

Registered number: 08104111 (England and Wales)

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2017



DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A company limited by guarantee)

CONTENTS

	Page
Reference and administrative details	1 - 2
Trustees' report	3 - 11
Governance statement	12 - 17
Statement on regularity, propriety and compliance	18
Trustees' responsibilities statement	19
Independent auditors' report	20 - 22
Independent reporting accountant's assurance report on regularity	23 - 24
Statement of financial activities	25
Balance sheet	26 - 27
Cash flow statement	28
Notes to the financial statements	29 - 58

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2017

Members

Richard Eastman
Kate Foster
Carolyn Lewis (DLET Representative)
David Williams

Trustees / Governors

Jonathan Parsons
Paul Stone (CEO and Accounting Officer)
Gary Sims
Edmund Green
Margaret Spence
David Williams
Michael McAllister
Brenda Davies (resigned 31 March 2017)
Johnathan Winterton (resigned 27 September 2016)
Ian Sadd (resigned 20 December 2016)

Company Secretary

Michelmores Secretaries Ltd, Woodwater House, Pynes Hill, Exeter, England, EX2 5WR

Senior Management Team

Chief Executive Officer	Paul Stone
Deputy Chief Executive Officer	James Brown
Director of Operations	Louise Barber
Finance Director	Emma Clarke
Director of IT	Nathan Thirlby
Head of Governance	Helen Stockill
Cluster Executive Leaders	David Briggs, Dawn White, Jon Brown

Company Name

Discovery Schools Academies Trust Ltd

Principal and registered office

Kibworth Primary School, Hillcrest Avenue, Kibworth, LE8 0NH

Company registered number

8104111 (England & Wales)

Independent Auditor

MHA MacIntyre Hudson, 11 Merus Court, Meridian Business Park, Leicester, LE19 1RJ

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2017

Bankers

NatWest Bank Plc, Gateway House, 4 Penman Way, Grove Park, Enderby, Leicestershire, LE19 1WL

Solicitors

Michelmores Solicitors LLP, 6 New Street Square, London, WC2A 1JF

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees present their Annual Report together with the financial statements and auditors' reports of the charitable company for the period 1 September 2016 to 31 August 2017. The Annual Report serves the purposes of both a Trustees' report, and a Directors' report under company law.

The Trust operates a Multi-Academy Trust (MAT) of 13 schools for pupils aged 3 to 11 serving a catchment area in Leicester, Leicestershire and Rutland. It has a pupil capacity of 4,980 and had a roll of 4,106 in the school census on 18 May 2017.

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 Discovery Schools Academy Trust (DSAT) Limited are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Discovery Schools Academies Trust. During the period, 13 individual DSAT primary schools operated under their own names:

- Kibworth Church of England
- Parkland
- Sileby Redlands
- Enderby Danemill
- Woolden Hill
- Mowmacre Hill
- Greystoke
- Farndon Fields
- Asfordby Captains Close
- Braunstone Community
- Fossebrook
- Merrydale
- Leighfield

DSAT also operated Affinity Teaching School Alliance (ATSA) and Inspiring Leaders School Centred Initial Teacher Training (SCITT) during the year.

Details of the Trustees who served throughout the year 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

Trustees benefit from indemnity insurance to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2017

Method of Recruitment and Appointment or Election of Trustees

The Trust shall have between three and eleven Trustees (also known as Directors) from the following categories:

- a) Up to 4 Trustees appointed by Members;
- b) Up to 2 Trustees appointed by the Diocese of Leicester Education Trust;
- c) Up to 2 Staff Trustees appointed by Members;
- d) Chief Executive Officer ;
- e) Up to 2 Parent Trustees appointed by Trustees (in the event that no provision is made for parent representatives on Advisory Boards); and
- f) Up to 2 Co-opted Trustees appointed by the Trustees acting jointly and with the consent of the Diocesan Board of Education

Trustees are recruited on the basis of skills through a recruitment process. Positions are advertised, candidates interviewed, shortlisted and recommended to the appointing body.

Policies and Procedures Adopted for the Induction and Training of Trustees

A detailed Induction Programme is designed for each new Trustee overseen by the Chair of the Board. Induction takes place through a range of activities which include meetings with key Trust staff, training and access to Governance support. Trustees are provided with copies of key strategies, policies, plans, minutes, accounts and other Trust documentation to enable them to fulfil their responsibilities. An annual skills audit is completed to inform training plans.

Organisational Structure

The Board of Trustees is responsible for determining the vision, ethos and strategic direction of the Trust. The Board approve Trust-wide strategies, the strategic plan and the annual budget. The Board monitors the educational and financial performance of the Trust. The CEO is performance managed by the Chair of Trustees.

Four committees operate under delegated powers from the Board to provide detailed scrutiny:

- Finance, Audit & Risk
- Education Standards
- Partnership & Governance
- Remuneration

The CEO performs the role of Accounting Officer as appointed by the Board. The CEO is responsible for the operational management of the Trust. The CEO is supported by a Senior Leadership Team which comprises of: Deputy CEO, Finance Director, Director of Operations, Director of IT, Head of Governance and Cluster Executive Leaders. Headteachers are responsible for educational and financial performance of their Schools and implementing Trust-wide strategies.

Each School has a Local Advisory Board that operates under delegated powers as laid out in the Scheme of Delegation. Advisory Boards have a role in influencing the strategic development of the school and support the Board to deliver effective Governance.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Arrangements for setting pay and remuneration of key management personnel

A Remuneration Committee operates under delegated powers from the Board to provide detailed scrutiny and determine pay for the Senior Leadership of the Trust, including the CEO. Individual Academy Headteacher and Deputy Headteacher pay is recommended by the Cluster Executive Leader (formerly the Local Governing Board), with the support of the Local Advisory Board, and reviewed and ratified by the CEO during the autumn term. All staff pay is awarded in accordance with the DSAT Pay Policy, reviewed by the Advisory Board and approved by the Cluster Executive Leader and is driven by an annual performance management process. DSAT Pay Policy is developed after benchmarking and consideration of affordability, future impact on staff recruitment, portability of pay grades, impact on staff retention and performance management structures.

Employees and disabled persons

DSAT operates a safe and fair recruitment and selection process which is regularly reviewed to take into account the Disability Discrimination Act requirements. Trust policy actively promotes equality of opportunity, eliminates any form of unlawful discrimination or harassment and encourages participation and promotes positive attitudes towards disabled employees. All steps possible are considered regarding supporting an individual's disability, even where that may involve favourable treatment.

DSAT strives to engage and consult with all staff at every opportunity. Engagement methods includes staff handbooks, dedicated network groups and staff surveys regarding individual welfare and Trust strategy. Consultation with staff is encouraged within Trust policy and has been conducted formally with both staff and unions to support organisation change. The Trust also works closely with the Joint Consultative Group, which includes staff representation, to consult on matters such as pay policies.

OBJECTIVES AND ACTIVITIES

Objects and Aims

The Trust's principal activities are designed to deliver the following objectives:

- To advance for the public benefit education in the UK, in particular by establishing, running and developing schools (with or without a designated religious character) offering a broad and balanced curriculum;
- In relation to the C of E Academies to conduct these in accordance with the principles and practices and tenets of the Church of England; and
- To recognise and support the individual characters and respect the different background of each Academy and keep each Academy linked into its local community.

In delivering these objectives, DSAT aims to:

- Continue to raise the standard of educational attainment and achievement of all pupils;
- Provide a broad and balanced curriculum, including making extra-curricular activities available to all its children;
- Develop pupils as more effective learners;
- Improve the effectiveness of each Academy by keeping the curriculum and organisational structures under continual review;
- Provide value for money for all funds expended;
- Comply with all appropriate statutory and curriculum requirements; and
- Conduct the Trust's business in accordance with the highest standards of integrity, probity and openness.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Objectives, Strategies and Activities

In delivering the Trust's Objects and Aims, DSAT is clear that:

- Children come first in all decision making
- High expectations in everything we do
- Developing and attracting the very best staff is a core purpose
- Raising aspirations of everyone in the organisation is a core purpose
- Parental collaboration is key to children's success
- Maintain community involvement and individual school's character

DSAT aims to create an outstanding education for all children, sharing good practice and expertise between schools to ensure all children receive a world class education. Children only get one chance and as such deserve the very best teaching and opportunities to reach their potential.

Our highly effective and self-improving schools learn together, share leadership, resources and talent to develop the next generation of teachers and learners, building innovative learning opportunities to ensure that all children achieve their potential. All professionals within our schools take responsibility for progress and attainment of their children.

We aim to build learning communities where schools work together to improve. Achieving deep partnerships and effective Joint Practice Development are vital to learn from each other. We create learning communities that are:

- Committed to continuous improvement;
- Part of a forward thinking organisation;
- Providing a curriculum that ensures achievement for all pupils;
- Improving access to Educational Services for those who need support; and
- Effective learning spaces that maximise learning.

