a unique ethos, which encapsulates that which we seek to provide for our pupils. This is ingrained in our Ethos Statement. In accordance with the Articles of Association the charitable company has adopted a 'Scheme of Government'; approved by the Secretary of State Education. The Scheme of Government specifies, amongst other things; the basis for admitting students to the academy, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Objectives, strategies and activities

Strategic Aim 1 - Improve Outcomes

Strategies:

- a) Develop effective plans to improve outcomes of disadvantaged pupils at KS2 and KS4
- b) Raise attainment of high ability boys at KS2 and KS4
- c) Raise attainment in KS4 Maths with focus on GCSE Grade 5 and above with a further focus on boys
- d) Raise attainment in History, Modern Foreign Language, Geography and Double Science (Combined Science) at KS4
- e) Improve outcomes in Reading Test at KS2 and return to national average and above in Maths at KS2

Strategic Aim 2 - Quality of Teaching and Learning

Strategies:

- a) Challenge and support teaching of reading across KS2 with particular focus on comprehension, inference and independent reading
- b) Improve assessment of reading and Maths across KS2 with introduction of more regular, formalised testing
- c) At KS3 and KS4 introduce more challenge for pupils to achieve Grade 5 and above at end of KS4
- d) Undertake curriculum review across KS3 and KS4 to entrance teaching of core EBac subjects in order to improve outcomes
- e) Develop further opportunities to develop and improve reading across EYFS, KS1 and KS2

Strategic Aim 3 - Personal Development, Welfare and Behaviour

Strategies:

- a) Further develop code of conduct in Oxclose Community Academy to enhance the role of the Ps and Cs systems
- b) Further develop and enhance the role of the Discover Learning Centre in supporting vulnerable pupils and offering an alternative and appropriate curriculum
- c) Develop strategies to impact on pupil resilience across both schools which will help improve sustainable and improved pupil outcomes

Strategic Aim 4 - Leadership and Management

Strategies:

- a) Continue to build capacity of the trust for any future expansion of the Discover Learning Trust multi academy trust in line with growth plan
- b) Continue to broaden and deepen leadership across the trust at both senior and middle leadership level to support and impact on pupil attainment and progress
- c) Challenge the leadership of English in the primary school; Maths, Science, Modern Foreign Language and History in the secondary school to improve standards of attainment
- d) Continue further development of assessment systems and procedures in Primary Science and Foundation subjects
- e) Continue to develop common, trust wide leadership approaches to policies and practices.

Public benefit

The academy trust's aims and achievements are set out within this report and have been undertaken to further its charitable purposes for the public benefit. The Trustees have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England and Wales and the Trustees have considered this guidance in deciding what activities the academy trust should undertake.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

STRATEGIC REPORT

Achievements and performance

The results for 2018 across both academies were disappointing at both KS2 and KS4 (GCSE). At KS1 and Early Years Foundation Stage, Oxclose Primary Academy continued to perform well, and outcomes were in line with national average. At both KS2 and KS4 there was significant underperformance of boys compared with girls and in particular, the performance of disadvantaged pupils at both Key Stages. These results are out of keeping with results from previous years and provide a challenge for the leadership in both academies in the academic year 2018-19.

Key performance indicators

Oxclose Community Academy – Summary of Results 2018

- Overall disappointing performance saw Progress 8 Score fall from a positive 0.01 in 2017 to minus -0.2 in 2018
- Attainment in Maths was disappointing at both Grade 5+ and Grade 4+ with both being below national average
- Attainment and achievement of disadvantaged pupils was disappointing with both falling below national average
- Attainment and achievement of boys overall continues to be below national average, in particular the performance of high ability, disadvantaged boys fell well below expected standards
- Girls continued to outperform boys on all comparable accountability measures
- There was a slight improvement from 2017 in the performance of middle ability pupils
- There were good performances in a number of subject areas: Photography, Textiles, Music, Chemistry, English Language, Art, Media, Food, and Business Studies.

Oxclose Primary Academy Results 2018

Early Years Foundation Stage

	% Expected		% Exceeding	
	Oxclose	National 2018	Oxclose	National 2018
Reading	68	77	12	19
Writing	68	74	12	11
Maths	72	80	16	16
GLD	68	72		

Key Stage 1

	% Expected		% Greater Depth	
	Oxclose	National 2018	Oxclose	National 2018
Reading	73	75	23	26
Writing	70	70	17	16
Maths	77	76	17	22

Writing judgements are not directly comparable to 2016 and 2017

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Key performance indicators (continued)

Key Stage 2

	% Expected		% Greater Depth	
	Oxclose	National 2018	Oxclose	National 2018
Reading	47	75	17	28
Writing	74	78	21	20
Maths	47	76	9	24
R,W,M	34	64	4	10
EGPS	53	78	15	34

Writing judgements are not directly comparable to 2016 and 2017

Early Years Foundation Stage

- Reading and writing increase of 1% on last year
- Maths decrease of 1% on last year
- GLD increase of 1% on last year
- GLD 3% lower than national

GDS (KS1)

- Reading 2% increase on last year
- Writing 6% increase on last year
- Maths 4% decrease on last year

KS1 EXP Standard

- Reading down 6% on last year – without PIVATs 79% so increase 3%
- Reading 3% lower than national – without PIVATs 3% increase
- Writing 1% down on last year – without PIVATs 4% increase
- Writing same as national – without PIVATs 4% increase
- Maths 2% improvement on last year – without PIVATs 7% increase
- Maths 1% increase on national – without PIVATs 6% increase

