

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 2018

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

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DISCOVERY SCHOOLS ACADEMIES TRUST LTD

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**REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018**

Members

Rob Woolston (appointed 3 January 2018)
Celia Varley (appointed 24 October 2017)
Carolyn Lewis (DLET Representative)
David Williams
Richard Eastman (resigned 4 October 2017)
Kate Foster (resigned 12 December 2017)

Trustees

Jonathan Parsons
Paul Stone (CEO and Accounting Officer)
Gary Sims
Edmund Green
Margaret Spence
David Williams (Chair of Trustees)
Richard Bettsworth (appointed 6 September 2017)
Shane Bray (appointed 24 October 2017)
Mihir Trivedi (appointed 8 August 2018)
Michael McAllister (resigned 17 January 2018)

Company Secretary

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

Senior Leadership 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 Church of England Primary School, Hillcrest Avenue, Kibworth, LE8 0NH

Company Registered Number

08104111 (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 2018**

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 2018

The Trustees present their Annual Report together with the financial statements and Auditor's Report of the charitable company for the year ended 31 August 2018. 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 4,910 and had a roll of 4,198 in the school census in May 2018.

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 Academies Trust Ltd (DSAT) are also the directors of the charitable company for the purposes of company law.

During the year, 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), EPIC Psychology and Wellbeing Service (EPIC) and Inspiring Leaders School Centred Initial Teacher Training (SCITT) during the year.

Details of the Trustees who served during the year and to the date these accounts are approved are included in the Reference and Administrative Details on page 1 and 2.

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.

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

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.

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 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.

DSAT requires its Trustees to have a broad range of skills and previous experiences in order to be effective in governance. The Board carries out a skills audit of Trustees annually to inform the recruitment process. Positions are mainly advertised through the Academy Ambassadors programme outlining the skills the Board seeks to recruit. Potential candidates are invited to meet with the Chair of Trustees and CEO. Completed applications are assessed by the Partnership & Governance Committee for recommendation 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 Trustees. 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. Regular training and Trust updates are provided to all Trustees to enable them to keep up-to-date with changes in legislation and ensure they continue to deliver effective governance.

Organisational Structure

The Trust has established a management structure to enable efficient and effective running of the organisation. The structure consists of four levels: the Board of Trustees, the Executive Team (who are the Senior Leadership Team of the Trust), the Cluster Governing Boards and local school Advisory Boards.

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

Board of Trustees

The Board of Trustees is responsible for making major decisions about the strategic direction of the Trust, ensuring that its aims are met and its ethos is maintained. Specifically, this includes setting general policy, adopting an annual plan and budget, monitoring the Trust's financial performance and educational outcomes, making senior staff appointments and approving major investment programmes. The Board operates four committees to provide detailed scrutiny:

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

Senior Leadership Team

The Board has appointed senior officers to act as the Executive Team and act as agents on behalf of the Board. The CEO is responsible for the operational management of the Trust and is accountable to the Board of Trustees.

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, Head of Safeguarding and Pupil Wellbeing, Head of Admission and Estates and Cluster Executive Leaders. The Senior Leadership Team are responsible for the day-to-day operation of the Trust, identifying areas of development and formulating strategy to present to the Trust Board, implementing Trust policies and reporting back to Trustees. The Chief Executive Officer of the Trust assumes the role of the Accounting Officer.

The Cluster Executive Leaders are responsible for overseeing the leadership of the local schools within their cluster and offering strategic advice in respect of development, teaching and learning.

The Headteacher of each school is directly responsible for its day-to-day running and is assisted by their Senior Leadership Team. They are accountable for the educational and financial performance of their schools and implementing Trust-wide strategies.

Cluster Governing Boards

The Board has created three Cluster Governing Boards (CGB) to support its work.

The CGB's provide overview, scrutiny and challenge of education, financial performance and risk management to a group of schools known as a cluster. The CGB's act as a 'critical friend' by offering support, challenge and encouragement, holding the Cluster Leader to account for outcomes across the group, and ensuring their performance management (alongside the CEO) is rigorous and robust.

Advisory Boards

Each school has an Advisory Board which has a key role in influencing the development of the school and ensuring it is meeting the needs of children. Advisory Boards have some delegated decision-making authority and act as a 'critical friend' to the Headteacher and school acting as a 'sounding board' at a local level. The Advisory Boards are made up of a mix of local people including staff, parents and local community representatives.

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

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 Team of the Trust, including the CEO. Cluster Executive pay is recommended by the CEO with the support of the Cluster Governing Board and reviewed and ratified by the Board of Trustees during the autumn term. Individual Headteacher and Deputy Headteacher pay is recommended by the Cluster Executive Leader, with the support of the School Advisory Board, and reviewed and ratified by the CEO during the autumn term with the Remuneration Committee signing off final decisions. All staff pay is awarded in accordance with the DSAT Pay Policy and is driven by an annual performance management process. The DSAT Pay Policy is developed after benchmarking and consideration of affordability, legal obligations, 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.

Executive teams and Headteachers meet monthly to review both operational and strategic matters and information is disseminated at school level through weekly Senior Leadership Team and staff meetings.

Monthly engagement is made through a collaborative structure of School Business Manager/Office Manager meetings which is being further developed to include Premises Officers. Such meetings give opportunities for partnership working, sharing information and receiving feedback which can then be fed back to wider groups of Trust colleagues.

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.

Technology is continually reviewed to ensure that means of communications are effective and efficient and readily accessible and understood by all that use it.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period	1
Full time equivalent employee number	1

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	1
1%-50%	0
51%-99%	0
100%	0

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TRUSTEES' REPORT (continued)
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Percentage of pay bill spent on facility time

Total cost of facility time	£25
Total pay bill	£18,241,000
Percentage of the total pay bill spent on facility time	0%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%
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Related Parties and other Connected Charities and Organisations

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 Ltd, 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 Ltd, and within which is contained a termination clause on the Trustees of Discovery Schools Academies Ltd 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 services.

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 Church of England 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;

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FOR THE YEAR ENDED 31 AUGUST 2018

- 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.

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; and
- 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.

STRATEGIC REPORT

Achievements and Performance

The Trust focused on three key areas during the year and have made substantial progress in their achievement:

1. Achieving an established culture of continuous school improvement:

School improvement models are now embedded across the Trust with key roles introduced such as Cluster Leaders and Cluster Lead Professionals. These roles have provided valuable support to schools, based on their individual needs and have contributed towards the outcomes below.

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

Key Stage 2

DSAT SCHOOLS AND TRUST KS2 SUMMARY ASSESSMENT OUTCOMES 2017-18

	Attainment Measures		Progress Measures			Individual Subject Attainment Measures					
	Combined Expected	Combined Above	READING Progress	WRITING Progress	MATHS Progress	READING% Expected	READING% Above	WRITING% Expected	WRITING% Above	MATHS% Expected	MATHS% Above
NATIONAL AVERAGE	64.4%	9.9%	0.0	0.0	0.0	75.3%	28.1%	78.3%	19.9%	75.6%	23.6%
Braunstone Community Primary School	35.0%	0.0%	-2.3	0.0	-4.3	60.0%	13.3%	68.3%	10.0%	43.3%	1.7%
Merrydale Junior School	42.9%	0.0%	0.2	-1.6	0.1	54.9%	15.4%	58.2%	0.0%	60.4%	12.1%
Mowmacre Hill Primary School	64.4%	6.7%	0.8	-0.3	0.4	77.8%	22.2%	75.6%	11.1%	73.3%	17.8%
Captains Close Primary School	82.4%	17.6%	1.0	-1.2	-0.1	88.2%	58.8%	82.4%	23.5%	94.1%	23.5%
Enderby Danemill Primary School	63.6%	7.3%	0.4	1.5	-1.0	80.0%	21.8%	80.0%	23.6%	67.3%	18.2%
Farndon Fields Primary School	43.3%	3.3%	-3.2	1.4	-0.7	50.0%	10.0%	73.3%	23.3%	70.0%	20.0%
Greystoke Primary School	82.6%	26.1%	-0.1	1.1	1.3	93.5%	41.3%	91.3%	43.5%	91.3%	47.8%
Kibworth Church of England Primary School	78.8%	20.0%	-1.7	-0.3	-0.5	85.0%	37.5%	96.3%	28.8%	86.3%	38.8%
Parkland Primary School South Wigston	59.5%	4.1%	-2.2	0.7	-2.5	71.6%	20.3%	85.1%	21.6%	67.6%	12.2%
Sibley Redlands Community Primary School	78.6%	4.8%	2.0	0.1	2.4	83.3%	23.8%	83.3%	7.1%	83.3%	31.0%
Woolden Hill Primary School	72.4%	3.4%	0.9	-1.5	0.6	86.2%	20.7%	79.3%	10.3%	79.3%	17.2%
Leighfield Primary School	51.6%	6.5%	-1.6	-1.8	-1.3	74.2%	12.9%	77.4%	19.4%	64.5%	16.1%

Fossebrook Primary School is a new school and therefore has no KS2 cohort.