Each Academy's School Development Plan has been developed to deliver improvement against these aims and objectives with key performance indicators to monitor success.

Public Benefit

The Trustees of the Academy Trust have complied with their duty to have due regard to the guidance on Public Benefit published by the Charity Commission in exercising their powers and duties. The Trust's activities have been undertaken to further the Academy Trust's purpose to advance public benefit education in the UK. Activities are not arranged to provide any financial return to members.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

STRATEGIC REPORT

Achievements and Performance

Key Stage 2

DSAT SCHOOLS AND TRUST KS2 SUMMARY ASSESSMENT OUTCOMES 2016-17

	Combined		Reading		Writing		Maths	
	Are	Above	Are	Above	Are	Above	Are	Above
Braunstone Community Primary School	42.2%	3.4%	50.8%	8.5%	64.4%	11.9%	64.4%	6.8%
Merrydale Junior School	30.0%	7.8%	41.1%	8.9%	55.6%	10.0%	46.7%	12.2%
Mowmacre Hill Primary School	48.8%	0.0%	51.2%	11.6%	69.8%	0.0%	67.4%	14.0%
Captains Close Primary School	54.5%	4.5%	72.7%	13.6%	72.7%	18.2%	81.8%	13.6%
Enderby Danemill Primary School	46.3%	5.6%	51.9%	11.1%	79.6%	13.0%	74.1%	9.3%
Farndon Fields Primary School	54.5%	12.1%	57.6%	12.1%	66.7%	21.2%	63.6%	24.2%
Greystoke Primary School	81.8%	9.1%	88.6%	25.0%	88.6%	31.8%	93.2%	29.5%
Kibworth Church of England Primary School	75.0%	18.4%	78.9%	28.9%	84.2%	31.6%	82.9%	30.3%
Parkland Primary School South Wigston	48.1%	3.9%	51.9%	14.3%	74.0%	18.2%	71.4%	10.4%
Sileby Redlands Community Primary School	66.7%	10.3%	74.4%	35.9%	74.4%	12.8%	79.5%	30.8%
Woolden Hill Primary School	53.1%	6.3%	56.3%	18.8%	84.4%	31.3%	65.6%	9.4%
Leighfield Academy	80.8%	11.5%	88.5%	34.6%	84.6%	30.8%	96.2%	23.1%
National	61.0%	8.7%	71.4%	24.6%	76.2%	17.7%	74.8%	22.7%
Leicestershire	61.4%	8.3%	72.6%	24.4%	77.4%	19.0%	74.7%	20.7%
Discovery Schools Trust	54.1%	7.9%	60.7%	17.5%	73.4%	18.3%	71.3%	17.1%

Key Stage 1

DSAT SCHOOLS AND TRUSTS KS1 SUMMARY ASSESSMENT OUTCOMES 2016-17

	Combined		Reading		Writing		Maths		Phonics
	Are	Above	Are	Above	Are	Above	Are	Above	
Braunstone Community Primary School	49.1%	5.3%	68.4%	12.3%	59.6%	5.3%	64.9%	7.0%	81%
Mowmacre Hill Primary School	48.3%	0.0%	56.7%	6.7%	50.0%	0.0%	56.7%	5.0%	74%
Captains Close Primary School	40.0%	5.0%	60.0%	5.0%	45.0%	5.0%	60.0%	5.0%	85%
Enderby Danemill Primary School	69.6%	10.7%	76.8%	23.2%	71.4%	16.1%	80.4%	19.6%	75%
Farndon Fields Primary School	73.3%	10.0%	80.0%	26.7%	73.3%	20.0%	76.7%	16.7%	90%
Fossebrook Primary School	50.0%	0.0%	57.1%	0.0%	50.0%	0.0%	71.4%	0.0%	56%
Greystoke Primary School	70.0%	14.0%	80.0%	34.0%	72.0%	16.0%	84.0%	24.0%	100%
Kibworth Church of England Primary School	77.8%	18.9%	86.7%	28.9%	80.0%	21.1%	86.7%	26.7%	97%
Parkland Primary School South Wigston	59.7%	2.6%	75.3%	19.5%	61.0%	5.2%	75.3%	15.6%	70%
Sileby Redlands Community Primary School	66.7%	10.3%	74.4%	28.2%	69.2%	12.8%	79.5%	23.1%	82%
Woolden Hill Primary School	66.7%	6.7%	73.3%	16.7%	73.3%	16.7%	76.7%	13.3%	76%
Leighfield Academy	58.6%	3.4%	72.4%	20.7%	62.1%	6.9%	72.4%	10.3%	95%
National	63.7%	10.9%	75.8%	25.3%	68.4%	15.7%	75.4%	20.6%	84%
Leicestershire	62.7%	10.4%	75.0%	25.2%	68.2%	15.7%	74.8%	20.5%	
Discovery Schools Trust	62.9%	8.3%	73.9%	20.5%	65.9%	11.2%	75.0%	15.9%	82%

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

EYSF

DSAT 16/17 EYFS HEADLINES

	CL	PD	PSE	CLL	Maths	GLD
Captains Close Primary School	93.0	94.0	93.0	73.0	85.0	88.0
Mowmacre Hill Primary School	86.0	89.0	86.0	62.0	64.0	55.0
Sileby Redlands Community Primary School	92.0	100.0	100.0	69.0	77.0	50.0
Woolden Hill Primary School	83.0	88.0	84.0	77.0	81.0	76.0
Braunstone Community Primary School	83.0	88.0	84.0	77.0	81.0	76.0
Enderby Danemill Primary School	93.0	94.0	97.0	72.0	73.0	69.0
Fossebrook Primary School	89.0	77.0	84.0	45.0	55.0	37.0
Merrydale Junior School						
Parkland Primary School	64.0	86.0	79.0	67.0	70.0	60.0
Farndon Fields Primary School	76.0	87.0	84.0	74.0	72.0	64.0
Greystoke Primary School	94.0	95.0	95.0	89.0	82.0	79.0
Kibworth Church of England Primary School	93.0	95.0	94.0	81.0	87.0	74.0
Leighfield Academy	96.0	92.0	92.0	78.0	85.0	74.0
DSAT AVERAGE	93.8	97.8	96.3	78.4	82.8	73.2
LIAISE AVERAGES	83.7	86.6	85.1	83.7	72.0	65.1

Key Financial Performance Indicators

- **Trust reserves support strategic objectives**

The Trust chose to invest £400,000 of reserves for both school improvement and capital development initiatives. This in turn supported the positive outcomes of the other key performance indicators noted below.

- **All schools to be good or outstanding.**

Current School Judgements

Inadequate	Require Improvement	Good	Outstanding
0	4	7	1

Fossebrook Primary is a new school and is therefore yet to receive an Ofsted judgement.

- **Sponsored schools to be judged as good within two years of conversion.**

Whilst both sponsored schools are not yet officially good, they have made considerable progress and are currently judged as requires improvement. This outcome was predicted due to 2016 DATA however recent progress tracking clearly shows that pupils progress in key areas is developing at a greater rate than national expectation. The Trust has invested in their development throughout 2016/2017 and this is shown to have made a positive impact on its pupils.

- **All schools are actively engaged with joint practice development within the Trust and Teaching School Alliance.**

All schools continue to attend leadership networks for Headteacher, Chair of Governors, Literacy, Numeracy, Pupil Premium, Arts, Science, ICT and Foundation Stage leaders. This has since broadened to include SEN, Assessment and History/Geography networks. All groups met throughout the academic year, sharing best practice and developing initiatives. In addition, a number of other achievements were recognised during the year including:

Trust growth of a further four schools covering Leicester, Leicestershire and Rutland. This includes, Fossebrook

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

which is a newly built school. All schools have integrated effectively and are adding considerable value to the Trust and its future.

The development of three clusters within the Trust, led by Cluster Executive Leaders. This has established local Trust networks which allow greater local collaboration, learning and challenge.

A review and restructure of the Trust's governance to support and enhance the cluster framework. This structure has provided consistency in governance across the Trust and allows greater opportunity for cross school learning and benchmarking.

Our fourth Annual Trust award evening was held hosting 23 awards to both children and adults. Presenters included Craig Newby; the Right Worshipful the Lord Mayor of Leicester; Jeremy Webster; UNISON; Judith Green; DSAT Pupil Parliament Prime Minister and Deputy Prime Minister;

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

Over 56% of the Trust's income is derived from Central Government grant to support its educational objectives, broadly based on pupil numbers attending individual Academies within the Trust. The Trust has continued to deliver an annual surplus and it maintains strategic reserves at a level to support future financial sustainability. The summary financial performance for 2016/2017 is as follows:

	£'000
Income	26,752
Expenditure	<u>21,502</u>
Surplus for year	<u>5,250</u>

Reserves Policy

The Reserves Policy requires the maintenance of a minimum working reserve in order to minimise any financial risks facing the Trust and individual schools, such as delays between spending and receipt of grants or unexpected emergencies. The appropriate level of reserves will be directed by the Trust's three – five year plan.