GDS (KS2)

- Reading increase of 3%
- Writing decrease of 4%
- Maths increase of 2%
- English Grammar Punctuation Spelling (EGPS) decrease of 6%

KS2 EXP Standard

- Reading, Writing and Maths combined – decrease of 27%
- Reading decrease of 17%
- Maths decrease of 35%
- Writing decrease of 1%
- EGPS decrease of 11%

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Key Performance indicators (continued)

Early Years Foundation Stage (SUBMITTED DATA)

SUBJECT	EYFS TA 2018 (ALL)	EYFS TA 2018 (without PIVATS)	EYFS RESULTS (ELG) 2017	EYFS RESULTS (ELG) NATIONAL 2018	EYFS RESULTS (ELG) NATIONAL 2017
Reading	68% (17/25)	71% (17/24)	67% (20/30) (69% w/o PIV)		77%
Writing	68% (17/25)	71% (17/24)	67% (20/30) (69% w/o PIV)		73%
Maths (Number)	72% (18/25)	75% (18/24)	73% (22/30) (76% w/o PIV)		79%
Maths (Number)	68% (17/25)	71% (17/24)	67% (20/30) (69% w/o PIV)		71%

Key Stage 1 (SUBMITTED DATA)

SUBJECT	KS1 TA 2018 (ALL)	KS1 TA 2018 (without PIVATS)	NATIONAL 2018	NATIONAL 2017	EYFS RESULTS (ELG) RAISEON LINE 2016	EYFS RESULTS (ELG) 2016 (Current Cohort)	CLOSING THE GAP BETWEEN N EYFS & KS1 (ALL)	KS1 TA 2017 (ALL)
Reading	73% (22/30)	79% (22/28)	75%	76%	70% (21/30)	70% (21/30)	+1 pupil (3%)	79% (22/28) (81% w/o PIV)
Writing	70% (21/30)	75% (21/28)	70%	68%	67% (20/30)	67% (20/30)	+1 pupil (3%)	71% (20/28) (74% w/o PIV)
Maths	77% (23/30)	82% (23/28)	76%	75%	73% (22/30)	73% (22/30)	+1 pupil (3%)	75% (21/28) (78% w/o PIV)

Key Stage 2 Teacher Assessment (SUBMITTED DATA)

SUBJECT	KS2 TA 2018 (ALL)	KS1 RESULTS (2B) RAISEONLINE 2014	KS1 RESULTS (2B) 2014 (Current Cohort)	CLOSING THE GAP BETWEEN KS1 & KS2 (ALL)
Reading	81% (38/47)	59% (26/44)	57% (26/46) 1 pupil has no KS1 data	+12 pupils (26%)
Writing	74% (35/47)	52% (23/44)	50% (23/46) 1 pupil has no KS1 data	+12 pupils (26%)
Maths	79% (37/47)	66% (29/44)	63% (29/46) 1 pupil has no KS1 data	+8 pupils (17%)
R, W, M Combined	70% (33/47)	N/A	N/A	N/A

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Going concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

FINANCIAL REVIEW

Principal funding

Most of the academy trust's income is obtained from the Department for Education (DfE) via the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The academy trust also received grants for fixed assets from the DfE/ESFA. In accordance with the Charities SORP (FRS 102), such grants are shown under the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Following three successful applications for Condition Improvement Funding (CIF), the academy trust has received additional capital funding for window replacements of single glazed units to double glazed, phase 2 of a roof refurbishment to Oxclose Community Academy and funding for a partial roof refurbishment to Oxclose Primary Academy. In total the trust received £1,037,000 in funding which included a government Salix loan of £89,000 for Oxclose Community Academy. The works commenced in July 2018 and are expected to be completed by the end of October 2018.

In addition, the academy trust receives a significant amount of Pupil Premium from the ESFA, totaling £465,000 (£137,000 Oxclose Primary Academy and £328,000 Oxclose Community Academy). The funding is received on a termly basis, based on student free school meal eligibility at any point over the last six years. A separate report detailing the expenditure and outcomes are detailed on the academy's website. Oxclose Primary Academy also received a significant amount of additional primary sport funding, for which they plan to recruit a sports apprentice to enhance their current curriculum.

During the year ended 31 August 2018, total expenditure of £8,318,000 was exceeded by recurrent grant funding from the DfE/ESFA together with other incoming resources. The excess of income over expenditure for the year (before transfers and LGPS adjustments, and excluding restricted fixed asset funds) was £53,000.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the academy's objectives.

At 31 August 2018 the net book value of fixed assets was £10,316,000 and movements in tangible fixed assets are shown in note 11 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the academy.

The provisions of Financial Reporting Standard (FRS) 102 have been applied in full in respect of the Local Government Pension Scheme, resulting in a deficit of £1,021,000 recognised on the balance sheet.

The academy held fund balances at 31 August 2018 of £10,830,000 comprising £10,609,000 of restricted fixed asset funds, £(1,021,000) of pension deficit and £1,242,000 of unrestricted funds. Total reserves excluding pension deficit and restricted fixed asset funds are £1,242,000.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Reserves policy

Unrestricted funds are held:

- To provide funds which can be designated to specific areas as identified by the academy trust's improvement plans which are updated and reviewed on a regular basis.
- To cover ongoing costs in relation to the running of the academy including catering provisions, school trips and to act as a contingency for any other unforeseen costs.