Key Stage 1

DSAT SCHOOLS AND TRUST KS1 SUMMARY ASSESSMENT OUTCOMES 2017-18

	COMBINED		READING		WRITING		MATHS		YR1 PHONICS
	2017-2018		2017-2018		2017-2018		2017-2018		2017-2018
	above ARE	at or above ARE	above ARE	at or above ARE	above ARE	at or above ARE	above ARE	at or above ARE	Passed phonics test
NATIONAL AVERAGE	11.7%	65.3%	25.6%	75.4%	15.9%	69.9%	21.8%	76.1%	82.5%
Braunstone Community Primary School	5.0%	61.7%	6.7%	73.3%	6.7%	66.7%	8.3%	70.0%	67.2%
Mowmacre Hill Primary School	5.7%	48.6%	20.0%	62.9%	5.7%	48.6%	5.7%	62.9%	86.0%
Captains Close Primary School	7.1%	78.6%	25.0%	82.1%	7.1%	78.6%	21.4%	85.7%	80.6%
Enderby Danemill Primary School	0.0%	62.1%	1.7%	72.4%	0.0%	63.8%	15.5%	70.7%	89.7%
Farndon Fields Primary School	3.6%	67.9%	21.4%	78.6%	7.1%	67.9%	17.9%	78.6%	78.1%
Greystoke Primary School	9.6%	71.2%	25.0%	88.5%	19.2%	80.8%	17.3%	80.8%	97.9%
Kibworth Church of England Primary School	15.9%	76.8%	31.7%	86.6%	18.3%	81.7%	29.3%	85.4%	95.0%
Parkland Primary School South Wigston	1.3%	48.1%	6.5%	61.0%	3.9%	58.4%	5.2%	64.9%	85.1%
Sibley Redlands Community Primary School	11.3%	59.7%	24.2%	74.2%	11.3%	64.5%	19.4%	82.3%	75.5%
Woolden Hill Primary School	10.0%	73.3%	23.3%	73.3%	20.0%	73.3%	20.0%	76.7%	75.0%
Leighfield Primary School	5.0%	75.0%	35.0%	80.0%	20.0%	75.0%	20.0%	85.0%	88.0%

Fossebrook Primary School is a new school and therefore has no KS2 cohort.

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

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DSAT SCHOOLS AND TRUST EYFS SUMMARY OUTCOMES 2017-18

	GLD	APS
	2017-18	2017-18
NATIONAL AVERAGE	71.5%	34.6%
LEICESTERSHIRE AVERAGE	70.9%	34.7%
Discovery Schools Trust	69.0%	33.9%
Braunstone Community Primary School	52.6%	30.1%
Mowmacre Hill Primary School	54.0%	30.5%
Captains Close Primary School	78.6%	37.4%
Enderby Danemill Primary School	73.2%	33.8%
Farndon Fields Primary School	71.4%	33.0%
Fossebrook Primary School	75.9%	36.0%
Greystoke Primary School	86.7%	37.0%
Kibworth Church of England Primary School	80.0%	35.7%
Parkland Primary School South Wigston	58.1%	31.2%
Sileby Redlands Community Primary School	64.9%	33.8%
Woolden Hill Primary School	73.7%	36.9%
Leighfield Primary School	77.3%	38.3%

2. Embed effective support services to ensure leaders can focus on teaching and learning:

The Trust have implemented systems and practice to support schools and enable them to focus on teaching and learning. This includes HR, finance, governance, estates management, ICT, safeguarding and pupil wellbeing.

Cluster Governing Boards were introduced across the Trust to support and enhance the cluster framework. This was the final phase of implementation of the new governance structure. This structure has provided consistency in governance across the Trust and allows greater opportunity for cross school learning and benchmarking.

3. Become MAT of choice:

The Trust has worked in collaboration with other education providers through our successful partnership work and through trading key services such as ICT technical support.

The Trust SCITT provision received an 'Outstanding' Ofsted grading during the year. This in turn provides Trust schools and other educational providers with the highest quality Newly Qualified Teachers. Ofsted quoted '*Trainees have a significant experience in making specific provision to meet the needs of groups of pupils including disadvantaged pupils and pupils who have special educational needs and/or disabilities*'.

Key Performance Indicators

- 85% of Trust schools will be judged by Ofsted as 'Good' or better**

Inadequate	Require Improvement	Good	Outstanding
0	4	7	1

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

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TRUSTEES' REPORT (continued)
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• **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 2017/2018 results support this trend. The current 'Requires Improvement' judgement was predicted due to 2016 data, however, recent results and future 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 2017/2018 and this is shown to have made a positive impact on its pupils. As a result, we are expecting a 'Good' outcome for the next inspection.

• **Trust reserves support strategic objectives**

The Trust developed and agreed its Reserves Policy during the year which provided clear direction for the use of Trust Reserves during the next two years.

During 2017/2018, £92,000 of reserves was invested in wrap-around care provision, pupil active play facilities and ICT development in schools. A further £220,000 of funds was earmarked to fund school improvement initiatives.

To date, a further £185,000 of reserves has been agreed to support the strategic objectives of Trust schools during 2018/2019. This includes substantial investment in school's improvement, continuing growth in the provision of wrap-around care and supporting a Trust school throughout the lagged effect of growing from a 1 form entry to a 2-form entry school.

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 90% of the Trust's income is derived from Central Government grants to support its educational objectives, broadly based on pupil numbers attending individual Academies within the Trust. The Trust has delivered a surplus for the year. The Trust continues to maintain reserves at both an operational and strategic level in line with the Reserves Policy.

The summary financial performance for 2017/2018 is as follows:

	£000
Income	23,574
Expenditure	<u>(23,454)</u>
Surplus for year	120

Reserves Policy

The Trust have categorised reserves for two purposes:

Operational Reserves – These reserves are the minimum funds the Trust will hold to support the following:

- Unplanned short-term financial difficulties;
- Cash flow variances; and
- Contingency against unforeseen events such as urgent or emergency requirements.

Operational reserves are set as a minimum percentage of General Annual Grant (GAG) in addition to capital and restricted funds.

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FOR THE YEAR ENDED 31 AUGUST 2018

Strategic Reserves – These are funds that the Trust will reserve in addition to the operational reserves to support foreseen strategic expenditure such as:

- Projected and unavoidable deficits in the preceding two years;
- Capital investment to maintain and replace the Trust buildings, plant and equipment;
- Investment in school improvement to benefit current pupils;
- Investment in the growth of the Trust;
- Support the Trust 3-5-year strategy; and
- Mitigation against identified risks.

Strategic reserves are set as an additional maximum percentage of GAG, in addition to capital and restricted funds.

The Trust and its' 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; and
- Ensure that any change in policy is approved by the Finance, Audit and Risk Committee.

The value of unrestricted reserves held by the Trust are currently £2,227,000, which incorporates £185,000 earmarked for 2018/2019 to support ongoing school improvement investment, the development of wrap-around care across the Trust and to support Farndon Fields Primary School throughout the lagged funding effects of changing from a 1 form entry school to a 2-form entry school.