Individual Academies are required to:

- Regularly review the nature of income and expenditure streams and the need to match income with commitments.
- Identify and maintain an appropriate level of free (uncommitted) reserves.
- Consider the set aside of funds for significant projects or growth that cannot be met by future income alone.
- Ensure that any change in policy is approved by Finance, Audit and Risk Committee.

The value of unrestricted reserves held by the Trust are currently £2,219,000, which incorporates £30,000 earmarked for ICT development to support the educational needs of the Farndon Fields expansion in 2017/2018.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Schools that have realised a deficit in unrestricted reserves during 2016/2017 have undergone a financial review, including benchmarking to develop a plan to mitigate against long term deficits. The Trust Board also decided to draw down on unrestricted reserves during 2016/2017 to invest in Trust-wide school improvement.

The Trust is planning to consolidate reserves by the end of 2017/2018 to increase efficiency in their management.

At 31 August 2017 the total funds comprised:

		£'000
Unrestricted		2,219
Restricted:	Fixed asset funds	29,500
	Pension reserve	(6,903)
	Other	268
		<u>25,084</u>

Pension Reserves

The deficit on the pension reserve relates to the non-teaching staff pension scheme where, unlike the teachers scheme, separate assets are held to fund future liabilities as discussed in note 25. The deficit can be met in the longer term from any combination of increased employer or employee contributions, increased government funding or changes to scheme benefits.

Investment Policy

DSAT has an Investment Policy designed to:

- Optimise a return on working capital whilst allowing effective access to funds;
- Balance risk against return by avoiding risk rather than maximising potential returns; and
- Follow a guiding principle for ethical investments.

The policy aims for this to be achieved through the use only of a current account and an automatic sweep to a higher interest reserve account with institutions approved by the Academy Finance Committee. Investments of any other type are not permitted at Academy level. Investments other than through the Direct Reserve Account will only be carried out corporately by DSAT using pooled surplus funds.

Principal Risks and Uncertainties

The principal risks facing the Academy are:

- Strategic Performance risk – Although Trust performance is moving in a positive direction, it is currently below national comparisons. Robust school improvement strategies are in place along with regular performance tracking and monitoring to review progress.
- Wellbeing risk – The Trust has concerns surrounding the mental health of its pupils. Although this is a wider national concern, this will be mitigated by establishing a network of Emotional Literacy Support Assistants within schools which will be supported by the Trust's EPIC provision.
- Pupil Performance risk – Speech and language difficulties are becoming a barrier to learning, which in turn will affect pupil outcomes. The Trust are reviewing the support available from its dedicated Speech and Language provision with the view to creating a whole school approach to develop skills and knowledge within schools.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

DSAT operates a Comprehensive Risk Management System. A robust Trust Risk Register is in place, approved by the Board and monitored by the Finance, Audit and Risk Committees of the Board. This identifies significant risk, controls and planned assurances. The Trust Risk Register has been adopted by individual Academies where additional local level risks are identified and incorporated where appropriate. Local Academy risks are monitored by the Cluster Governing Boards.

PLANS FOR FUTURE PERIODS

Identified risks direct the DSAT's strategic priorities for the coming three years which include:

- 1. Achieving an established culture of continuous school improvement.**
Building on recent successes, the Trust will now focus on embedding this culture within the Academies. This will involve researching informed curriculums, setting robust school improvement models, ingrain professional learning within schools and providing wellbeing and safeguarding support to reduce barriers to learning.
- 2. Embed effective support services to ensure leaders can focus on teaching and learning.**
The Trust are keen to ensure that teaching and learning remains the focus within each of the Academies. To enable this, the Trust will develop accountability between schools and the central provision, conduct financial modelling and focus on achieving efficiencies, digitally enable staff to support them in their role and ensure all sites are safe and effectively maintained.
- 3. Become MAT of choice.**
Further growth is planned with the Trust currently working with one further school which may lead to conversion. To further this priority the Trust will be looking at what can be offered to prospective joiners, developing the public profile of the Trust and working with its employees to increase engagement. In addition to Trust growth, trading services with other educational providers will also be considered to add value across the education sector.

AUDITOR

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's Auditor is unaware; and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the Company Directors, on 7 December 2017 and signed on the Board's behalf by:


.....
David Williams
Chair of Trustees

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2017

SCOPE OF RESPONSIBILITY

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

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive Officer 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 Discovery Schools Academy 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 5 times during the year.

Attendance during the year at meetings of the Board of Trustees was as follows:

Board of Trustees	Role	Meetings attended	Out of a possible	
David Williams (Chair)	Trustee	5	5	
Ed Green	Trustee	5	5	
Gary Sims	Trustee	5	5	
Jonathan Parsons	Trustee	5	5	
Maggie Spence	Trustee	5	5	
Mike McAllister	Trustee	4	5	
Paul Stone	Trustee & CEO	5	5	
Ian Sadd	Trustee	0	1	Resigned December 2016
Johnathan Winterton	Trustee	0	0	Resigned September 2016
Brenda Davies	Trustee	3	3	Resigned March 2017

During the year the Trust employed a Head of Governance who undertook a review of governance and developed a governance strategy. As a result of the strategy, the Board remodelled the committee structure reducing the number of committees from 6 to 4 and increasing the number of Trust Board meetings effective from April 2017.

The quality of management information is critical to deliver the best possible basis for decision-making of the Board. Alongside national metrics, the Board has agreed and receives key performance data through a Trust Performance Report, Risk Register and CEO Report. Trustees receive updates and reports from a range of senior leaders within the Trust against key strategy areas and plans. This allows for comparison and triangulation across quality and performance metrics. The Governance Review established that the Board were satisfied with the quality of information provided. The Chair of Trustees regularly visits schools gathering soft information and identifying first hand evidence of policies and plans in action.

Each committee has a term of reference approved by the Board which outlines its remit. The terms of reference are reviewed and approved annually by the Board.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees have considered the quality of the data they receive and consider it to be adequate for the purposes of overseeing the work of the Academy. Their assessment has been made having regard to externally validated data which is consistent with that received from within the Academy and data provided by the work of the internal and external auditors.

Committees

Finance & Audit		Meetings attended	Out of a possible
Gary Sims (Chair)	Trustee	1	1
Paul Stone	Trustee	1	1
Ian Sadd	Trustee	0	1

The Finance & Audit Committee role is to have financial oversight and scrutiny of the Trust including audit arrangement. See Finance, Audit & Risk Committee for issues covered.

Performance & Standards		Meetings attended	Out of a possible
David Williams (Chair)	Trustee	1	1
Maggie Spence	Trustee	1	1
Paul Stone	Trustee	1	1

The Performance & Standards Committee monitor progress against the Trust's Strategic Plan. See Education Standards Committee for issues covered. See Partnership & Governance for issues covered.

Health, Safety & HR		Meetings attended	Out of a possible
Jonathan Parsons	Trustee	1	1
Brenda Davies	Trustee	1	1
Paul Stone	Trustee	1	1

The Health, Safety & HR Committee has oversight for ensuring compliance with general legislative requirements covering education, employment, property and health and safety regulations. In the financial year this Committee focused a on range of HR policies including disciplinary, capability and leave of absence.

Ethos		Meetings attended	Out of a possible
David Williams	Trustee	1	1
Mike McAllister	Trustee	0	1
Paul Stone	Trustee	1	1

The primary focus for the Ethos Committee is to develop, review and celebrate the Trust collective ethos and visions whilst supporting schools to develop their own unique character. See Partnership & Governance Committee for a summary of issues covered.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Teaching & Learning		Meetings attended	Out of a possible
Brenda Davies	Trustee	0	0
Ed Green	Trustee	0	0
Paul Stone	Trustee	0	0

The work of this Committee focuses primarily on monitoring progress against the Trust's Strategic Plan Strategy 1 & 2 areas including all aspects of learning and teaching, curriculum development and CPD. See Education Standards Committee for issues covered.

New committee structure implemented April 2017

Finance, Audit & Risk		Meetings attended	Out of a possible
Gary Sims (Chair)	Trustee	3	3
Ed Sims	Trustee	2	3
Jonathan Parsons	Trustee	3	3

The Finance, Audit and Risk Committee is a Committee of the Board. Its role is to have financial oversight and scrutiny of the Trust, ensuring good financial and risk management, effective internal controls and compliance with the Trust Funding Agreement, Academies Financial Handbook and DSAT financial regulations. The Committee has focussed on establishing effective risk management processes across the Trust, capital strategy, reserves and investment action planning.

Education Standards		Meetings attended	Out of a possible
David Williams (Chair)	Trustee	1	1
Maggie Spence	Trustee	1	1
Paul Stone	Trustee	1	1

The role of the Education Standards Committee is to maintain an oversight of the Trust's curriculum, quality and standards. The key area of work for this Committee has focussed on Trust performance and developing robust data systems, establishing strategy for peer review processes and agreeing the professional learning strategy.