The level of reserves is reviewed by the Trustees regularly throughout the year. The minimum level of reserves for the ongoing needs of an academy is reviewed by the Trustees on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees therefore consider it prudent to hold unrestricted reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets and restricted funds) of £500,000. This is considered sufficient to cover any short-term cash flow interruption, such as a delay in the receipt of grant funding or a sudden unforeseen increase in expenditure.

The academy's current level of free reserves are in surplus by £1,242,000 and therefore are considered to be above the level of reserves required for the ongoing needs of the academy. The Trustees continue to consider additional activities related to the academy's objectives to which the excess reserves may be applied including, additional capital expenditure items.

Investments policy

The academy trust invests surplus funds in higher rate deposit accounts, following advice from the Trustee appointed customer relations manager. Accounts and interest rates are reviewed and agreed by the academy trust Members prior to each investment and continue to be reviewed, along with any surplus balances. This policy maximises investment return whilst minimising risks to the principal sum.

Principal risks and uncertainties

The principal risks and uncertainties are centered on changes in the level of funding from DfE/ESFA. In addition, the academy trust is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of significant deficit on the academy balance sheet.

The Trustees have assessed the major risks, to which the academy is exposed, in particular those relating specifically to teaching provision of facilities and other operational areas of the academy, and its finances. The Trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school visits) and in relation to the control of finance. Where significant financial risk still remains, they have ensured they have adequate insurance cover. The academy trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

The academy trust has fully implemented the requirements of the Safe Recruitment procedures and all staff have received training in this area in addition to training on Child Protection.

The academy trust is subject to a number of risks and uncertainties in common with other academies. The academy has in place procedures to identify and mitigate financial risks.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

PLANS FOR FUTURE PERIODS

Future plans for the trust include:

- Continuing to explore options relating to expanding the number of schools who form part of the Multi-Academy Trust.
- The academy trust is committed to ensuring Post 16 progression for Oxclose Community Academy to ensure our students receive the best possible opportunities.

Disclosure of information to auditors

Insofar as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustees have taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The Trustees' Report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 11 December 2018 and signed on its behalf by:



L Williams
Chair of Trustees

DISCOVER LEARNING TRUST
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GOVERNANCE STATEMENT

Scope of Responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that Discover Learning Trust has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the Executive Headteacher, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Discover Learning Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 6 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
A Cunningham, Executive Headteacher & AO	2	6
L Williams, Chair OCA and MAT	6	6
C Bell, Vice Chair OCA (resigned 3 July 2018)	6	6
L Nixon, Chair OPA	5	6
L Simpson, Vice Chair OPA	4	6
L Brown	1	6
K Burnikell (resigned 3 July 2018)	5	6
L Calder (resigned 3 July 2018)	4	6
J Chamberlain (resigned 3 July 2018)	5	6
J Coxon (appointed 10 October 2017, resigned 3 July 2018)	3	4
J Cuthbertson	0	6
P McAloon (resigned 3 July 2018)	4	6
K Peverley (resigned 6 February 2018)	1	4
J Quinn	4	6
M Simpson (resigned 3 July 2018)	3	6

The academy trust has undertaken a significant restructure of its governance structure and membership during the course of the year. The purpose of the restructure is to further improve the academy trust's fitness for purpose and further enhance the transparency and separation necessary to the various layers of governance across our schools. The changes will improve the capacity of Members to hold Trustees to account for their decisions and actions by extending the appropriate skills of Members and Trustees alike to enable the appropriate levels of challenge and objectivity within the different levels of governance across the academy trust.

Linda Williams has stepped down as Chair of Trust Members whilst retaining her position on the Members Board. The Members have been strengthened by 3 new appointments: Julie Cuthbertson, Amy Hossack and Helen Westwater were appointed on 26 June 2018 and bring with them great experience in finance, accounting and law to our Members Board, which now has clear line of separation in both its membership and function.

On 27 June 2018 both Linda Nixon and Lynne Simpson stood down as Members as part of the restructure. Both were crucial in the establishment of Discover Learning Trust, and their drive and support of the trust has been a significant factor in the success of our academy trust. Both will continue in their roles as Trustees and will continue to offer much experience and leadership in the future. Under the restructure Carole Bell has been elected as Chair of the Members board and Linda Williams has been elected Chair of the Board of Trustees.

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GOVERNANCE STATEMENT (continued)

Trust Board

The Trust Board is fully accountable for the finances of both academies and reviews and monitors all financial information on a termly basis. They are also responsible for the preparation, approval and review of all budgets. Attendance at the meetings in the year was as follows:

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
L Williams (Chair)	5	5
C Bell (Vice Chair) (resigned 3 July 2018)	5	5
A Cunningham (Accounting Officer)	5	5
L Brown	2	4
J Cuthbertson	0	1
L Nixon	4	5
J Quinn	1	1
L Simpson	3	5

Review of Value for Money

As Accounting Officer, the Executive Headteacher has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the academy trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the academy trust has delivered improved value for money during the year by:

- The continued review of staffing, across all departments, against requirements and making necessary efficiencies wherever possible. Support staff contracts have also been reviewed and reduced to term-time only where appropriate.
- Continuing to review value for money for all supplies and services and to identify areas for achieving greater efficiencies and economies of scale. One of the most significant areas for efficiencies this year has been across our premises costs for both schools. We have also saved approximately £5,000 across the trust by switching payroll providers.
- Working with other local schools to create greater buying power. An example of this would being the purchase of our financial software package, which was purchased in conjunction with one of our local secondary partners and over three years saved the trust £2,475.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Discover Learning Trust for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks, that has been in place for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

The Risk and Control Framework

The academy trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the Trust Board of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Clive Owen LLP, the external auditors, to perform additional checks.