3 schools have realised a deficit during 2017/2018 due to an agreed investment of consolidated excess reserves to focus on school improvement, the effects of lagged funding for schools that have increased their pupil numbers and pupil occupancy challenges in rural areas.

Schools that have realised a deficit in unrestricted reserves during 2017/2018 have undergone a financial review, including benchmarking exercises to mitigate against long term deficits. Key actions include:

- Maximising funding through pupil growth. Aiming for minimum of 90% pupil occupancy for each Trust school;
- Growth in the number of schools within the Trust to dilute central costs, increase economies of scale and ultimately reduce the top slice charged to schools; and
- Creating efficiencies with the aim of reducing costs without negatively impacting on pupil teaching and learning. This includes staff remodelling and restructuring, reviewing and adopting further centralised contracts to maximise economies of scale, consolidation and investment of reserves, collaborative procurement and reducing staff absence.

The Trust is planning to consolidate reserves within 2018/2019 to increase efficiency in their management.

At 31 August 2018 the total funds comprised:

		£
Unrestricted		2,076,000
Restricted:	Fixed asset funds	30,848,000
	Pension reserve	(5,906,000)
	Other	194,000
		<u>27,212,000</u>

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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:

- Financial Sustainability risk – Projections indicate financial challenges in the coming 3-5 years due to a number of factors. These projections are based on a number of assumptions and potential risks facing the Trust. Robust risk mitigation strategies are in place which are monitored by the Finance, Audit and Risk Committee and the Board. These strategies focus on pupil occupancy growth, Trust growth, ensuring maximum efficiency and identifying additional income opportunities.
- Pupil Performance risk – Pupil progress is currently below national in certain subjects. The Trust has made vast headway in bridging this gap with progress during 2017/2018 increasing at a greater rate than national, however, this will remain a focus in the coming year. Individual risk mitigation plans in place for developing progress in Reading, Writing and Maths which draws on the Lead Professional and Cluster School Improvement model using techniques such as audits, coaching and CPD of Teaching staff.

DSAT operates a comprehensive risk management system. A robust Trust Risk Register, identifying significant risks, controls and planned assurances is developed and reviewed by key Trust staff for each individual Academy on a termly basis. Consolidated Trust risks are presented and monitored by the Finance, Audit and Risk Committee where key risks are identified to be monitored at Board level based on their severity. Local Academy risks are also monitored by the Cluster Governing Boards.

FUNDRAISING

Fundraising is predominantly led by Schools' Parent Teacher Association's (PTA) through conducting school and community-based activities to raise funds for the Academy.

Additional fundraising takes place from parents via pupil learning initiatives. Parents are made aware of the activity and the purpose of fundraising. All donations are made on a voluntary basis.

No fundraising is conducted on the Trust's behalf.

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

PLANS FOR FUTURE PERIODS

DSAT are in year two of its current three-year strategic plan. Focus will remain on further developing the following objectives:

1. Achieving an established culture of continuous school improvement

Building on the success of the Trust school improvement model, the Trust will further develop this model to provide focused and bespoke school improvement guidance and support to schools. This will involve the introduction of new roles and realigning responsibilities, introducing the new Trust pledge and 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 is keen to maintain teaching and learning as the focus within each of the Academies. To enable this, the Trust will develop further centralised expertise and support for Academies to draw on, provide financial tools for leaders to make informed financial decisions that are in the best interests of the wider Trust, 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 the Trust broadening its current educational reach. 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 is planned to add value across the education sector.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

The Academy does not hold any such funds on behalf of any other organisations.

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.

The Trustees' Report, incorporating a Strategic Report, was approved by order of the Board of Trustees, as the Company Directors, on 6 December 2018 and signed on the Board's behalf by:

.....
David Williams
Chair of Trustees

DISCOVERY SCHOOLS ACADEMIES TRUST LTD
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GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2018

SCOPE OF RESPONSIBILITY

As Trustees we acknowledge we have overall responsibility for ensuring that Discovery Schools Academies Trust Ltd 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 Academies Trust Ltd 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:

Trustee	Meetings attended	Out of a possible
David Williams (Chair of Trustees)	5	5
Edmund Green	5	5
Gary Sims	3	5
Jonathan Parsons	4	5
Margaret Spence	3	5
Paul Stone (CEO and Accounting Officer)	5	5
Richard Bettsworth (appointed 6 September 2017)	4	5
Shane Bray (appointed 24 October 2017)	4	4
Mihir Trivedi (appointed 8 August 2018)	0	0
Michael McAllister (resigned 17 January 2018)	1	2

There were no significant changes to the composition of the Board of Trustees during the year.

Following a review of governance in 2017, the Board of Trustees established a four-tier governance structure which aimed to address the key governance challenges faced by a growing MAT. The issue of being able to recruit the number of skilled Trustees needed across a growing MAT, reducing duplication of accountability and developing a model where governance reflected the executive structure of the MAT were key drivers in the change. The model allowed for engagement at different levels of commitment and skill. It aimed to encourage and support those in the governance structure with the capacity to bring their expertise to benefit more children, extending the reach of great Trustees across a wider group of schools.

The DSAT governance model identified four tiers of governance; Members, Board of Trustees, Cluster Governing Boards and Advisory Boards. The revised governance model was implemented in two phases commencing September 2017.

The role of governance at a local level was clarified in September 2017 and school Advisory Boards were supported during the transition period with induction, training and written guidance.

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GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Three Cluster Governing Bodies (CGB) were established in October 2017 to strengthen the governance and support the work of the Board. These Boards provide overview and scrutiny of the management and governance of a group of schools, in addition to providing an effective channel of communication between the tiers of the governance structure. The first year of operation for the CGB was an induction year to support their establishment and training.

The Schools that form these clusters are:

NORTH CLUSTER

Woolden Hill Primary School
Mowmacre Hill Primary School
Sibley Redlands Primary School
Asfordby Captain's Close Primary School

CENTRAL CLUSTER

Braunstone Community Primary
Enderby Danemill Primary School
Fossebrook Primary School
Merrydale Junior School
Parkland Primary School (South Wigston)

SOUTH CLUSTER

Farndon Fields Primary School
Greystoke Primary School
Kibworth C of E Primary School
Leighfield Primary School

The membership of each CGB is determined by the Board of Trustees and is made up of 6-8 individuals linked to skills that the Board has identified as critical to provide an effective body.

The governance functions delegated by the Board across the structure are set out in a Scheme of Delegation which is available on the Trust website.

As a growing organisation, Trustees recognised the need to review governance structures and delegations including considering the option of a cluster tier of governance that spanned groups of schools, in addition to remodelling what functions should be delegated to Board's at individual school level. The Board commissioned a review of governance during February 2017 to June 2017 and in consultation with constituent school local governing boards agreed a governance strategy and revised governance structure effective from September 2017.

The aim of the review was to develop a model of governance that was designed for the context of the organisation and the Schools being governed, not as a legacy of arrangements. It was also important to establish an efficient model of governance that eliminated duplication between the roles of executive Trust leaders and local Boards in holding individual school leadership to account and provide clarity of roles and delegated responsibilities.

The governance strategy identified a four-tier structure comprising of Members, Board of Trustees, Cluster Governing Boards and Advisory Boards at a local school level. The significant change was the implementation of Cluster Governing Boards and clarification of local governance arrangements which are explained in more detail below.

The Board has created three Cluster Governing Boards (CGB) to support its work and has given explicit delegated authority for these bodies to act on its behalf through the Terms of Reference and Scheme of Delegation. Cluster Board Governors are the strategic leaders of a group of schools and have a vital role to play in making sure every child gets the best possible education.

The Cluster Governing Board has four primary roles:

- To provide overview, scrutiny and challenge of education, financial performance and risk management of schools in the cluster;
- Being a critical friend by offering support, challenge and encouragement, holding the Cluster Leader to account for outcomes across the group, and ensuring their performance management (alongside the CEO) is rigorous and robust;
- To provide overview, scrutiny and performance challenge of the Advisory Boards in the group; and
- To ensure an effective flow of communication between each Advisory Board, the Cluster Board and the Trust Board.