Partnership & Governance		Meetings attended	Out of a possible
Ed Green Chair	Trustee	1	1
Mike McAllister	Trustee	1	1
Gary Sims	Trustee	1	1

The role of the Partnership & Governance Committee is to establish and govern the operations of the range of partnerships operating under the Trust. The oversight of this Committee includes ATSA, EPIC, SCITT and Governance Partners (Cluster Boards) and wider external partnerships with other MATs and organisations. A key area of work for the Partnership & Governance Committee has been reviewing the governance structure and agreeing the governance strategy.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Following recommendation from Lord Nash to Academy Trusts the Board has taken the decision not to appoint Staff Trustees. Additional Trustees will be recruited as Co-opted Trustees under Article 58.

The review of governance included a review of the effectiveness of local governance arrangements. The Board have agreed changes to local governance arrangements and the delegated authority from September 2017.

REVIEW OF VALUE FOR MONEY

As Accounting Officer, the Chief Executive Officer 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 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:

- Conducting a thorough benchmarking exercise to identify those Academies whose expenditure is proportionally higher than their equivalents. This prompted a detailed financial review which resulted in identifying savings.
- Commissioning key large contracts at a Trust level to benefit from economies of scale and achieving valuable discounts during the procurement of ICT software and equipment.
- Developing a 'cluster' led model across the Trust resulting in sharing of resources at a local level.
- Reviewing and implementing a new Management Information System across the Trust resulting in financial savings and operational efficiency. This also allows the Trust to accurately monitor Trust performance.

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 on-going 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 Discovery Schools Academy Trust for the period 1 September 2016 to 31 August 2017 and up to the date of approval of the Annual Report and Financial Statements.

CAPACITY TO HANDLE RISK

The Board of Trustees has reviewed the key risks to which the 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 on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 1 September 2016 to 31 August 2017 and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Board of Trustees and the Finance, Audit and Risk Committee.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

THE RISK AND CONTROL FRAMEWORK

The Academy Trust's System of Internal Financial Control is based on a framework of regular management information, financial regulations, training 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 Finance, Audit and Risk Committee and Board of Trustees.
- Regular reviews by the Finance, Audit and Risk Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes.
- Setting targets to measure financial and other performance.
- Clearly defined purchasing (asset purchase or capital investment) guidelines.
- Delegation of authority and segregation of duties.
- Identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint Leicestershire County Council Audit Services as internal auditor.

The Internal Auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. In particular the checks carried out in the current period included:

- Testing of governance and statutory responsibilities.
- Testing of risk management system.
- Testing of budgetary planning, monitoring and reporting process.
- Testing of income and debt management system.
- Testing of assets.
- Testing of payroll, personnel and safer recruitment systems.
- Testing of procurement and payment systems.
- Testing of efficiency.
- Testing of financial information systems.

On a termly basis the reviewer reports to the Board of Trustees, through the Finance, Audit and Risk Committee on the operation of the Systems of Control and on the discharge of the Board of Trustees' financial responsibilities. No material control issues were identified as a result of the internal audit conducted in 2016/2017.

REVIEW OF EFFECTIVENESS

As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the System of Internal Control. During the year in question the review has been informed by:

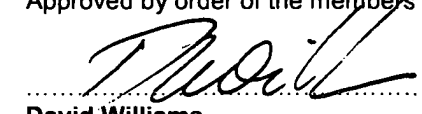
- The work of the Internal Auditor.
- The work of the External Auditor.
- The Financial Management and Governance self-assessment process.
- The work of the Senior Leadership within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

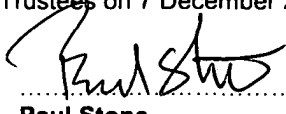
DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control during the Finance, Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 7 December 2017 and signed on its behalf by:


.....
David Williams
Chair of Trustees


.....
Paul Stone
Accounting Officer

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE YEAR ENDED 31 AUGUST 2017

As Accounting Officer of Discovery Schools Academy Trust, I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

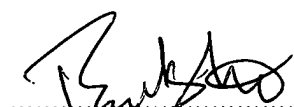
I confirm that I and the Academy Trust Board of Trustees are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2016.

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Board of Trustees and ESFA. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and ESFA:

Financial issues

No prior request was made to the ESFA for approval of the ex gratia payment made to an employee in respect of the termination of their employment. This was because the payment had been calculated based on a staff severance payment for which authorisation was not required but treated as an ex gratia payment at the recommendation of the Trust's independent legal representative.

The Trust has subsequently contacted the ESFA to confirm if prior approval was required and if so, apply for retrospective approval of the payment.



Paul Stone
Accounting officer

7 December 2017

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**TRUSTEES' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2017**

The Trustees (who act as Governors of Discovery Schools Academies Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustee's Report and the financial statements in accordance with the Annual Accounts Direction published by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable laws 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 he is 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 Trustee is 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 2016 to 2017;
- ☐ make judgments and accounting estimates that are reasonable and prudent;
- ☐ state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- ☐ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in 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. He is 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 and signed on its behalf by:



.....
David Williams
Chair of Trustees

Date: 7 December 2017

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF DISCOVERY SCHOOLS ACADEMIES TRUST

OPINION

We have audited the financial statements of Discovery Schools Academies Trust for the year ended 31 August 2017 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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

This report is made solely to the Academy Trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 Trustee's 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.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF DISCOVERY SCHOOLS ACADEMIES TRUST

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- 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 and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
DISCOVERY SCHOOLS ACADEMIES TRUST**

RESPONSIBILITIES OF TRUSTEES


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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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. The description forms part of our Auditor's report.



Robert Nelson BA FCA DChA (Senior Statutory Auditor)

for and behalf of

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

11 Merus Court
Meridian Business Park
Leicester
LE19 1RJ

Date: 20 December 2017

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO DISCOVERY SCHOOLS ACADEMIES TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 15 September 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Discovery Schools Academies Trust during the year 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Discovery Schools Academies Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Discovery Schools Academies 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 Discovery Schools Academies Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF DISCOVERY SCHOOLS ACADEMIES TRUST'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The Accounting Officer is responsible, under the requirements of Discovery Schools Academies Trust's funding agreement with the Secretary of State for Education dated 29 June 2012, and the Academies Financial Handbook extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2016 to 2017 issued by 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's income and expenditure.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO DISCOVERY SCHOOLS ACADEMIES TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY (continued)

The work undertaken to draw our conclusions includes:

- a review of the objectives and activities of the Academy, with reference to the income streams and other information available to us as auditors of the Academy;
- testing of a sample of grants received and other income streams;
- testing of a sample of payments to suppliers and other third parties;
- testing of a sample of payroll payments to staff;
- evaluating the internal control procedures and reporting lines, and testing as appropriate; and
- reviewing the Minutes of the meetings of the Governing Body and other evidence made available to us, relevant to our consideration of regularity.

CONCLUSION

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Matter 1 - Ex-gratia payment

No prior request was made to the ESFA for approval of the ex gratia payment made to an employee in respect of the termination of their employment. This was because the payment had been calculated based on a staff severance payment for which authorisation was not required but treated as an ex gratia payment at the recommendation of the Trust's independent legal representative.

The Trust has subsequently contacted the ESFA to confirm if prior approval was required and if so, apply for retrospective approval of the payment.



Reporting Accountant

MHA MacIntyre Hudson

Chartered Accountants
11 Merus Court
Meridian Business Park
Leicester
LE19 1RJ

Date: 20 December 2017

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
INCOME FROM:						
Donations and capital grants:						
Transferred on conversion	2	453	(1,783)	5,334	4,004	3,759
Other donations and capital grants	2	44	(181)	2,938	2,801	3,121
Charitable activities:	3					
Funding for Academy Trust's educational operations	3	-	18,162	71	18,233	13,167
Teaching School	3	-	392	-	392	529
Other trading activities	4	821	86	-	907	662
Investments	5	-	-	-	-	2
Other income	6	109	306	-	415	275
TOTAL INCOME		1,427	16,982	8,343	26,752	21,515
EXPENDITURE ON:						
Raising funds	7	614	310	-	924	752
Charitable activities:						
Academy Trust's educational operations	8	-	19,650	549	20,199	13,781
Teaching school	8	-	379	-	379	464
TOTAL EXPENDITURE	9	614	20,339	549	21,502	14,997
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS		813	(3,357)	7,794	5,250	6,518
Transfers between funds	20	-	(295)	295	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		813	(3,652)	8,089	5,250	6,518
Actuarial gains/(losses) on defined benefit pension schemes	25	-	1,004	-	1,004	(1,125)
NET MOVEMENT IN FUNDS		813	(2,648)	8,089	6,254	5,393
RECONCILIATION OF FUNDS:						
Total funds brought forward		1,406	(3,987)	21,411	18,830	13,437
TOTAL FUNDS CARRIED FORWARD		2,219	(6,635)	29,500	25,084	18,830

The notes on pages 29 to 58 form part of these financial statements.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)
REGISTERED NUMBER: 08104111