The external auditors role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems.

On an annual basis, the external auditors report to the Board of Trustees through the Trust Board on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities. In particular the checks carried out in the current period included:

- Testing of payroll systems;
- Testing of purchase systems;
- Testing of petty cash/expenses procedures;
- Testing of income;
- Testing of the accounting systems and management information produced; and
- Review of Trustee appointments/resignations and declarations of interest.

In all cases the external auditors have delivered their schedule of work and a full report was submitted to the next immediate Trust Board meeting for consideration and agreement for any further remedial work for which an action plan would be produced.

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

Review of Effectiveness

As Accounting Officer, the Executive Headteacher has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the external auditors;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Trust Board and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Trust Board and a plan to address any identified weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 11 December 2018 and signed on their behalf, by:



L Williams
Chair of Trustees



A Cunningham
Accounting Officer

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Discover Learning Trust I have considered my responsibility to notify the academy trust Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the academy trust Board of Trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2017.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and ESFA.



A Cunningham
Accounting Officer

Date: 11 December 2018

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board of Trustees on 11 December 2018 and signed on its behalf by:



L Williams
Chair

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
DISCOVER LEARNING TRUST**

Opinion

We have audited the financial statements of Discover Learning Trust (the 'academy trust') for the year ended 31 August 2018 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
DISCOVER LEARNING TRUST**

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
DISCOVER LEARNING TRUST**

Auditors' 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 Auditors' 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 Auditors' Report.



Gary Ellis BA FCA (Senior Statutory Auditor)

for and on behalf of

Clive Owen LLP

Chartered Accountants
Statutory Auditors

Kepier House
Belmont Business Park
Durham
DH1 1TW
11 December 2018

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO DISCOVER LEARNING TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 11 September 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Discover Learning Trust during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Discover Learning Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Discover Learning Trust and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Discover Learning Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Discover Learning Trust's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Discover Learning Trust's funding agreement with the Secretary of State for Education dated 24 March 2014, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO DISCOVER
LEARNING TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (continued)**

Approach (continued)

The work undertaken to draw to our conclusion includes:

- Review of governing body and committee minutes;
- Review of annual Responsible Officer reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Trustees and Accounting Officer setting out responsibilities;
- Obtained formal letter of representation detailing the responsibilities of Trustees;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review cash payments for unusual transactions;
- Review of credit card transactions;
- Review of registers of interests;
- Review related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts; and
- Review an instance of gifts/hospitality to ensure in line with policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Clive Owen LLP

Reporting Accountant

Kepier House
Belmont Business Park
Durham
DH1 1TW

11 December 2018

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
INCOME FROM:						
Donations and capital grants	2	-	-	1,000	1,000	489
Charitable activities	3	-	6,981	-	6,981	6,966
Other trading activities	4	709	-	-	709	703
Investments	5	6	-	-	6	6
TOTAL INCOME		715	6,981	1,000	8,696	8,164
EXPENDITURE ON:						
Charitable activities		662	7,020	636	8,318	8,523
TOTAL EXPENDITURE	6	662	7,020	636	8,318	8,523
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	15	53	(39)	364	378	(359)
		-	(86)	86	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		53	(125)	450	378	(359)
Actuarial gains on defined benefit pension schemes	20	-	730	-	730	1,240
NET MOVEMENT IN FUNDS		53	605	450	1,108	881
RECONCILIATION OF FUNDS:						
Total funds brought forward		1,189	(1,626)	10,159	9,722	8,841
TOTAL FUNDS CARRIED FORWARD		1,242	(1,021)	10,609	10,830	9,722

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 08249250

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£000	2018 £000	2017 £000
FIXED ASSETS				
Tangible assets	11		10,316	10,147
CURRENT ASSETS				
Debtors	12	669		301
Cash at bank and in hand		1,755		1,406
		<u>2,424</u>		<u>1,707</u>
CREDITORS: amounts falling due within one year	13	(738)		(426)
NET CURRENT ASSETS			<u>1,686</u>	<u>1,281</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>12,002</u>	<u>11,428</u>
CREDITORS: amounts falling due after more than one year	14		(151)	(80)
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>11,851</u>	<u>11,348</u>
Defined benefit pension scheme liability	20		(1,021)	(1,626)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>10,830</u></u>	<u><u>9,722</u></u>
FUNDS OF THE ACADEMY				
Restricted income funds:				
Restricted income funds excluding pension liability		10,609		10,159
Pension reserve		(1,021)		(1,626)
Total restricted income funds			<u>9,588</u>	<u>8,533</u>
Unrestricted income funds	15		<u>1,242</u>	<u>1,189</u>
TOTAL FUNDS			<u><u>10,830</u></u>	<u><u>9,722</u></u>

The financial statements on pages 24 to 49 were approved by the Trustees, and authorised for issue, on 11 December 2018 and are signed on their behalf, by:



L Williams
Chair of Trustees

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Net cash provided by operating activities	17	425	49
Cash flows from investing activities:			
Dividends, interest and rents from investments		6	6
Purchase of tangible fixed assets		(805)	(615)
Capital grants from DfE Group		723	489
Net cash used in investing activities		(76)	(120)
Cash flows from financing activities:			
Cash inflows from new borrowing		-	85
Net cash provided by financing activities		-	85
Change in cash and cash equivalents in the year		349	14
Cash and cash equivalents brought forward		1,406	1,392
Cash and cash equivalents carried forward	18	1,755	1,406

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgments and key sources of estimation uncertainty, is set out below.