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GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

The role of local school governance was clarified and defined. Each school has an Advisory Board which has a key role in influencing the development of the School and ensuring it is meeting the needs of children. Advisory Boards have some delegated decision-making authority and act as a 'critical friend' for the school.

This means:

- They provide support and advice by:
 - Acting as a sounding board for ideas;
 - Providing feedback on proposals; and
 - Helping where needed.
- They also provide challenge by:
 - Asking searching questions; and
 - Exploring alternative proposals.

The governance structure will next be reviewed in 2020.

The Finance, Audit and Risk Committee is a sub-committee of the main Board of Trustees. Its purpose 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 terms of reference were updated by this committee to enable all Trustees to be members however with three principal Trustees named.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Gary Sims (Chair)	4	4
Edmund Green	4	4
Jonathan Parsons	4	4
David Williams	1	1
Shane Bray (appointed 24 October 2017)	1	1

The Educations Standards Committee is also a sub-committee of the main Board of Trustees. Its purpose is to maintain an oversight of the Trust's curriculum, quality and standards. The terms of reference were updated by this committee to enable all Trustees to be members, however, with three principal Trustees named.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
David Williams (Chair)	3	3
Margaret Spence	3	3
Paul Stone	3	3
Richard Bettsworth	3	3

The Partnership and Governance Committee is also a sub-committee of the main Board of Trustees. Its purpose 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. The terms of reference were updated by this committee to enable all Trustees to be members however with three principal Trustees named. Due to the resignation of

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GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Michael McAllister in January 2017, Margaret Spence joined this Committee.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Edmund Green (Chair)	2	2
Michael McAllister (resigned 17 January 2018)	0	1
Gary Sims	1	2
Margaret Spence	1	1

The Remuneration Committee is also a sub-committee of the main Board of Trustees. Its purpose is to maintain an oversight of the Trust's approach to remuneration and pay progression. Shane Bray and Richard Bettsworth joined this committee in place of Gary Sims and Michael McAllister.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Jonathan Parsons (Chair)	3	3
Richard Bettsworth (appointed 6 September 2017)	1	1
Gary Sims	1	1
Shane Bray	1	1
Michael McAllister (resigned 17 January 2018)	1	1
David Williams	2	2

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 Academy Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate.

The Accounting Officer for the Academy Trust has delivered improved value for money during the year by:

- Embracing the Apprenticeship scheme by appointing 17 Apprentices in a range of roles such as Sports Education, HR, Administration and ICT. This has provided valuable Trust resources at a lower cost. The Trust also uses this as part of its succession planning which will, in turn, provide additional savings on recruitment costs;
- Commissioning a Trust wide phone system which is expected to save approximately £10k - £15k per year;
- Tendering of large contracts at Trust level for services such as external audit and the gas provision has resulted in savings across the Trust due to economies of scale;
- As a direct result of the Trust Reserves Policy, the Trust has commissioned an Independent Investment Advisor to ensure that the Trust are gaining maximum return on its reserves whilst ensuring security and accessibility remains the priority; and
- Trading of support services to other educational providers has provided valuable additional income opportunities across the Trust whilst also utilising any surplus resources.

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GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

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 Academies Trust Ltd for the year ended 31 August 2018 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 have been in place for the year ended 31 August 2018 and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Board of Trustees.

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the 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; and
- 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; and

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GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

- 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 2017/2018.

REVIEW OF EFFECTIVENESS

As Accounting Officer the Chief Executive Office 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 Quality Assurance process; and
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control 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 6 December 2018 and signed on its behalf by:

.....
David Williams
Chair of Trustees

.....
Paul Stone
Accounting Officer

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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE YEAR ENDED 31 AUGUST 2018

As Accounting Officer of Discovery Schools Academies Trust Ltd 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 terms and conditions of funding received by the Academy Trust, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

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

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

.....
Paul Stone
Accounting Officer

6 December 2018

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

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

The Trustees (who act as Governors of Discovery Schools Academies Trust Ltd 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 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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

6 December 2018

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 LTD**

OPINION

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

In our opinion the financial statements:

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

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

- the 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 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

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

OTHER INFORMATION

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

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.
- 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 remuneration 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

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

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 or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

USE OF OUR REPORT

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 Auditors' 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.

Robert Nelson BA FCA DChA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

11 Merus Court
Meridian Business Park
Leicester
LE19 1RJ

Date: 19 December 2018

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

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

In accordance with the terms of our engagement letter dated 21 August 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Discovery Schools Academies Trust Ltd during the year ended 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Discovery Schools Academies Trust Ltd 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 Ltd 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 Ltd and the ESFA, for our work, for this report, or for the conclusion we have formed.

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

The Accounting Officer is responsible, under the requirements of Discovery Schools Academies Trust Ltd's funding agreement with the Secretary of State for Education dated 29 June 2012, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

APPROACH

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

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

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Academy'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 LTD AND THE EDUCATION & 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, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year ended 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Reporting Accountant

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

11 Merus Court
Meridian Business Park
Leicester
LE19 1RJ

Date: 19 December 2018

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 2018**

	Note	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	<i>Total funds As restated 2017 £000</i>
INCOME FROM:						
Donations and capital grants:						
Transferred on conversion	2	-	-	-	-	4,004
Other donations and capital grants	2	17	111	1,912	2,040	2,801
Charitable activities:						
Funding for Academy Trust's educational operations	3	-	19,374	53	19,427	18,233
Teaching School	3	13	389	-	402	392
Other trading activities	4	1,125	-	-	1,125	907
Investments	5	1	-	-	1	-
Other income	6	299	280	-	579	415
TOTAL INCOME		1,455	20,154	1,965	23,574	26,752
EXPENDITURE ON:						
Raising funds	7	865	265	-	1,130	924
Charitable activities:						
Academy Trust's educational operations	8	-	21,255	632	21,887	20,365
Teaching school	8	13	418	6	437	379
TOTAL EXPENDITURE	9	878	21,938	638	23,454	21,668
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS		577	(1,784)	1,327	120	5,084
Transfers between funds	21	(720)	533	187	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		(143)	(1,251)	1,514	120	5,084
Actuarial gains on defined benefit pension schemes	26	-	2,174	-	2,174	1,004
NET MOVEMENT IN FUNDS		(143)	923	1,514	2,294	6,088
RECONCILIATION OF FUNDS:						
Total funds brought forward		2,219	(6,635)	29,334	24,918	18,996
Prior year adjustment	20	-	-	-	-	(166)
TOTAL FUNDS CARRIED FORWARD		2,076	(5,712)	30,848	27,212	24,918

The notes on pages 32 to 63 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 2018**

	Note	£000	2018 £000	£000	<i>As restated 2017 £000</i>
FIXED ASSETS					
Tangible assets	16		30,733		28,951
CURRENT ASSETS					
Debtors	17	1,179		1,253	
Cash at bank and in hand		3,828		3,541	
			<u>5,007</u>	<u>4,794</u>	
CREDITORS: amounts falling due within one year	18	(2,596)		(1,893)	
NET CURRENT ASSETS			<u>2,411</u>		<u>2,901</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>33,144</u>		<u>31,852</u>
CREDITORS: amounts falling due after more than one year	19		(26)		(31)
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>33,118</u>		<u>31,821</u>
Defined benefit pension scheme liability	26		(5,906)		(6,903)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>27,212</u>		<u>24,918</u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	21	194		268	
Restricted fixed asset funds	21	30,848		29,334	
Restricted income funds excluding pension liability		31,042		29,602	
Pension reserve	21	(5,906)		(6,903)	
Total restricted income funds			<u>25,136</u>		<u>22,699</u>
Unrestricted income funds	21		2,076		2,219
TOTAL FUNDS			<u>27,212</u>		<u>24,918</u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

BALANCE SHEET (continued)
AS AT 31 AUGUST 2018

The financial statements on pages 28 to 63 were approved by the Trustees, and authorised for issue, on 6 December 2018 and are signed on their behalf, by:

.....
David Williams
Chair of Trustees

.....
Paul Stone
Accounting Officer

The notes on pages 32 to 63 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 2018**