**BALANCE SHEET
AS AT 31 AUGUST 2017**


	Note	£000	2017 £000	£000	2016 £000
FIXED ASSETS					
Tangible assets	16		29,117		21,189
CURRENT ASSETS					
Debtors	17	1,253		592	
Cash at bank and in hand		3,541		3,653	
		<u>4,794</u>		<u>4,245</u>	
CREDITORS: amounts falling due within one year	18	(1,893)		(1,528)	
NET CURRENT ASSETS			<u>2,901</u>		<u>2,717</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>32,018</u>		<u>23,906</u>
CREDITORS: amounts falling due after more than one year	19		<u>(31)</u>		<u>(10)</u>
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>31,987</u>		<u>23,896</u>
Defined benefit pension scheme liability	25	(6,903)		(5,066)	
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>25,084</u></u>		<u><u>18,830</u></u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	20	268		1,079	
Restricted fixed asset funds	20	29,500		21,411	
		<u>29,768</u>		<u>22,490</u>	
Restricted income funds excluding pension liability					
Pension reserve	20	(6,903)		(5,066)	
		<u>22,865</u>		<u>17,424</u>	
Total restricted income funds					
Unrestricted income funds	20		2,219		1,406
TOTAL FUNDS			<u><u>25,084</u></u>		<u><u>18,830</u></u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**BALANCE SHEET (continued)
AS AT 31 AUGUST 2017**

The financial statements on pages 25 to 58 were approved by the Trustees, and authorised for issue, on 7 December 2017 and are signed on their behalf, by:


.....
David Williams
Chair of Trustees
.....
Paul Stone
Accounting Officer

The notes on pages 29 to 58 form part of these financial statements.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD**(A Company Limited by Guarantee)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	22	<u>(186)</u>	<u>906</u>
Cash flows from investing activities:			
Interest received		-	2
Purchase of tangible fixed assets		(1,241)	(1,716)
Capital grants from DfE/ESFA and other capital income		1,107	1,562
Cash donated from single Academy/transferred on conversion to the Academy Trust		<u>183</u>	<u>123</u>
Net cash provided by/(used in) investing activities		<u>49</u>	<u>(29)</u>
Cash flows from financing activities:			
Repayment of borrowings		(6)	(2)
Cash inflows from new borrowing		<u>31</u>	<u>-</u>
Net cash provided by/(used in) financing activities		<u>25</u>	<u>(2)</u>
Change in cash and cash equivalents in the year		(112)	875
Cash and cash equivalents brought forward		<u>3,653</u>	<u>2,778</u>
Cash and cash equivalents carried forward		<u>3,541</u>	<u>3,653</u>

The notes on pages 29 to 58 form part of these financial statements.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

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 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Discovery Schools Academies Trust constitutes a public benefit entity as defined by FRS 102.

It is a Company limited by guarantee incorporated in England and Wales. The address of the registered office and principal place of operations are detailed on page 1. The nature of the Academy Trust's operations and principal activities are detailed in the Trustees' Report.

The Financial Statements are prepared in £ Sterling, the functional currency, rounded to the nearest £1,000.

1.2 Going concern

The Trustees assess whether the use of the going concern basis of preparation 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 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.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. ACCOUNTING POLICIES (continued)

1.3 Income

All income is recognised once the Academy has entitlement to the funds, 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 on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

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 sheet in the restricted fixed asset fund.

Sponsorship income provided to the Academy which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where receipt is probable and it is measurable.

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.

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 raising funds includes all expenditure incurred by the Academy to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

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

All expenditure is inclusive of irrecoverable VAT.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.5 Tangible fixed assets and depreciation

All assets costing more than £5,000 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 and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, a transfer is made to reflect these assets in the restricted fixed asset fund.

Tangible fixed assets are carried at cost or valuation, net of depreciation and any provision for impairment. Depreciation is not charged on long leasehold land. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long leasehold buildings	-	2% straight line per annum
Fixtures and fittings	-	10% straight line per annum
Computer equipment	-	25% straight line per annum

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

1.6 Taxation

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

1.7 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 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.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments

The Academy only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the Academy 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 17. 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 costs as detailed in notes 18 and 19. 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 instruments.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. ACCOUNTING POLICIES (continued)

1.9 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 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. As stated in note 25, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. 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 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.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. ACCOUNTING POLICIES (continued)

1.10 Critical accounting estimates and areas of judgment

Estimates and judgments 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 annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. See note 16 for the carrying amount of the tangible fixed assets, and note 1.5 for the useful economic lives for each class of assets.

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 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

1.11 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the funder and include grants from the Education and Skills Funding Agency 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 and include grants from the Education and Skills Funding Agency/Department for Education.

Investment income, gains and losses are allocated to the appropriate fund.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

2. DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Local Authority surplus transferred on conversion	453	(1,783)	7	(1,323)	21
Fixed assets transferred on conversion	-	-	5,327	5,327	3,738
Transferred on conversion	453	(1,783)	5,334	4,004	3,759
Donations	11	9	3	23	15
Donated gift from single Academy Trust	33	(199)	1,909	1,743	1,613
DfE/ESFA capital grants	-	-	651	651	639
Local Authority and S106 grants	-	9	375	384	854
Other donations and capital grants	44	(181)	2,938	2,801	3,121
Total donations and capital grants	497	(1,964)	8,272	6,805	6,880
Total 2016	95	(146)	6,931	6,880	

3. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Funding for Academy Trust's Educational Operations	-	18,233	18,233	13,167
Teaching School	-	392	392	529
	-	18,625	18,625	13,696
Total 2016	-	13,696	13,696	

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

FUNDING FOR ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	15,025	15,025	11,030
Pupil Premium	-	1,256	1,256	938
Capital grants	-	79	79	69
Start up grants	-	-	-	75
Other ESFA/DfE grants	-	717	717	576
	-	17,077	17,077	12,688
Other government grants				
Local Authority other grants	-	1,156	1,156	479
	-	1,156	1,156	479
	-	18,233	18,233	13,167
<i>Total 2016</i>	-	13,167	13,167	

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Rental income	67	-	67	56
Catering income	212	-	212	163
Other income	222	86	308	195
Affinity Teaching School Alliance income	320	-	320	248
	821	86	907	662
<i>Total 2016</i>	588	74	662	

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

5. INVESTMENT INCOME

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Investment income	-	-	-	2
<i>Total 2016</i>	2	-	2	

6. OTHER INCOMING RESOURCES

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Parental contributions	-	274	274	211
Insurance claims	109	-	109	34
Other incoming resources	-	32	32	30
	109	306	415	275
<i>Total 2016</i>	-	275	275	

7. COSTS OF GENERATING VOLUNTARY AND OTHER INCOME

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Uniform costs	16	-	16	13
Catering costs	212	-	212	163
Lettings costs	67	-	67	56
Affinity Teaching School Alliance expenditure	215	-	215	218
Staff costs	104	310	414	302
	614	310	924	752
<i>Total 2016</i>	684	68	752	

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

8. ACADEMY TRUST EDUCATIONAL OPERATIONS

	Total funds 2017 £000	Total funds 2016 £000
DIRECT COSTS		
Wages and salaries	10,307	7,293
National insurance	856	514
Pension costs	2,254	1,290
Depreciation	549	327
Education supplies	228	208
Staff development	195	136
Other direct costs	542	420
Insurance	174	84
	15,105	10,272
SUPPORT COSTS		
Wages and salaries	1,789	1,246
National insurance	115	68
Pension costs	345	235
Pension finance cost (note 15)	149	142
Travel and subsistence	60	53
Recruitment and support	6	14
Maintenance of premises and equipment	453	351
Cleaning	92	63
Rent and rates	127	77
Energy costs	231	171
Insurance	79	72
Catering	830	504
Legal and professional	462	263
Other support costs	318	198
Bank charges and interest	12	10
Governance costs	26	42
	5,094	3,509
	20,199	13,781
Teaching School		
Teaching school running costs	379	464
	20,578	14,245

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

9. EXPENDITURE

	Staff costs 2017 £000	Premises 2017 £000	Other costs 2017 £000	Total 2017 £000	Total 2016 £000
Expenditure on raising voluntary income	414	67	443	924	752
Activities:					
Direct costs	13,417	476	1,212	15,105	10,272
Support costs	2,398	903	1,793	5,094	3,509
Teaching school	162	-	217	379	464
	<u>16,391</u>	<u>1,446</u>	<u>3,665</u>	<u>21,502</u>	<u>14,997</u>
<i>Total 2016</i>	<u>11,221</u>	<u>941</u>	<u>2,835</u>	<u>14,997</u>	

In 2016, of the total expenditure on charitable educational activities of £14,997,000, £684,000 was from unrestricted funds, £13,986,000 from restricted funds and £327,000 from restricted fixed asset funds.