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Discover Learning Trust constitutes a public benefit entity as defined by FRS 102.

1.2 FUND ACCOUNTING

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the Trustees.

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Department for Education Group.

1.3 INCOME

All income is recognised once the academy trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of Financial Activities incorporating Income and Expenditure Account on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating Income and Expenditure Account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Donations are recognised on a receivable basis where receipt is probable and the amount can be reliably measured.

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

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.4 EXPENDITURE

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on charitable activities are costs incurred on the academy trust's educational operations, including support costs and those costs relating to the governance of the academy trust appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

1.5 GOING CONCERN

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £1,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Long term leasehold property	-	over 20 years
Long term leasehold land	-	over 125 years
Furniture and fixtures	-	over 5 years
Motor vehicles	-	over 4 years
Computer equipment	-	over 3 years

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.7 OPERATING LEASES

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

1.8 INTEREST RECEIVABLE

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

1.9 TAXATION

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.10 DEBTORS

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

1.11 CASH AT BANK AND IN HAND

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

1.12 LIABILITIES AND PROVISIONS

Liabilities and provisions are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.13 FINANCIAL INSTRUMENTS

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 12. Prepayments are not financial instruments.

Cash at bank - is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 13 and 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.14 PENSIONS

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities incorporating Income and Expenditure Account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

1.15 CONCESSIONARY LOANS

The academy has opted to initially recognise and measure concessionary loans at the amount received or paid, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1. ACCOUNTING POLICIES (continued)

1.16 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

Depreciation – Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £636,000.

Land – Land is held under a 125 year lease from Sunderland City Council. These assets are included on the balance sheet of the academy due to the significant risks and rewards of ownership belonging to the academy, the lease term being the major part of the economic life of the assets and the assets being of such a specialised nature that only the academy could use them without major modification.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Capital grants	-	1,000	1,000	489
Total 2017	-	489	489	

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**NOTES TO THE FINANCIAL STATEMENTS
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3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	6,287	6,287	6,296
Pupil Premium	-	465	465	459
Other DfE/ESFA grants	-	79	79	66
	-	6,831	6,831	6,821
Other Government grants				
SEN	-	135	135	128
Other Government grants	-	15	15	17
	-	150	150	145
	-	6,981	6,981	6,966
Total 2017	-	6,966	6,966	

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**NOTES TO THE FINANCIAL STATEMENTS
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4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Sundry income	260	-	260	236
Lettings	62	-	62	73
School trips	63	-	63	85
Staff absence insurance	2	-	2	5
Catering	299	-	299	294
Maternity insurance	23	-	23	10
	<u>709</u>	<u>-</u>	<u>709</u>	<u>703</u>
Total 2017	<u>703</u>	<u>-</u>	<u>703</u>	

5. INVESTMENT INCOME

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Bank interest received	6	-	6	6
	<u>6</u>	<u>-</u>	<u>6</u>	<u>6</u>
Total 2017	<u>6</u>	<u>-</u>	<u>6</u>	

DISCOVER LEARNING TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

CHARITABLE ACTIVITIES

	2018 £000	2017 £000
DIRECT COSTS		
Wages and salaries	4,036	4,119
National insurance	403	412
Pension cost	775	833
Educational supplies	241	188
Examination fees	107	107
Staff development	25	27
Educational consultancy	27	28
Other direct costs	73	109
Technology costs	20	21
	<hr/> 5,707	<hr/> 5,844
SUPPORT COSTS		
Wages and salaries	787	855
National insurance	60	57
Pension costs	164	162
Depreciation	636	625
Net interest cost on pension scheme	36	50
Technology costs	80	83
Travel and subsistence	46	3
Recruitment and support	3	3
Maintenance of premises and equipment	107	134
Cleaning	14	16
Rent	5	6
Rates	63	51
Energy	133	129
Insurance	37	66
Transport	80	83
Catering	202	192
Occupancy costs	13	11
Other support costs	78	75
Governance costs	67	78
	<hr/> 2,611	<hr/> 2,679
	<hr/>	<hr/>
	<hr/> 8,318	<hr/> 8,523
	<hr/>	<hr/>

DISCOVER LEARNING TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

6. EXPENDITURE

	Staff costs 2018 £000	Premises 2018 £000	Other costs 2018 £000	Total 2018 £000	Total 2017 £000
Educational operations:					
Direct costs	5,214	-	493	5,707	5,844
Support costs	1,011	937	663	2,611	2,679
	<u>6,225</u>	<u>937</u>	<u>1,156</u>	<u>8,318</u>	<u>8,523</u>
Total 2017	<u>6,438</u>	<u>933</u>	<u>1,152</u>	<u>8,523</u>	

In 2018, of the total expenditure, £662,000 (2017 - £716,000) was to unrestricted funds and £7,806,000 (2017 - £7,662,000) was to restricted funds.

There were no individual transactions exceeding £5,000 for:

- Compensation payments
- Gifts made by the trust
- Fixed asset losses
- Stock losses
- Unrecoverable assets
- Cash losses

There were no ex-gratia payments in the year.

7. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets:		
- owned by the academy trust	636	625
Auditors' remuneration - audit	9	10
Auditors' non audit costs	2	2
Operating lease rentals	<u>5</u>	<u>4</u>

DISCOVER LEARNING TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
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8. STAFF COSTS

a. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	4,653	4,903
Social security costs	463	473
Operating costs of defined benefit pension schemes	939	995
	<hr/> 6,055	<hr/> 6,371
Agency staff costs	163	49
Staff restructuring costs	7	18
	<hr/> <hr/> 6,225	<hr/> <hr/> 6,438

Staff restructuring costs comprise:

	2018 £000	2017 £000
Severance payments	<hr/> 7	<hr/> 18

b. Non-statutory/non-contractual staff severance payments

Included within operating costs of defined pension schemes is a charge of £89,000 (2017: £157,000) relating to the pension deficit actuarial adjustment.

Included in staff restructuring costs are non-statutory/non-contractual severance payments totaling £7,000 (2017: £18,000). Individually the amounts were: £4,000 and £3,000.

c. Staff numbers

The average number of persons employed by the academy trust during the year was as follows:

	2018 No.	2017 No.
Teachers	75	70
Administration and support	94	107
Management	9	11
	<hr/> 178	<hr/> 188

d. Higher paid staff

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

	2018 No.	2017 No.
In the band £60,001 - £70,000	1	2
In the band £70,001 - £80,000	0	1
In the band £80,001 - £90,000	1	0
In the band £110,001 - £120,000	0	1

The above employees participated in the Teachers' Pension Scheme and the Local Government Pension Scheme.

DISCOVER LEARNING TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

8. STAFF COSTS (continued)

e. Key management personnel

The key management personnel of the academy trust comprise the Trustees and the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension contributions and national insurance contributions) received by key management personnel for their services to the academy trust was £778,000 (2017: £1,029,000).

9. TRUSTEES' REMUNERATION AND EXPENSES

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Executive Headteacher and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2018 £000	2017 £000
A Cunningham, Executive Headteacher and Accounting Officer	Remuneration	30-35	110-115
	Pension contributions paid	-	15-20
L Calder (resigned 3 July 2018)	Remuneration	40-45	45-50
	Pension contributions paid	5-10	5-10
K Burkinell (resigned 3 July 2018)	Remuneration	40-45	45-50
	Pension contributions paid	5-10	5-10

During the year A Cunningham stepped down as Headteacher of Oxclose Community Academy, and is now an Executive Headteacher to both academies.

During the year, no Trustees received any benefits in kind (2017 - £NIL).

During the year ended 31 August 2018, no Trustees received any reimbursement of expenses (2017 - £NIL to Trustees).

10. TRUSTEES' AND OFFICERS' INSURANCE

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

DISCOVER LEARNING TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

11. TANGIBLE FIXED ASSETS

	Leasehold property £000	Motor vehicles £000	Furniture and fixtures £000	Computer equipment £000	Total £000
COST					
At 1 September 2017	12,407	26	167	299	12,899
Additions	714	-	69	22	805
At 31 August 2018	13,121	26	236	321	13,704
DEPRECIATION					
At 1 September 2017	2,407	25	90	230	2,752
Charge for the year	556	1	33	46	636
At 31 August 2018	2,963	26	123	276	3,388
NET BOOK VALUE					
At 31 August 2018	10,158	-	113	45	10,316
At 31 August 2017	10,000	1	77	69	10,147

12. DEBTORS

	2018 £000	2017 £000
Trade debtors	8	-
VAT recoverable	139	132
Prepayments and accrued income	522	169
	669	301

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Trade creditors	440	334
Other taxation and social security	102	-
Other creditors	25	11
Accruals and deferred income	171	81
	738	426

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**NOTES TO THE FINANCIAL STATEMENTS
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13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

	2018 £000	2017 £000
DEFERRED INCOME		
Deferred income at 1 September 2017	56	65
Resources deferred during the year	72	56
Amounts released from previous years	(56)	(65)
	<u>72</u>	<u>56</u>
Deferred income at 31 August 2018	<u>72</u>	<u>56</u>

As at the balance sheet date the academy trust was holding funds for Devolved Formula Capital, Free School Meals, Academies income, Charities income, School Trips income, and Rates funding which straddle the academic year.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £000	2017 £000
Other creditors	<u>151</u>	<u>80</u>

Included in other creditors are three loans from Salix which is provided on the following terms:

- Interest free loan of £85,000 repayable through GAG in 6-monthly instalments of £5,321 from March 2018.
- Interest free loan of £39,000 repayable through GAG in 6-monthly instalments of £2,463 from March 2019.
- Interest free loan of £49,000 repayable through GAG in 6-monthly instalments of £3,078 from March 2019.