	Note	2018 £000	<i>As restated</i> 2017 £000
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	23	<u>2,348</u>	<u>(186)</u>
Cash flows from investing activities:			
Interest received		1	-
Purchase of tangible fixed assets		(2,420)	(1,241)
Capital grants from DfE/ESFA and other capital income		363	1,107
Cash donated from single Academy/transferred on conversion to the Academy Trust		-	183
Net cash (used in)/provided by investing activities		<u>(2,056)</u>	<u>49</u>
Cash flows from financing activities:			
Repayment of borrowings		(5)	(6)
Cash inflows from new borrowing		-	31
Net cash (used in)/provided by financing activities		<u>(5)</u>	<u>25</u>
Change in cash and cash equivalents in the year		<u>287</u>	<u>(112)</u>
Cash and cash equivalents brought forward		<u>3,541</u>	<u>3,653</u>
Cash and cash equivalents carried forward	24	<u><u>3,828</u></u>	<u><u>3,541</u></u>

The notes on pages 32 to 63 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 2018

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

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

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

Discovery Schools Academies Trust Ltd is a company limited by guarantee incorporated in England and Wales. The address of the registered office, principal place of operation and registered number are detailed on pages 1 and 2. The nature of the Academy Trust's operations and principal activity are detailed in the Trustees Report.

The Financial Statements are prepared in British Pount (£) 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 2018**

1. ACCOUNTING POLICIES (continued)

1.3 Income

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

Grants are included in the Statement of Financial Activities 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 in full where there is an unconditional entitlement to the grant. Unspent amounts of capital grant are reflected in the Balance Sheet in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where receipt is probable and it can be reliably measured.

Donations are recognised on a receivable basis (where there are no performance-related conditions) 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.

Where assets are received on the transfer of an existing Academy into the Trust, the transferred net assets are measured at fair value and recognised in the Balance Sheet at the point when the risks and rewards of ownership pass to the Trust, which is on signing of the transfer agreement with the transferring Trust. An equal amount of income is recognised for the transfer of an existing Academy into the Trust within donations and capital grants to the net assets acquired.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

Expenditure on raising funds includes all expenditure incurred by the Academy Trust 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 Trust's educational operations, including support costs and those costs relating to the governance of the Academy Trust appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

1.5 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.

Long leasehold land	-	0.8% straight line per annum
Long leasehold property	-	2% straight line per annum
Assets under construction	-	No depreciation charged until project is complete
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 Operating leases

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

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.7 Interest receivable

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

1.8 Taxation

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

1.9 Debtors

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

1.10 Cash at bank and in hand

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

1.11 Liabilities and provisions

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

1.12 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 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 2018**

1. ACCOUNTING POLICIES (continued)

1.13 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 26, the TPS is an unfunded multi-employer scheme with no underlying assets to assign between employees. 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 multi-employer 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 2018**

1. ACCOUNTING POLICIES (continued)

1.14 Critical accounting estimates and areas of judgement

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 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

The judgements that have had a significant effect on amounts recognised in the financial statements are those concerning the choice of depreciation policies and asset lives.

1.15 Fund accounting

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

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

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

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 2018**

2. DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	<i>Total funds As restated 2017 £000</i>
Local Authority surplus transferred on conversion	-	-	-	-	(1,323)
Fixed assets transferred on conversion	-	-	-	-	5,327
Transferred on conversion	-	-	-	-	4,004
Donations	17	-	-	17	23
Donated gift from single Academy Trust	-	-	-	-	1,743
DfE/ESFA capital grants	-	102	310	412	651
Local Authority and S106 grants	-	9	1,602	1,611	384
Other donations and capital grants	17	111	1,912	2,040	2,801
Total donations and capital grants	17	111	1,912	2,040	6,805
<i>Total 2017</i>	497	(1,964)	8,272	6,805	

3. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	<i>Total funds As restated 2017 £000</i>
Funding for Academy Trust's Educational Operations	-	19,427	19,427	18,233
Teaching School	13	389	402	392
	13	19,816	19,829	18,625
<i>Total 2017</i>	-	18,625	18,625	

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

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

FUNDING FOR ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	<i>Total funds As restated 2017 £000</i>
DfE/ESFA grants				
General Annual Grant (GAG)	-	16,063	16,063	15,025
Pupil Premium	-	1,375	1,375	1,256
Capital grants	-	99	99	79
Other ESFA/DfE grants	-	1,044	1,044	717
	-	18,581	18,581	17,077
Other government grants				
Local Authority other grants	-	846	846	1,156
	-	846	846	1,156
	-	19,427	19,427	18,233
<i>Total 2017</i>	-	18,233	18,233	

There were no unfulfilled conditions or other contingencies attached to the government grants above.

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	<i>Total funds As restated 2017 £000</i>
Rental income	61	-	61	67
Catering income	248	-	248	212
Other income	386	-	386	308
Affinity Teaching School Alliance income	430	-	430	320
	1,125	-	1,125	907
<i>Total 2017</i>	821	86	907	

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

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

5. INVESTMENT INCOME

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	<i>Total funds As restated 2017 £000</i>
Investment income	1	-	1	-
	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>

6. OTHER INCOME

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	<i>Total funds As restated 2017 £000</i>
Parental contributions	-	280	280	274
Insurance claims	259	-	259	109
Other incoming resources	40	-	40	32
	<u>299</u>	<u>280</u>	<u>579</u>	<u>415</u>
<i>Total 2017</i>	<u>109</u>	<u>306</u>	<u>415</u>	

7. RAISING FUNDS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	<i>Total funds As restated 2017 £000</i>
Uniform costs	16	-	16	16
Catering costs	248	-	248	212
Lettings costs	61	-	61	67
Affinity Teaching School Alliance expenditure	338	-	338	215
Staff costs	202	265	467	414
	<u>865</u>	<u>265</u>	<u>1,130</u>	<u>924</u>
<i>Total 2017</i>	<u>614</u>	<u>310</u>	<u>924</u>	

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

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

8. ACADEMY TRUST EDUCATIONAL OPERATIONS

	Total funds 2018 £000	<i>Total funds As restated 2017 £000</i>
DIRECT COSTS		
Wages and salaries	11,146	10,307
National insurance	940	856
Pension costs	2,891	2,254
Depreciation	632	715
Education supplies	236	228
Staff development	227	195
Other direct costs	584	542
Insurance	222	174
	16,878	15,271
SUPPORT COSTS		
Wages and salaries	1,859	1,789
National insurance	125	115
Pension costs	387	345
Pension finance cost (note 15)	185	149
Travel and subsistence	60	60
Recruitment and support	9	6
Maintenance of premises and equipment	448	453
Cleaning	98	92
Rent and rates	138	127
Energy costs	261	231
Insurance	84	79
Catering	747	830
Legal and professional	308	462
Other support costs	254	318
Bank charges and interest	13	12
Governance costs	33	26
	5,009	5,094
	21,887	20,365
Teaching School		
Teaching school depreciation costs	6	6
Teaching school running costs	431	373
	437	379
	22,324	20,744

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

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

9. EXPENDITURE

	Staff costs	Premises	Other costs	Total	<i>As restated</i>
	2018	2018	2018	2018	<i>Total</i>
	£000	£000	£000	£000	<i>2017</i>
					<i>£000</i>
Expenditure on raising voluntary income					
Direct costs	466	-	664	1,130	924
Support costs	-	-	-	-	-
Activities:					
Direct costs	14,977	551	1,350	16,878	15,271
Support costs	2,556	945	1,508	5,009	5,094
Teaching school:					
Direct costs	-	-	6	6	6
Support costs	242	4	185	431	373
	<u>18,241</u>	<u>1,500</u>	<u>3,713</u>	<u>23,454</u>	<u>21,668</u>
<i>Total 2017</i>	<u>16,391</u>	<u>1,446</u>	<u>3,665</u>	<u>21,502</u>	

In 2017, of the total expenditure on charitable educational activities of £21,668,000, £614,000 was from unrestricted funds, £20,339,000 from restricted funds and £715,000 from restricted fixed asset funds.

10. NET INCOMING RESOURCES/ (RESOURCES EXPENDED)

This is stated after charging:

	2018	<i>As restated</i>
	£000	<i>2017</i>
		<i>£000</i>
Depreciation of tangible fixed assets	638	715
Auditors' remuneration - audit services	29	35
Auditors' remuneration - non-audit services	3	4
Internal audit costs	3	3
Operating lease rentals	16	10
	<u>689</u>	<u>767</u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

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

11. STAFF COSTS

a. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	13,146	12,005
Social security costs	1,106	1,005
Pension costs	3,353	2,665
	<hr/>	<hr/>
	17,605	15,675
Agency staff costs and apprenticeship levy	441	467
Staff restructuring costs	10	100
Pension finance cost (note 15)	185	149
	<hr/>	<hr/>
	18,241	16,391
	<hr/> <hr/>	<hr/> <hr/>

Staff restructuring costs comprise:

	2018 £000	2017 £000
Redundancy payments	-	30
Severance payments	10	70
	<hr/>	<hr/>
	10	100
	<hr/> <hr/>	<hr/> <hr/>

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

Included in staff restructuring costs is one non-statutory severance payment totalling £10,000 made in August 2018 (2017 - three payments totalling £70,000).

c. Staff numbers

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

	2018 No.	2017 No.
Teaching	224	233
Administration and support	446	447
Management	24	19
	<hr/>	<hr/>
	694	699
	<hr/> <hr/>	<hr/> <hr/>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

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

11. STAFF COSTS (continued)

d. Higher paid staff

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

	2018 No.	2017 No.
In the band £60,001 - £70,000	5	7
In the band £70,001 - £80,000	4	2
In the band £90,001 - £100,000	0	1
In the band £110,001 - £120,000	1	1

Nine of the above employees participated in the Teachers' Pension Scheme. The annualised pension contributions for these employees was £109,823 (2017 Ten employees - £113,501). One other employee participated in the Local Government Pension Scheme, for which pension contributions amounted to £16,161 (2017 - £13,611).

e. Key management personnel

The key management personnel of the Academy Trust comprise the Staff Trustees and the Senior Leadership Team. The total amount of employee benefits (including employer national insurance and pension contributions) received by key management personnel for their services to the Academy Trust was £753,533 (2017 - £834,494).

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

12. CENTRAL SERVICES

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

- School Improvement Services
- Clerking
- Legal
- 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

Finance, IT and HR resources are provided to Academies separately and are not included in the 5% of GAG funding charge.

The actual amounts charged during the year were as follows:

	2018	2017
	£000	£000
Kibworth Church of England Primary School	90	87
Parkland Primary School (South Wigston)	100	101
Sileby Redlands Community Primary School	58	58
Enderby Danemill Primary School	68	68
Woolden Hill Primary School	40	38
Mowmacre Hill Primary School	80	81
Greystoke Primary School	57	56
Farndon Fields Primary School	39	38
Captains Close Primary School	32	30
Fossebrook Primary School	25	17
Braunstone Community Primary School	101	97
Merrydale Junior School	77	77
Leighfield Academy	34	34
Total	<u>801</u>	<u>782</u>

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13. TRUSTEES' REMUNERATION AND EXPENSES

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

		2018	<i>2017</i>
		£000	<i>£000</i>
Paul Stone, Director of Schools	Remuneration	110-115	<i>110-115</i>
	Pension contributions paid	15-20	<i>15-20</i>
Ian Sadd, Finance Director (left 20 December 2016)	Remuneration	-	<i>20-25</i>
	Pension contributions paid	-	<i>0-5</i>
Brenda Davies, Deputy Director of schools (left 31 March 2017)	Remuneration	-	<i>95-100</i>
	Pension contributions paid	-	<i>5-10</i>

During the year ended 31 August 2018, expenses totalling £3,896 were reimbursed to 1 Trustee (2017 - £4,282 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 2018, the Academy Trust 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 2018 is included in the total insurance cost of £83,924 (2017 - £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 2017 are covered by government funds. The RPA provides Trustee and Officer indemnity cover.

15. PENSION FINANCE COST

	2018	<i>2017</i>
	£000	<i>£000</i>
Interest income on pension scheme assets	252	<i>155</i>
Interest on pension scheme liabilities	(437)	<i>(304)</i>
	(185)	<i>(149)</i>

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

16. TANGIBLE FIXED ASSETS

	Long leasehold property £000	Assets under construction £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 September 2017	29,736	-	361	391	30,488
Additions	627	1,584	117	92	2,420
Transfer between classes	(99)	99	-	-	-
At 31 August 2018	<u>30,264</u>	<u>1,683</u>	<u>478</u>	<u>483</u>	<u>32,908</u>
Depreciation					
At 1 September 2017 (as previously stated)	1,055	-	96	220	1,371
Prior year adjustment	166	-	-	-	166
At 1 September 2017 (as restated)	1,221	-	96	220	1,537
Charge for the year	519	-	38	81	638
At 31 August 2018	<u>1,740</u>	<u>-</u>	<u>134</u>	<u>301</u>	<u>2,175</u>
Net book value					
At 31 August 2018	<u>28,524</u>	<u>1,683</u>	<u>344</u>	<u>182</u>	<u>30,733</u>
<i>At 31 August 2017 (as restated)</i>	<u>28,515</u>	<u>-</u>	<u>265</u>	<u>171</u>	<u>28,951</u>

Included in long leasehold property is long leasehold land at a carrying value of £6,349,400 (2017 - £6,349,400) which is being depreciated over the term of the lease.

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

The Trustees of Discovery Schools Academies Trust Ltd, in agreement with the Board of Education of the Diocese of Leicester, occupy the buildings and some open land of Kibworth Church of England 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 Ltd and contain a termination clause on the Trustees of Discovery Schools Academies Trust Ltd by the Board of Education giving two years notice. The Academy is responsible for the maintenance and insurance of the land and buildings.

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

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

17. DEBTORS

	2018	2017
	£000	£000
Trade debtors	50	60
VAT recoverable	315	199
Other debtors	5	130
Prepayments and accrued income	809	864
	<u>1,179</u>	<u>1,253</u>

18. CREDITORS: Amounts falling due within one year

	2018	2017
	£000	£000
Other loans	6	6
Trade creditors	536	417
Other taxation and social security	305	260
Other creditors	311	275
Accruals and deferred income	1,438	935
	<u>2,596</u>	<u>1,893</u>

Included within other loans are loans of £5,665 (2017 - £5,665) 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.

	2018	2017
	£000	£000
Deferred income		
Deferred income at 1 September 2017	457	309
Resources deferred during the year	780	457
Amounts released from previous years	(457)	(309)
Deferred income at 31 August 2018	<u>780</u>	<u>457</u>

At the balance sheet date the Academy Trust was holding funds received in advance for Universal Infant Free School Meals, rates reimbursements and trip income relating to the 2018/19 academic year.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

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

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

	2018	<i>2017</i>
	£000	<i>£000</i>
Other loans	26	<i>31</i>
	<u> </u>	<u> </u>

Included within the above are amounts falling due as follows:

	2018	<i>2017</i>
	£000	<i>£000</i>
Between two and five years		
Other loans	22	<i>22</i>
	<u> </u>	<u> </u>
Over five years		
Other loans	4	<i>9</i>
	<u> </u>	<u> </u>

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

	2018	<i>2017</i>
	£000	<i>£000</i>
Repayable by instalments	4	<i>9</i>
	<u> </u>	<u> </u>

Included within other loans are loans of £25,614 (2017 - £31,278) 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.

20. PRIOR YEAR ADJUSTMENT

The prior year adjustment reflects depreciation of long-leasehold land from the date of conversion until 31 August 2017. The cumulative depreciation charge for the year ended 31 August 2017 amounted to £166,000. This adjustment has been made to align the Academy's accounting policy in this area with the now generally accepted best practice in the sector. Total funds were previously stated at 31 August 2017 as £25,084,000.

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

(A Company Limited by Guarantee)

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

21. STATEMENT OF FUNDS

	Restated Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (losses) £000	Balance at 31 August 2018 £000
Unrestricted funds						
Unrestricted funds	2,219	1,442	(865)	(720)	-	2,076
Teaching school	-	13	(13)	-	-	-
	<u>2,219</u>	<u>1,455</u>	<u>(878)</u>	<u>(720)</u>	<u>-</u>	<u>2,076</u>
Restricted funds						
General Annual Grant (GAG)	29	16,063	(16,638)	546	-	-
Other DfE/ESFA grants	-	1,044	(1,044)	-	-	-
Pupil Premium	-	1,375	(1,375)	-	-	-
Other Government grants	153	846	(848)	-	-	151
Other income	-	437	(437)	-	-	-
Teaching school	86	389	(419)	(13)	-	43
Pension reserve	(6,903)	-	(1,177)	-	2,174	(5,906)
	<u>(6,635)</u>	<u>20,154</u>	<u>(21,938)</u>	<u>533</u>	<u>2,174</u>	<u>(5,712)</u>
Restricted fixed assets funds						
Net book value	28,951	-	(638)	2,420	-	30,733
CIF/SCA capital grants	382	310	-	(583)	-	109
S106 grant	(7)	1,602	-	(1,597)	-	(2)
DfC grant	45	53	-	(58)	-	40
Salix loan	(37)	-	-	5	-	(32)
	<u>29,334</u>	<u>1,965</u>	<u>(638)</u>	<u>187</u>	<u>-</u>	<u>30,848</u>
Total restricted funds	<u>22,699</u>	<u>22,119</u>	<u>(22,576)</u>	<u>720</u>	<u>2,174</u>	<u>25,136</u>
Total of funds	<u>24,918</u>	<u>23,574</u>	<u>(23,454)</u>	<u>-</u>	<u>2,174</u>	<u>27,212</u>

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

Unrestricted funds

Unrestricted funds are to be used towards meeting any of the charitable objectives of the Academy at the discretion of the Trustees.

General Annual Grant (GAG)

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

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

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

21. STATEMENT OF FUNDS (continued)

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

Transfers of £187,000 from GAG funding to the restricted fixed assets fund represent contributions towards property improvements, fixtures, fittings and equipment and computer equipment.

Other DfE/EFA Grants

Other funds provided by the Education and Skills Funding Agency for particular purposes within the Academy's educational operations.

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 Trust'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 2018**

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

Fund balances at 31 August 2018 were allocated as follows:

	Total	<i>Restated</i>
	2018	<i>Total</i>
	£000	<i>2017</i>
		<i>£000</i>
Discovery Schools Academies Trust	(162)	<i>(124)</i>
Kibworth Church of England Primary School	153	<i>234</i>
Parkland Primary School (South Wigston)	441	<i>459</i>
Sileby Redlands Community Primary School	(55)	<i>(5)</i>
Enderby Danemill Primary School	230	<i>247</i>
Woolden Hill Primary School	41	<i>32</i>
Mowmacre Hill Primary School	355	<i>319</i>
Greystoke Primary School	310	<i>307</i>
Affinity Teaching School Alliance	249	<i>189</i>
SCITT	43	<i>86</i>
Farndon Fields Primary School	(36)	<i>30</i>
Captains Close Primary School	(109)	<i>(73)</i>
Fossebrook Primary School	180	<i>153</i>
Braunstone Community Primary School	529	<i>407</i>
Merrydale Junior School	88	<i>121</i>
Leighfield Primary School	13	<i>105</i>
Total before fixed asset fund and pension reserve	2,270	<i>2,487</i>
Restricted fixed asset fund	30,848	<i>29,334</i>
Pension reserve	(5,906)	<i>(6,903)</i>
Total	27,212	<i>24,918</i>

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

Name of Academy	Amount of deficit
	£'000
Sileby Redlands Community Primary School	(55)
Farndon Fields Primary School	(36)
Captains Close Primary School	(109)

The deficit on the above Academies has predominantly arisen due to a Trust decision to invest in school improvement and increasing Published Admission Numbers for Farndon Fields Primary School and the lagged effects of this growth. 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

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

21. STATEMENT OF FUNDS (continued)

ANALYSIS OF EXPENDITURE BY ACADEMY

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

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total 2018 £000	Total 2017 £000
Discovery Schools Academies Trust Ltd	502	352	4	(49)	809	1,179
Kibworth Church of England Primary School	1,457	189	39	439	2,124	2,161
Parkland Primary School (South Wigston)	1,824	247	26	407	2,504	2,448
Sileby Redlands Community Primary School	1,016	156	31	244	1,447	1,455
Enderby Danemill Primary School	1,220	191	21	312	1,744	1,775
Woolden Hill Primary School	609	91	8	217	925	923
Mowmacre Hill Primary School	1,332	191	31	406	1,960	2,074
Greystoke Primary School	980	140	7	263	1,390	1,409
Affinity Teaching School Alliance	102	364	2	339	807	630
SCITT	186	57	-	189	432	379
Farndon Fields Primary School	649	114	18	204	985	955
Captains Close Primary School	526	91	3	203	823	862
Fossebrook Primary School	341	59	6	143	549	454
Braunstone Community Primary School	1,681	262	12	451	2,406	2,425
Merrydale Junior School	1,299	202	22	320	1,843	1,618
Leighfield Primary School	549	84	9	225	867	496
Elimination of transactions between Trust entities	-	-	-	-	-	(1,023)
	14,273	2,790	239	4,313	21,615	20,220

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**NOTES TO THE FINANCIAL STATEMENTS
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21. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	<i>Balance at 1 September 2016 £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 2017 £000</i>
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	-	(715)	8,477	-	28,951
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>(715)</u>	<u>295</u>	<u>-</u>	<u>29,334</u>
Total restricted funds	<u>17,424</u>	<u>25,325</u>	<u>(21,054)</u>	<u>-</u>	<u>1,004</u>	<u>22,699</u>
Total of funds	<u><u>18,830</u></u>	<u><u>26,752</u></u>	<u><u>(21,668)</u></u>	<u><u>-</u></u>	<u><u>1,004</u></u>	<u><u>24,918</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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A CURRENT YEAR 12 MONTHS AND PRIOR YEAR 12 MONTHS COMBINED POSITION IS AS FOLLOWS:

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (losses) £000	Balance at 31 August 2018 £000
Unrestricted funds						
Unrestricted funds	1,406	2,869	(1,479)	(720)	-	2,076
Teaching school	-	13	(13)	-	-	-
	<u>1,406</u>	<u>2,882</u>	<u>(1,492)</u>	<u>(720)</u>	<u>-</u>	<u>2,076</u>
Restricted funds						
General Annual Grant (GAG)	740	31,088	(32,192)	364	-	-
Other DfE/ESFA grants	-	1,770	(1,770)	-	-	-
Pupil Premium	-	2,631	(2,631)	-	-	-
Other Government grants	255	2,002	(2,004)	(102)	-	151
Other income	-	828	(828)	-	-	-
Teaching school	84	781	(798)	(24)	-	43
Donations	-	18	(18)	-	-	-
Transferred on conversion	-	34	(34)	-	-	-
Donated from single Academy	-	90	(90)	-	-	-
Pension reserve	(5,066)	(2,106)	(1,912)	-	3,178	(5,906)
	<u>(3,987)</u>	<u>37,136</u>	<u>(42,277)</u>	<u>238</u>	<u>3,178</u>	<u>(5,712)</u>
Restricted fixed assets funds						
Net book value	21,189	-	(1,353)	10,897	-	30,733
CIF capital grant	222	961	-	(1,074)	-	109
S106 grant	-	1,977	-	(1,979)	-	(2)
DFC grant	-	124	-	(84)	-	40
Salix loan	-	-	-	(32)	-	(32)
Transfer on conversion	-	5,327	-	(5,327)	-	-
Transfer from single Academy	-	1,909	-	(1,909)	-	-
Other capital	-	10	-	(10)	-	-
	<u>21,411</u>	<u>10,308</u>	<u>(1,353)</u>	<u>482</u>	<u>-</u>	<u>30,848</u>
	<u>17,424</u>	<u>47,444</u>	<u>(43,630)</u>	<u>720</u>	<u>3,178</u>	<u>25,136</u>
Total of funds	<u>18,830</u>	<u>50,326</u>	<u>(45,122)</u>	<u>-</u>	<u>3,178</u>	<u>27,212</u>

DISCOVERY SCHOOLS ACADEMIES TRUST LTD

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

22. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Tangible fixed assets	-	-	30,733	30,733
Current assets	4,666	194	147	5,007
Creditors due within one year	(2,590)	-	(6)	(2,596)
Creditors due in more than one year	-	-	(26)	(26)
Pension scheme liability	-	(5,906)	-	(5,906)
	2,076	(5,712)	30,848	27,212

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	<i>Unrestricted funds 2017 £000</i>	<i>Restricted funds 2017 £000</i>	<i>Restricted fixed asset funds 2017 £000</i>	<i>Total funds 2017 £000</i>
Tangible fixed assets	-	-	28,951	28,951
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)
	2,219	(6,635)	29,334	24,918

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

	2018 £000	2017 £000
Net income for the year (as per Statement of Financial Activities)	120	5,084
Adjustment for:		
Depreciation charges	638	715
Interest receivable	(1)	-
Fixed assets donated/transferred on conversion	-	(7,236)
Pension transferred from Single Academy/Local Authority on conversion	-	2,106
Cash transferred on donation/from Local Authority on conversion	-	(183)
Decrease/(increase) in debtors	74	(661)
Increase in creditors	703	361
Capital grants from DfE and other capital income	(363)	(1,107)
Defined benefit pension scheme cost less contributions payable	992	586
Defined benefit pension scheme finance cost (note 15)	185	149
Net cash provided by/(used in) operating activities	2,348	(186)

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24. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018	<i>2017</i>
	£000	<i>£000</i>
Cash in hand	3,828	<i>3,541</i>
Total	3,828	<i>3,541</i>

25. CAPITAL COMMITMENTS

At 31 August 2018 the Academy had capital commitments as follows:

	2018	<i>2017</i>
	£000	<i>£000</i>
Contracted for but not provided in these financial statements	337	<i>156</i>

26. 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 £308,441 were payable to the schemes at 31 August 2018 (*2017 - £267,066*) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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26. PENSION COMMITMENTS (continued)

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

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

The employer's pension costs paid to TPS in the period amounted to £1,214,000 (2017 - £1,117,000).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £1,462,000 (2017 - £1,235,000), of which employer's contributions totalled £1,161,000 (2017 - £970,000) and employees' contributions totalled £301,000 (2017 - £265,000). 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:

	2018	2017
Discount rate for scheme liabilities	2.80 %	2.50 %
Rate of increase in salaries	3.30 %	3.40 %
Rate of increase for pensions in payment / inflation	2.30 %	2.40 %
Inflation assumption (CPI)	2.30 %	2.40 %
Commutation of pensions to lump sums	50.00 %	50.00 %

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26. PENSION COMMITMENTS (continued)

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

	2018	2017
Retiring today		
Males	22.1	22.1
Females	24.3	24.3
Retiring in 20 years		
Males	23.8	23.8
Females	26.2	26.2

	At 31 August 2018	<i>At 31 August 2017</i>
	£000	<i>£000</i>
Sensitivity analysis		
Discount rate +0.1%	(485)	<i>(452)</i>
Discount rate -0.1%	485	<i>452</i>
Mortality assumption - 1 year increase	687	<i>652</i>
Mortality assumption - 1 year decrease	(687)	<i>(652)</i>
CPI rate +0.1%	395	<i>353</i>
CPI rate -0.1%	(395)	<i>(353)</i>

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

	Fair value at 31 August 2018	<i>Fair value at 31 August 2017</i>
	£000	<i>£000</i>
Equities	6,992	<i>6,303</i>
Bonds	3,045	<i>1,881</i>
Property	1,015	<i>753</i>
Cash	225	<i>470</i>
	<hr/>	<hr/>
Total market value of assets	11,277	<i>9,407</i>
	<hr/> <hr/>	<hr/> <hr/>

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

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

	2018	<i>2017</i>
	£000	<i>£000</i>
Current service cost	(2,153)	<i>(1,551)</i>
Past service cost	-	<i>(5)</i>
Interest income	252	<i>155</i>
Interest cost	(437)	<i>(304)</i>
	<hr/>	<hr/>
Total	(2,338)	<i>(1,705)</i>
	<hr/> <hr/>	<hr/> <hr/>
Actual return on scheme assets	476	<i>1,090</i>
	<hr/> <hr/>	<hr/> <hr/>

The Academy expects to contribute £1,258,000 to its defined benefit pension scheme in 2019.

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

	2018	<i>2017</i>
	£000	<i>£000</i>
Opening defined benefit obligation	16,310	<i>10,567</i>
Current service cost	2,153	<i>1,551</i>
Interest cost	437	<i>304</i>
Employee contributions	301	<i>265</i>
Actuarial gains	(1,950)	<i>(69)</i>
Benefits paid	(68)	<i>(44)</i>
Past service costs	-	<i>5</i>
Liabilities assumed in a business combination	-	<i>3,731</i>
	<hr/>	<hr/>
Closing defined benefit obligation	17,183	<i>16,310</i>
	<hr/> <hr/>	<hr/> <hr/>

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

	2018	<i>2017</i>
	£000	<i>£000</i>
Opening fair value of scheme assets	9,407	<i>5,501</i>
Interest income	252	<i>155</i>
Actuarial gains	224	<i>935</i>
Employer contributions	1,161	<i>970</i>
Employee contributions	301	<i>265</i>
Benefits paid	(68)	<i>(44)</i>
Assets acquired in a business combination	-	<i>1,625</i>
	<hr/>	<hr/>
Closing fair value of scheme assets	11,277	<i>9,407</i>
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS
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27. OPERATING LEASE COMMITMENTS

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

	2018	<i>2017</i>
	£000	<i>£000</i>
Amounts payable:		
Within 1 year	17	<i>12</i>
Between 1 and 5 years	23	<i>23</i>
Total	40	<i>35</i>

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

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 Ltd, 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 Ltd, and within which is contained a termination clause on the Trustees of Discovery Schools Academies Ltd 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 services.

Total services charged by Inspiring Leaders Limited in respect of course and conference costs amounted to £38,433 (2017 - £16,929). There were no amounts outstanding at the balance sheet date.

Total recharges made to Inspiring Leaders Limited for staff costs, consultancy fees and venue hire amounted to £13,140 (2017 - £14,418). The amount outstanding at the balance sheet date was £6,940 (2017 - £7,404).

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 in respect of project costs amounted to £3,060 (2017 - £320). The amount outstanding at the balance sheet date was £Nil (2017 - £Nil).

Total recharges for membership to the Affinity Teaching School Alliance and course costs made to Barwell C of E Academy amounted to £5,209 (2017 - £41,233). The amount outstanding at the balance sheet date was £Nil (2017 - £255).

The Academy Trust made recharges and received services from Moir Wade Design Limited, a company in which the husband of the Headteacher of Fossebrook Primary School is a Director.

Total recharges made to Moir Wade Design Limited for awards sponsorship amounted to £700 (2017 - £Nil). The amount outstanding at the balance sheet date was £700 (2017 - £Nil).

The Academy Trust received services from CFV Limited, an education consultancy company in which Celia Varley, member of the Trust, owns.

Total services charged by CFV Ltd in relation to school improvement services amounted to £1,250 (2017 - £1,250). There was no amounts outstanding at the balance sheet date.

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

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**NOTES TO THE FINANCIAL STATEMENTS
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29. CONTROLLING PARTY

The Academy is ultimately controlled by the Governing Body.

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. COMPARATIVES

During the current year the financial statements included 13 schools, the Affinity Teaching School School Alliance and School-Centred Initial Teacher Training (SCITT) for the entire year. This includes the following 4 Academies which joined the Trust during the prior 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 Primary School on 1 February 2017.