10. NET INCOMING RESOURCES/ (RESOURCES EXPENDED)

This is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	549	327
Auditors' remuneration - audit	35	28
Auditors' remuneration - other services	4	3
Internal audit costs	3	3
Operating lease rentals	10	14
	<u> </u>	<u> </u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

11. STAFF COSTS

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	12,005	8,676
Social security costs	1,005	604
Operating costs of defined benefit pension schemes	2,665	1,569
	<u>15,675</u>	<u>10,849</u>
Apprenticeship levy	20	-
Supply teacher costs	447	225
Staff restructuring costs	100	5
Pension finance costs (note 15)	149	142
	<u>16,391</u>	<u>11,221</u>

Staff restructuring costs comprise:

	2017 £000	2016 £000
Redundancy payments	30	5
Severance payments	70	-
	<u>100</u>	<u>5</u>

Included in staff restructuring costs are non-statutory severance payments totalling £70,000 (2016 - £5,000). Individually, the payments were £6,000, £17,000 and £47,000.

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

	2017 No.	2016 No.
Teaching	233	179
Administration and support	447	334
Management	19	13
	<u>699</u>	<u>526</u>

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

	2017 No.	2016 No.
In the band £60,001 - £70,000	7	6
In the band £70,001 - £80,000	2	2
In the band £90,001 - £100,000	1	0
In the band £110,001 - £120,000	1	1

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

11. STAFF COSTS (continued)

Ten of the above employees participated in the Teachers' Pension Scheme. The annualised pension contributions for these employees was £113,501 (2016 Eight employees - £97,605). One other employee participated in the Local Government Pension Scheme, for which pension contributions amounted to £13,611 (2016 - £13,265).

The key management personnel of the Academy Trust comprise the Staff Trustees and the Senior Management Team. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £772,617 (2016 - £413,315).

12. CENTRAL SERVICES

The Academy has provided the following central services to its Academies during the year:

- School Improvement Services
- Clerking
- Finance
- IT
- Legal
- HR
- Communications

The Academy charges for these services on the following basis:

Strategic lead schools	- 5% of GAG funding
Sponsored schools	- 5% of GAG funding
Partner schools	- 5% of GAG funding

The actual amounts charged during the year were as follows:

	2017 £000	2016 £000
Kibworth C of E Primary School	87	85
Parkland Primary School	101	101
Redlands Community Primary School	58	55
Enderby Danemill Primary School	68	71
Woolden Hill Primary School	38	36
Mowmacre Primary School	81	79
Greystoke Primary School	56	57
Farndon Fields Primary School	38	37
Captains Close Primary School	30	30
Fossebrook Primary School	17	-
Braunstone Community Primary School	97	-
Merrydale Junior School	77	-
Leighfield Primary School	34	-
Total	<u>782</u>	<u>551</u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

13. TRUSTEES' REMUNERATION AND EXPENSES

One or more Trustees have been paid remuneration or have received other benefits from an employment with the Academy Trust. The Headteacher and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Headteacher 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:

		2017	2016
		£000	£000
Paul Stone, Director of Schools	Remuneration	110-115	110-115
	Pension contributions paid	15-20	15-20
Ian Sadd, Finance Director (left 20 December 2016)	Remuneration	20-25	60-65
	Pension contributions paid	0-5	10-15
Brenda Davies, Deputy Director of schools (left 31 March 2017)	Remuneration	95-100	75-80
	Pension contributions paid	5-10	10-15

During the year ended 31 August 2017, expenses totalling £4,282 were reimbursed to 4 Trustees (2016 - £6,480 to 3 Trustees).

Other related party transactions involving the Trustees are set out in note 28.

14. TRUSTEES' AND OFFICERS' INSURANCE

In the year to 31 August 2017, the Academy used the Department for Education's Risk Protection Arrangement (RPA). The insurance provides Trustees liability cover up to £10,000,000 on any one loss and any one membership year. The cost of the insurance for the year ended 31 August 2017 is included in the total insurance cost of £78,760 paid under the RPA. The RPA is not an insurance scheme but is a mechanism through which the costs of risks that materialise from 1 September 2016 are covered by government funds.

15. PENSION FINANCE COST

	2017	2016
	£000	£000
Interest income on pension scheme assets	155	158
Interest on pension scheme liabilities	(304)	(300)
	(149)	(142)

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

16. TANGIBLE FIXED ASSETS

	Long leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 September 2016	21,380	324	307	22,011
Additions	1,125	36	80	1,241
Transfers on conversion	7,231	1	4	7,236
At 31 August 2017	29,736	361	391	30,488
Depreciation				
At 1 September 2016	613	62	147	822
Charge for the year	442	34	73	549
At 31 August 2017	1,055	96	220	1,371
Net book value				
At 31 August 2017	28,681	265	171	29,117
At 31 August 2016	20,767	262	160	21,189

Included in long leasehold property is long leasehold land at a valuation of £6,349,400 (2016 - £4,428,600) which is not depreciated.

The Trustees consider that the valuation remains appropriate for the purposes of these financial statements.

During the year, the Trust acquired the Long Leasehold property of Braunstone Community Primary School, Merrydale Junior School and Leighfield Academy, at a value of £7,231,000. These assets were donated from the Local Authority (in the case of Braunstone and Merrydale) and the individual Academy (Leighfield) when they joined the Trust on 1 October 2016, 1 November 2016 and 1 February 2017 respectively.

The Trustees of Discovery Schools Academies Trust, in agreement with the Board of Education of the Diocese of Leicester, occupy the buildings and some open land of Kibworth C of E Primary School on a rent free licence. This continuing permission of the Board of Education is pursuant to, and subject to, the Board's charitable objects. The licence delegates aspects of the management of the land (and buildings) to the Academy Trust company for the time being, but does not vest any rights over the land in the Academy Trust company. The terms of this licence have been agreed between the Secretary of State and the Trustees of Discovery Schools Academies Trust and contain a termination clause on the Trustees of Discovery Schools Academies Trust by the Board of Education giving two years notice. The Academy is responsible for the maintenance and insurance of the land and buildings.

The land and buildings at Kibworth C of E Primary School was valued by the Leicestershire County Council external valuation service on 11 February 2013, which carried out a full valuation to the value of £2,786,290.

No adjustments have been made in the financial statements to recognise the value to the Trust of the donated facility. This is because the value of the donated facility cannot be measured reliably.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

17. DEBTORS

	2017 £000	2016 £000
Trade debtors	60	93
VAT recoverable	199	163
Other debtors	130	9
Prepayments and accrued income	864	327
	<u>1,253</u>	<u>592</u>

18. CREDITORS: Amounts falling due within one year

	2017 £000	2016 £000
Other loans	6	2
Trade creditors	417	581
Other taxation and social security	260	178
Other creditors	275	181
Accruals and deferred income	935	586
	<u>1,893</u>	<u>1,528</u>

Included within other loans are loans of £5,665 (2016 - £1,806) from Salix Finance. The loans are interest free and repayable over 8 years. These loans were pre-approved by the Secretary of State, and provided through the Academies Capital Maintenance Fund for boiler and heater system projects and ceiling replacements.

	2017 £000	2016 £000
Deferred income		
Deferred income at 1 September 2016	309	255
Resources deferred during the year	457	309
Amounts released from previous years	(309)	(255)
Deferred income at 31 August 2017	<u>457</u>	<u>309</u>

At the balance sheet date the Academy Trust was holding funds received in advance for universal infant free school meals and trip income relating to the 2017/18 academic year.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

19. CREDITORS: Amounts falling due after more than one year

	2017	2016
	£000	£000
Other loans	31	10

Included within the above are amounts falling due as follows:

	2017	2016
	£000	£000
Between two and five years		
Other loans	22	7
Over five years		
Other loans	9	3

Creditors include amounts not wholly repayable within 5 years as follows:

	2017	2016
	£000	£000
Repayable by instalments	9	3

Included within other loans are loans of £31,278 (2016 - £9,927) from Salix Finance. The loans are interest free and repayable over 8 years. These loans were pre-approved by the Secretary of State, and provided through the Academies Capital Maintenance Fund for boiler and heater system projects and ceiling replacements.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

20. STATEMENT OF FUNDS

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (losses) £000	Balance at 31 August 2017 £000
Unrestricted funds						
Unrestricted funds	1,406	1,427	(614)	-	-	2,219
Restricted funds						
General Annual Grant (GAG)	740	15,025	(15,554)	(182)	-	29
Other DfE/ESFA grants	-	726	(726)	-	-	-
Pupil Premium	-	1,256	(1,256)	-	-	-
Other Government grants	255	1,156	(1,156)	(102)	-	153
Other income	-	391	(391)	-	-	-
Teaching school	84	392	(379)	(11)	-	86
Donations	-	18	(18)	-	-	-
Transferred on conversion	-	34	(34)	-	-	-
Donated from single Academy	-	90	(90)	-	-	-
Pension reserve	(5,066)	(2,106)	(735)	-	1,004	(6,903)
	<u>(3,987)</u>	<u>16,982</u>	<u>(20,339)</u>	<u>(295)</u>	<u>1,004</u>	<u>(6,635)</u>
Restricted fixed assets funds						
Net book value	21,189	-	(549)	8,477	-	29,117
CIF capital grant	222	651	-	(491)	-	382
S106 grant	-	375	-	(382)	-	(7)
DFC grant	-	71	-	(26)	-	45
Salix loan	-	-	-	(37)	-	(37)
Transfer on conversion	-	5,327	-	(5,327)	-	-
Transfer from single Academy	-	1,909	-	(1,909)	-	-
Other capital	-	10	-	(10)	-	-
	<u>21,411</u>	<u>8,343</u>	<u>(549)</u>	<u>295</u>	<u>-</u>	<u>29,500</u>
Total restricted funds	<u>17,424</u>	<u>25,325</u>	<u>(20,888)</u>	<u>-</u>	<u>1,004</u>	<u>22,865</u>
Total of funds	<u>18,830</u>	<u>26,752</u>	<u>(21,502)</u>	<u>-</u>	<u>1,004</u>	<u>25,084</u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

20. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	<i>Balance at 1 September 2015 £000</i>	<i>Income £000</i>	<i>Expenditure £000</i>	<i>Transfers in/(out) £000</i>	<i>Gains/ (losses) £000</i>	<i>Balance at 31 August 2016 £000</i>
Unrestricted funds						
General funds	1,405	685	(684)	-	-	1,406
	<u>1,405</u>	<u>685</u>	<u>(684)</u>	<u>-</u>	<u>-</u>	<u>1,406</u>
Restricted funds						
General Annual Grant (GAG)	755	11,030	(10,649)	(312)	-	824
Other DfE/ESFA grants	-	1,039	(1,039)	-	-	-
Start up grant	-	75	(75)	-	-	-
Pupil premium	-	938	(938)	-	-	-
ESFA capital grants	434	-	-	(434)	-	-
Other Government grants	-	851	(596)	-	-	255
Other income	-	427	(427)	-	-	-
Pension reserve	(3,149)	(530)	(262)	-	(1,125)	(5,066)
	<u>(1,960)</u>	<u>13,830</u>	<u>(13,986)</u>	<u>(746)</u>	<u>(1,125)</u>	<u>(3,987)</u>
Restricted fixed assets funds						
Net book value	13,992	6,778	(327)	746	-	21,189
CIF capital grant	-	222	-	-	-	222
	<u>13,992</u>	<u>7,000</u>	<u>(327)</u>	<u>746</u>	<u>-</u>	<u>21,411</u>
Total restricted funds	<u>12,032</u>	<u>20,830</u>	<u>(14,313)</u>	<u>-</u>	<u>(1,125)</u>	<u>17,424</u>
Total of funds	<u>13,437</u>	<u>21,515</u>	<u>(14,997)</u>	<u>-</u>	<u>(1,125)</u>	<u>18,830</u>

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

General Annual Grant (GAG)

Funds from the Education and Skills Funding Agency for the provision of education, in line with the funding agreement.

Under the funding agreement with the Secretary of State, the Academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2017.

Transfers of £182,000 from GAG funding to the restricted fixed assets fund represent contributions towards property improvements, fixtures, fittings and equipment and computer equipment.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

20. STATEMENT OF FUNDS (continued)

Other DfE/EFA Grants

Other funds provided by the DfE/ESFA for particular purposes within the Academy's educational operations.

Start up grant

Being the fund from the Education and Skills Funding Agency to cover development costs to prepare the Academy for opening.

Pupil Premium

Additional funds from the Education and Skills Funding Agency to support their disadvantaged pupils and close the attainment gap between them and their peers. This is allocated for every pupil who receives free school meals.

Other grants

These are funds and grants received from the Local Authority and other institutions for use on specific educational projects.

Other income

These consist of restricted income from all other sources to be used primarily for the Academy's educational operations.

Pension reserve

Being the fund in relation to the defined benefit pension scheme liability included in the balance sheet. The fund is in deficit given the nature of the liability, however, this is not payable immediately. Plans are in place to address the deficit.

Restricted fixed asset fund

The net book value of the fixed asset fund has been set up to recognise the tangible assets held by the Academy Trust and is equivalent to the net book value of tangible fixed assets. Depreciation of tangible fixed assets is allocated to this fund.

The unspent CIF capital grant fund, DFC grant and S106 grant has been created to recognise unspent capital grants received for the purpose of the acquisition of tangible fixed assets. As tangible fixed assets are purchased, a transfer is made to the restricted fixed assets fund.

The CIF loan balance represents the SALIX loan liability which was received as part of the CIF funding received for the purchase of tangible fixed assets. As repayments are made against this liability, a transfer will be made from restricted funds against the CIF loan fund.

Capital grants

This consists of Devolved Formula Capital (DFC) and other capital funding from the Education and Skills Funding Agency. The DFC is to be used for ICT items, improvements to building and other facilities or capital repairs and refurbishments and minor works. Other capital grants are to be used as per the individual terms of the agreement and for the specific capital projects as applied for.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

20. STATEMENT OF FUNDS (continued)**ANALYSIS OF ACADEMIES BY FUND BALANCE**

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £000	Total 2016 £000
Discovery Schools Academies Trust	(124)	156
Kibworth C of E Primary School	234	421
Parkland Primary School	459	386
Redlands Community Primary School	(5)	64
Danemill Primary School	247	303
Woolden Hill Primary School	32	32
Mowmacre Hill Primary School	319	243
Greystoke Primary School	307	282
Affinity Teaching School Alliance	189	242
SCITT	86	84
Farndon Fields Primary School	30	50
Captains Close Primary School	(73)	8
Fossebrook Primary School	153	214
Braunstone Community Primary School	407	-
Merrydale Junior School	121	-
Leighfield Academy	105	-
Total before fixed asset fund and pension reserve	<u>2,487</u>	<u>2,485</u>
Restricted fixed asset fund	29,500	21,411
Pension reserve	(6,903)	(5,066)
Total	<u><u>25,084</u></u>	<u><u>18,830</u></u>

The following Academies are carrying net deficits on their portion of the funds as follows:

Name of Academy	Amount of deficit £000
Redlands Community Primary School	(5)
Captains Close Primary School	(73)

The deficit on the above Academies has predominantly arisen due to a Trust decision to invest in school improvement. Other contributing factors relate to challenges surrounding pupil numbers and the geographical location.

The Academy is taking the following action to return the Academies to surplus:

The Trust continues to monitor total staff costs as a proportion of total income to ensure that a sustainable ratio is achieved. The Trust has taken measures to ensure that the Academies are conscious of not exceeding budgeted expenditure and are monitoring this on an ongoing basis.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

20. STATEMENT OF FUNDS (continued)

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 depreciat- ion £000	Total 2017 £000	Total 2016 £000
Discovery Schools Academies Trust	449	303	2	425	1,179	759
Kibworth C of E Primary School	1,395	167	42	557	2,161	2,045
Parkland Primary School	1,714	206	22	506	2,448	2,322
Redlands Community Primary School	929	149	18	359	1,455	1,403
Danemill Primary School	1,120	213	22	420	1,775	1,593
Woolden Hill Primary School	557	88	11	267	923	861
Mowmacre Hill Primary School	1,350	226	4	494	2,074	2,055
Greystoke Primary School	975	118	21	295	1,409	1,390
Affinity Teaching School Alliance	88	327	4	211	630	520
SCITT	128	34	-	217	379	466
Farndon Fields Primary School	584	98	18	255	955	883
Captains Close Primary School	491	90	7	274	862	758
Fossebrook Primary School	232	49	4	169	454	113
Braunstone Community Primary School	1,561	237	22	605	2,425	-
Merrydale Junior School	1,074	168	24	352	1,618	-
Leighfield Academy	310	43	7	136	496	-
Elimination of transactions between Trust entities	90	94	-	(1,207)	(1,023)	(790)
	<u>13,047</u>	<u>2,610</u>	<u>228</u>	<u>4,335</u>	<u>20,220</u>	<u>14,378</u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
Tangible fixed assets	-	-	29,117	29,117
Current assets	2,219	2,155	420	4,794
Creditors due within one year	-	(1,887)	(6)	(1,893)
Creditors due in more than one year	-	-	(31)	(31)
Pension scheme liability	-	(6,903)	-	(6,903)
	<u>2,219</u>	<u>(6,635)</u>	<u>29,500</u>	<u>25,084</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000
Tangible fixed assets	-	-	21,189	21,189
Current assets	1,406	2,617	222	4,245
Creditors due within one year	-	(1,528)	-	(1,528)
Creditors due in more than one year	-	(10)	-	(10)
Pension scheme liability	-	(5,066)	-	(5,066)
	<u>1,406</u>	<u>(3,987)</u>	<u>21,411</u>	<u>18,830</u>

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

	2017 £000	2016 £000
Net income for the year (as per Statement of Financial Activities)	5,250	6,518
Adjustment for:		
Depreciation charges	549	327
Interest receivable	-	(2)
Fixed assets donated/transferred on conversion	(7,236)	(5,808)
Pension transferred from Single Academy/Local Authority on conversion	2,106	530
Cash transferred on donation/from Local Authority on conversion	(183)	(123)
(Increase)/decrease in debtors	(661)	96
Increase in creditors	361	668
Capital grants from DfE and other capital income	(1,107)	(1,562)
Defined benefit pension scheme cost less contributions payable	586	120
Defined benefit pension scheme finance cost	149	142
Net cash (used in)/provided by operating activities	<u>(186)</u>	<u>906</u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

23. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £000	2016 £000
Cash in hand	3,541	3,653
Total	3,541	3,653

24. CAPITAL COMMITMENTS

At 31 August 2017 the Academy had capital commitments as follows:

	2017 £000	2016 £000
Contracted for but not provided in these financial statements	156	-

25. PENSION COMMITMENTS

The Academy'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 Leicestershire County 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.

Contributions amounting to £267,066 were payable to the schemes at 31 August 2017 (2016 - £177,873) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension budgeting and valuation account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

25. PENSION COMMITMENTS (continued)

Valuation of the Teachers' Pension Scheme

The latest actuarial review 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 on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay, in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay;
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuationreport.aspx>

The employer's pension costs paid to TPS in the period amounted to £1,117,000 (2016 - £811,000).

Scheme changes

Lord Hutton, who chaired the Independent Public Service Pensions Commission, published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012, and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

25. PENSION COMMITMENTS (continued)

The arrangements for a reformed Teachers' Pension Scheme, in line with the remainder of the recommendations made by Lord Hutton, have now been implemented. The Career Average Revalued Earnings (CARE) scheme was implemented from 1 April 2015, whereby benefits will accrue on a career average basis and there is a normal pension age aligned to the state pension age.

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 2017 was £1,235,000 (2016 - £933,000), of which employer's contributions totalled £970,000 (2016 - £748,000) and employees' contributions totalled £265,000 (2016 - £185,000). The agreed contribution rates for future years are 23.75% 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:

	2017	2016
Discount rate for scheme liabilities	2.50 %	2.10 %
Rate of increase in salaries	3.40 %	3.10 %
Rate of increase for pensions in payment / inflation	2.40 %	2.10 %
Inflation assumption (CPI)	2.40 %	2.10 %
Commutation of pensions to lump sums	50.00 %	50.00 %

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

	2017	2016
Retiring today		
Males	22.1	22.2
Females	24.3	24.3
Retiring in 20 years		
Males	23.8	24.2
Females	26.2	26.6

	At 31 August 2017 £000	At 31 August 2016 £000
Sensitivity analysis		
Discount rate +0.1%	452	301
Discount rate -0.1%	(452)	(301)
Mortality assumption - 1 year increase	652	317
Mortality assumption - 1 year decrease	(652)	(317)
CPI rate +0.1%	353	177
CPI rate -0.1%	(353)	(177)

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

25. PENSION COMMITMENTS (continued)

The Academy's share of the assets in the scheme was:

	Fair value at 31 August 2017 £000	Fair value at 31 August 2016 £000
Equities	6,303	3,961
Bonds	1,881	990
Property	753	495
Cash	470	55
Total market value of assets	<u>9,407</u>	<u>5,501</u>

The amounts recognised in the Statement of Financial Activities are as follows:

	2017 £000	2016 £000
Current service cost	(1,551)	(758)
Past service cost	(5)	(110)
Interest income	155	158
Interest cost	(304)	(300)
Total	<u>(1,705)</u>	<u>(1,010)</u>
Actual return on scheme assets	<u>1,090</u>	<u>886</u>

The Academy expects to contribute £1,045,000 to its defined benefit pension scheme in 2018.

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

	2017 £000	2016 £000
Opening defined benefit obligation	10,567	6,351
Current service cost	1,551	758
Interest cost	304	300
Employee contributions	265	185
Actuarial (gains)/losses	(69)	1,853
Benefits paid	(44)	(4)
Past service costs	5	110
Liabilities assumed in a business combination	3,731	1,014
Closing defined benefit obligation	<u>16,310</u>	<u>10,567</u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

25. PENSION COMMITMENTS (continued)

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

	2017 £000	2016 £000
Opening fair value of scheme assets	5,501	3,202
Interest income	155	158
Actuarial gains	935	728
Employer contributions	970	748
Employee contributions	265	185
Benefits paid	(44)	(4)
Assets acquired in a business combination	1,625	484
	<hr/>	<hr/>
Closing fair value of scheme assets	9,407	5,501
	<hr/>	<hr/>

26. OPERATING LEASE COMMITMENTS

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

	2017 £000	2016 £000
Amounts payable:		
Within 1 year	12	14
Between 1 and 5 years	23	19
	<hr/>	<hr/>
Total	35	33
	<hr/>	<hr/>

27. COMPARATIVES

During the current year the financial statements included 13 schools, the Affinity Teaching School Alliance and School-Centred Initial Teacher Training (SCITT). This includes the following 4 Academies which joined the Trust during the year: Fossebrook Primary School on 1 September 2016, Braunstone Community Primary School on 1 October 2016, Merrydale Junior School on 1 November 2016 and Leighfield Academy on 1 February 2017. The previous year included 9 Academies, with 2 Academies converting in that year.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

28. RELATED PARTY TRANSACTIONS

Owing to the nature of the Academy Trust and the composition of the Board of Trustees being drawn from 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 Trust's financial regulations and normal procurement procedures.

The following related party transactions took place in the period of account:

The Trustees of Discovery Schools Academies Trust, in agreement with the Board of Education of the Diocese of Leicester, occupy buildings and some open land on a rent free licence, the terms of which have been agreed between the Secretary of State and the Trustees of Discovery Schools Academies Trust Limited, and within which is contained a termination clause on the Trustees of Discovery Schools Academies Limited by the Board of Education giving two years notice. Full details of the arrangement are detailed in note 16.

The Academy Trust made recharges and received services from Inspiring Leaders Limited, a company in which Paul Stone, Trustee of the Academy Trust, is a Director. The contract entered into with Inspiring Leaders Limited was entered into prior to 7 November 2013 and followed correct procurement procedures. Paul Stone neither participated in, nor influenced the decision for the procurement of these goods.

Total services charged by Inspiring Leaders Limited amounted to £16,929 (2016 - £21,936). There were no amounts outstanding at the balance sheet date.

Total recharges made to Inspiring Leaders Limited amounted to £14,418 (2016 - £13,944). The amount outstanding at the balance sheet date was £7,404 (2016 - £2,300).

The Academy Trust made central service charges and received services from Brockington College, an Academy in which Michael McAllister, Trustee of the Academy Trust, is a Director.

Total services charged by Brockington College amounted to £2,760 (2016 - £3,172). There were no amounts outstanding at the balance sheet date.

Total recharges made to Brockington College amounted to £Nil (2016 - £161). There were no amounts outstanding at the balance sheet date.

The Academy Trust made recharges and received services from Barwell C of E Academy, an Academy in which Margaret Spence, Trustee of the Academy Trust, is a Director.

Total services charged by Barwell C of E Academy amounted to £320 (2016 - £4,944). The amount outstanding at the balance sheet date was £Nil (2016 - £Nil).

Total recharges made to Barwell C of E Academy amounted to £41,233 (2016 - £63,827). The amount outstanding at the balance sheet date was £255 (2016 - £62,379).

No other related party transactions took place in the period of account other than certain Trustees remuneration and expenses as disclosed in note 13.

29. CONTROLLING PARTY

The Academy is ultimately controlled by the Governing Body.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

30. COMPANY LIMITED BY GUARANTEE

The Academy Trust is a company limited by guarantee and does not have share capital.

31. MEMBERS' LIABILITY

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

32. CONVERSION TO AN ACADEMY TRUST

On 1 October 2016 and 1 November 2016 Braunstone Community Primary School and Merrydale Junior School respectively converted to Academy Trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Discovery Schools Academies Trust from Leicestershire County Local Authority for no consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Financial Activities incorporating Income and Expenditure Account as voluntary income.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities incorporating Income and Expenditure Account.

	Unrestricted funds £000	Restricted funds £000	Restricted fixed asset funds £000	Total funds £000
Leasehold land and buildings	-	-	5,327	5,327
Budget surplus on LA funds	453	34	7	494
LGPS pension deficit	-	(1,817)	-	(1,817)
Net assets/(liabilities)	453	(1,783)	5,334	4,004

Leasehold land and buildings consists of £3,812,000 from Braunstone Community Primary School and £1,515,000 from Merrydale Junior School.

Budget surplus on LA funds consists of Unrestricted funds of £453,000 (Braunstone Community Primary School - £278,000 and Merrydale Junior School - £175,000), Restricted funds of £34,000 (Braunstone Community Primary School - £32,000 and Merrydale Junior School - £2,000) and £7,000 Restricted fixed asset funds from Merrydale Junior School.