DISCOVER LEARNING TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
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15. STATEMENT OF FUNDS

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
UNRESTRICTED FUNDS						
General Funds	1,189	715	(662)	-	-	1,242
RESTRICTED FUNDS						
General Annual Grant (GAG)	-	6,287	(6,201)	(86)	-	-
Pupil Premium	-	465	(465)	-	-	-
Other DfE/ESFA grants	-	79	(79)	-	-	-
Other Government grants	-	150	(150)	-	-	-
Pension reserve	(1,626)	-	(125)	-	730	(1,021)
	(1,626)	6,981	(7,020)	(86)	730	(1,021)
RESTRICTED FIXED ASSET FUNDS						
Legacy assets	9,295	-	(516)	-	-	8,779
Devolved Formula Capital	50	28	(18)	-	-	60
Condition Improvement Fund	462	972	(26)	-	-	1,408
Capital expenditure from GAG	352	-	(76)	86	-	362
	10,159	1,000	(636)	86	-	10,609
Total restricted funds	8,533	7,981	(7,656)	-	730	9,588
Total of funds	9,722	8,696	(8,318)	-	730	10,830

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

General Annual Grant (GAG) must be used for the normal running of the academy including salaries and related costs, overheads, repairs and maintenance and insurance.

Pupil Premium is additional funding to be spent as the school sees fit to support deprived students.

Other DfE/ESFA grants includes a PE Teacher Grant, Rates Relief, Year 7 Catch Up and Universal Free School Meals. The PE Teacher Grant is to be spent on the costs of a PE co-ordinator and Universal Free School Meal income is received to provide free school meals to infants.

Other Government grants includes monies received for Looked After Children and SEN funding is received to cover Special Education Needs and salaries.

The pension reserve is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 20.

The restricted fixed asset funds represent monies received to purchase fixed assets. Depreciation charged against each fund over the useful life of the associated assets.

DISCOVER LEARNING TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

15. STATEMENT OF FUNDS (continued)

Unrestricted funds include the income from uniform sales, school trips and catering with the relevant costs allocated accordingly.

Transfers between funds represent fixed assets purchased out of GAG.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2018 were allocated as follows:

	Total 2018 £000	Total 2017 £000
Oxclose Community Academy	923	919
Oxclose Primary Academy	319	270
	<hr/>	<hr/>
Total before fixed asset fund and pension reserve	1,242	1,189
Restricted fixed asset fund	10,609	10,159
Pension reserve	(1,021)	(1,626)
	<hr/>	<hr/>
Total	10,830	9,722
	<hr/> <hr/>	<hr/> <hr/>

ANALYSIS OF ACADEMIES BY COST

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

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total 2018 £000	Total 2017 £000
Oxclose Community Academy	4,407	859	185	1,011	6,462	6,678
Oxclose Primary Academy	807	152	56	205	1,220	1,220
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	5,214	1,011	241	1,216	7,682	7,898
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There were no costs for central services during the year.

DISCOVER LEARNING TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

15. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2017 £000
GENERAL FUNDS						
General Funds	1,341	709	(861)	-	-	1,189
RESTRICTED FUNDS						
General Annual Grant (GAG)	2	6,296	(6,160)	(138)	-	-
Pupil Premium	-	459	(459)	-	-	-
Other DfE/ESFA grants	-	66	(66)	-	-	-
Other Government grants	-	145	(145)	-	-	-
Pension reserve	(2,659)	-	(207)	-	1,240	(1,626)
	<u>(2,657)</u>	<u>6,966</u>	<u>(7,037)</u>	<u>(138)</u>	<u>1,240</u>	<u>(1,626)</u>
RESTRICTED FIXED ASSET FUNDS						
Legacy assets	9,815	-	(520)	-	-	9,295
Devolved Formula Capital	46	27	(23)	-	-	50
Condition Improvement Fund	-	462	-	-	-	462
Capital expenditure from GAG	296	-	(82)	138	-	352
	<u>10,157</u>	<u>489</u>	<u>(625)</u>	<u>138</u>	<u>-</u>	<u>10,159</u>
Total restricted funds	<u>7,500</u>	<u>7,455</u>	<u>(7,662)</u>	<u>-</u>	<u>1,240</u>	<u>8,533</u>
Total of funds	<u>8,841</u>	<u>8,164</u>	<u>(8,523)</u>	<u>-</u>	<u>1,240</u>	<u>9,722</u>

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A CURRENT YEAR 12 MONTHS AND PRIOR YEAR 12 MONTHS COMBINED POSITION IS AS FOLLOWS:

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
UNRESTRICTED FUNDS						
General Funds	1,341	1,424	(1,523)	-	-	1,242
RESTRICTED FUNDS						
General Annual Grant (GAG)	2	12,583	(12,361)	(224)	-	-
Pupil Premium	-	924	(924)	-	-	-
Other DfE/ESFA grants	-	145	(145)	-	-	-
Other Government grants	-	295	(295)	-	-	-
Pension reserve	(2,659)	-	(332)	-	1,970	(1,021)
	<u>(2,657)</u>	<u>13,947</u>	<u>(14,057)</u>	<u>(224)</u>	<u>1,970</u>	<u>(1,021)</u>
RESTRICTED FIXED ASSET FUNDS						
Legacy assets	9,815	-	(1,036)	-	-	8,779
Devolved Formula Capital	46	55	(41)	-	-	60
Condition Improvement Fund	-	1,434	(26)	-	-	1,408
Capital expenditure from GAG	296	-	(158)	224	-	362
	<u>10,157</u>	<u>1,489</u>	<u>(1,261)</u>	<u>224</u>	<u>-</u>	<u>10,609</u>
	<u>7,500</u>	<u>15,436</u>	<u>(15,318)</u>	<u>-</u>	<u>1,970</u>	<u>9,588</u>
Total of funds	<u>8,841</u>	<u>16,860</u>	<u>(16,841)</u>	<u>-</u>	<u>1,970</u>	<u>10,830</u>

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Tangible fixed assets	-	-	10,316	10,316
Current assets	1,277	687	460	2,424
Creditors due within one year	(35)	(687)	(16)	(738)
Creditors due in more than one year	-	-	(151)	(151)
Provisions for liabilities and charges	-	(1,021)	-	(1,021)
	<u>1,242</u>	<u>(1,021)</u>	<u>10,609</u>	<u>10,830</u>

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16. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds	Restricted funds	Restricted fixed asset funds	Total funds
	2017 £000	2017 £000	2017 £000	2017 £000
Tangible fixed assets	-	-	10,147	10,147
Current assets	1,548	147	12	1,707
Creditors due within one year	(279)	(147)	-	(426)
Creditors due in more than one year	(80)	-	-	(80)
Provisions for liabilities and charges	-	(1,626)	-	(1,626)
	<u>1,189</u>	<u>(1,626)</u>	<u>10,159</u>	<u>9,722</u>

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

	2018 £000	2017 £000
Net income/(expenditure) for the year (as per Statement of Financial Activities)	378	(359)
Adjustment for:		
Depreciation charges	636	625
Dividends, interest and rents from investments	(6)	(6)
Increase in debtors	(3)	(83)
Increase in creditors	295	239
Capital grants from DfE and other capital income	(1,000)	(489)
Defined benefit pension scheme cost less contributions payable	89	157
Defined benefit pension scheme finance cost	36	50
Salix loan received	-	(85)
Net cash provided by operating activities	<u>425</u>	<u>49</u>

18. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash in hand	1,755	1,406
Total	<u>1,755</u>	<u>1,406</u>

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NOTES TO THE FINANCIAL STATEMENTS
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19. CAPITAL COMMITMENTS

At 31 August 2018 the academy trust had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	511	123

20. PENSION COMMITMENTS

The academy trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by South Tyneside Council. Both are Multi-Employer Defined Benefit Pension Schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge.
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

20. PENSION COMMITMENTS (continued)

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on September 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 September 2019.

The employer's pension costs paid to TPS in the period amounted to £508,000 (2017 - £515,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £425,000 (2017 - £405,000), of which employer's contributions totalled £342,000 (2017 - £323,000) and employees' contributions totalled £83,000 (2017 £82,000). The agreed contribution rates for future years are 25.20% for employers and 5.5% - 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Principal actuarial assumptions:

	2018	2017
Discount rate for scheme liabilities	2.80 %	2.50 %
Rate of increase in salaries	3.50 %	3.50 %
Rate of increase for pensions in payment / inflation	2.00 %	2.00 %
Inflation assumption (CPI)	2.00 %	2.00 %
Commutation of pensions to lump sums	75.00 %	75.00 %

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

	2018	2017
Retiring today		
Males	22.9	22.8
Females	26.4	26.3
Retiring in 20 years		
Males	25.1	25.0
Females	28.7	28.6

	At 31 August 2018 £000	At 31 August 2017 £000
Sensitivity analysis		
Discount rate +0.1%	6,491	6,309
Discount rate -0.1%	6,815	6,623
Mortality assumption - 1 year increase	6,464	6,274
Mortality assumption - 1 year decrease	6,839	6,655

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

20. PENSION COMMITMENTS (continued)

CPI rate +0.1%	6,748	6,558
CPI rate -0.1%	6,556	6,371

The academy trust's share of the assets in the scheme was:

	Fair value at 31 August 2018 £000	Fair value at 31 August 2017 £000
Equities	3,800	3,198
Government bonds	225	189
Corporate bonds	631	556
Property	479	435
Cash and other liquid assets	124	189
Other	371	271
Total market value of assets	5,630	4,838

The actual return on scheme assets was £413,000 (2017 - £753,000).

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2018 £000	2017 £000
Current service cost	(431)	(480)
Interest income	126	79
Interest cost	(162)	(129)
Total	(467)	(530)

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

	2018 £000	2017 £000
Opening defined benefit obligation	6,464	6,506
Current service cost	431	480
Interest cost	162	129
Employee contributions	83	82
Actuarial gains	(443)	(566)
Benefits paid	(46)	(167)
Closing defined benefit obligation	6,651	6,464

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**NOTES TO THE FINANCIAL STATEMENTS
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20. PENSION COMMITMENTS (continued)

Movements in the fair value of the academy trust's share of scheme assets:

	2018 £000	2017 £000
Opening fair value of scheme assets	4,838	3,847
Interest income	126	79
Actuarial gains	287	674
Employer contributions	342	323
Employee contributions	83	82
Benefits paid	(46)	(167)
	<hr/>	<hr/>
Closing fair value of scheme assets	5,630	4,838
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21. OPERATING LEASE COMMITMENTS

At 31 August 2018 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

AMOUNTS PAYABLE:

	2018 £000	2017 £000
Within one year	3	3
Between one and five years	-	3
	<hr/>	<hr/>
Total	3	6
	<hr/> <hr/>	<hr/> <hr/>

22. NET INTEREST COST ON PENSION SCHEME

	2018 £000	2017 £000
Interest income on pension scheme assets	126	79
Interest on pension scheme liabilities	(162)	(129)
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	(36)	(50)
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DISCOVER LEARNING TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

23. RELATED PARTY TRANSACTIONS

No related party transactions took place in the period of account, other than certain Trustees' remuneration and expenses already disclosed in note 9.

Owing to the nature of the academy's operations and the composition of the Board of Trustees being drawn with local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures.