

**The Pegasus Academy
Trust**

**Annual Report and
Financial Statements**

Year ended 31 August 2016

Company Limited by Guarantee
Registration Number 07542114
(England and Wales)

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Reference and administrative information

Members	Richard Hill Kevin Smith Geraldine Vassell
Directors	Richard Hill (Chair) Susan Bittle (resigned 25 September 2015) Shelley Davies Fiona Fearon (appointed 20 May 2016) Gary Griffin Maciej Idzikowski (resigned 29 November 2015) Muhummad Umar Quarashi Jolyon Roberts Lynne Sampson Kevin Smith Geraldine Vassell
Company Secretary	Roger Melody
Senior Leadership Team	
Executive Principal	Jolyon Roberts
Executive Principal	Lynne Sampson
Head of School – Whitehorse Infants	Nina Achenbach
Head of School – Beulah Infants	Deborah Butler
Head of School – Ecclesbourne	Paul Robins
Head of School – Whitehorse Infants	Sharon Russell
Director of Finance & Resources	Roger Melody
Registered office	Whitehorse Manor Junior School Whitehorse Road Thornton Heath Croydon Surrey CR7 8SB
Company registration number	07542114
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL

Reference and administrative information

Bankers	Royal Bank of Scotland 747 Attercliffe Road Sheffield S9 3RF
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Directors' report (including the strategic report) Year ended 31 August 2016

The Directors of The Pegasus Academy Trust (the 'Trust') present their statutory report together with the financial statements of the charitable company for the year ended 31 August 2016.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and it is also the report of the directors for the purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out on pages 24 to 30 of the attached financial statements and comply with the Trust's memorandum and articles of association, applicable laws and *Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102)*, effective from accounting periods commencing 1 January 2015 or later.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Pegasus Academy Trust was incorporated as a company limited by guarantee with no share capital (Company Registration No. 07542114) on 24 February 2011. As at 1 August 2011, The Pegasus Academy Trust became an exempt charity for the purpose of the Charities Act 2011. At this date, the principal regulator of the charitable company changed from the Charity Commission to the Department for Education (DfE). The Education Funding Agency (EFA) (an executive agency of the DfE) carries out the role of principal regulator on behalf of the DfE.

The charitable company's memorandum and articles of association are the primary governing documents of The Pegasus Academy Trust.

Details of the Directors who served throughout the period and were in office at the date of approval of the financial statements, except as noted, are included in the reference and administrative information on page 1.

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 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.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Principal activities

The Trust's primary object, as set out in the articles of association is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum. It achieves this by running four schools within the trust; Whitehorse Manor Junior School, Whitehorse Manor Infant School, Ecclesbourne Primary School and Beulah Infant and Nursery School. The Trust also runs Thornton Heath Nursery School under a service level agreement on behalf of Croydon Council. In total the Trust is responsible for over 1,500 pupils between the ages of two and eleven and has approximately 250 members of staff to support them.

In addition, as part of our educational mission and in order to ensure that our facilities are available to the wider community the Trust runs Breakfast and After School Clubs at each of its sites at very competitive rates.

Method of recruitment and appointment of Directors

In accordance with the articles the Board of Directors comprises as a minimum: one Local Authority Director, three Academy Directors, who are chairs of Academy Councils, One Local Community Director and the Executive Principals.

Policies and procedures adopted for the induction and training of Directors

All new Directors receive a full induction pack on appointment. Regular training for Directors is provided as appropriate, for example, on safeguarding and on their role as directors of a charitable company.

Organisational structure

For the period covered by these financial statements, the Board of Directors was responsible for overseeing the Academy Councils (local advisory bodies) at each of the four schools

During the accounting period the Board of Directors has been responsible for: setting the general policies by which the Trust will operate; providing overall strategic direction; making decisions on key employees; making decisions on major items of expenditure; monitoring the overall financial position during 2015/16; and setting the 2016/17 budget.

The Executive Principals have overall responsibility for the strategic and operational direction of the Trust. They also have overall responsibilities for the schools within the Trust. Jolyon Roberts is responsible as Accounting Officer to Central Government in terms of operational and educational attainment, standards and services for the schools within the Trust. The Executive Principals provide the strategic and operational vision for the Trust in terms of guidance, accountability, external and internal assurance.

The Senior Leadership Team, comprising the Executive Principals, Heads of School and the Director of Finance and Resources, provide the operational leadership and control for the Trust's activities. They meet weekly as a group, also involving the deputy Heads of School and focus on educational attainment, operational efficiency and effectiveness.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Arrangements for setting pay and remuneration of key management personnel

The key management personnel of the Trust responsible for directing and controlling the Trust comprise the Directors together with the Senior Leadership Team (listed on page 1). Directors are not remunerated for their services as directors of the Trust. However, certain Directors (Staff Governors) are remunerated in their capacity as employees of the Trust.

Salary ranges for the Executive Principals and Heads of School are set in accordance with the provisions of the School Teachers' Pay and Conditions Document. Progression through the pay range depends on an annual review of performance using the Trust's performance management process. This takes into account performance objectives, pupil progress, leadership and management, and other evidence as appropriate. Decisions on progression rest ultimately with the Remuneration Committee.

In relation to the Director of Finance and Resources, the Remuneration Committee has set a pay range, and annual progression within that range is subject to satisfactory annual assessment under the Trust's appraisal scheme.

OBJECTIVES AND ACTIVITIES

The principal object and activity of the Trust is to advance for the public benefit education in the United Kingdom, by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum.

The Trust has adopted an admissions policy approved by the Secretary of State for Education and financial policies and procedures based on those recommended for academy trusts by the Department for Education. These policies specify, amongst other things, the basis for admitting pupils to the four schools and the curriculum that is provided.

Public benefit

The Directors confirm that they have complied with their duties under the Charities Act 2011. They have considered the public benefit guidance published by the Charity Commission and believe that they have followed its guidance in this area. The Directors' report gives a description of the activities undertaken by the Trust during the period in furtherance of its charitable purposes, and the Directors are satisfied that such activities provide public benefit.

Equal opportunities

The Directors recognise that equal opportunities should be an integral part of good practice in the workplace. The Trust aims to maintain equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all pupils and employees are fully valued. The commitment to equality of opportunity of all potential employees is specifically considered at the interview stage.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Disabled persons

The Trust takes all reasonable steps to ensure that there is appropriate access for all persons to all main areas of the Trust's schools. The Trust supports the recruitment and retention of staff and students that have disabilities and will, wherever possible ensure that any necessary support is provided.

STRATEGIC REPORT

Achievements and performance

Throughout the 2015/16 academic year, The Pegasus Academy Trust continued to provide a good education to its pupils. The brand new satellite of Whitehorse Manor which opened on 1 September 2014 has proved to be a popular option with parents.

Beulah Infant and Nursery School became part of the Trust on 1 September 2014 and by August 2016 we had largely completed a major programme of improvement works. This, together with the improvement in teaching and learning is helping to improve the reputation of the school.

Although not part of the Trust, Thornton Heath Nursery School is managed by the Trust under a service level agreement with Croydon Council. Having quickly taken the School from 'Requires Improvement' to a 'Good' Ofsted ranking in 2015 we have continued to improve the School.

Across the Trust, the quality of teaching and learning continues to improve with all previous inadequate teaching now eradicated.

Leadership across the Trust is judged to be at least 'good' and we are confident that this can be sustained and built upon. The seven strong Senior Leadership Team is supported by the Board of Directors which provides guidance on strategic direction and rigorous challenge to all aspects of our work. The effectiveness of the Trust is recognised by the Local Authority and the DfE who include The Pegasus Academy Trust on their list of preferred academy sponsors. We are regularly approached by The Schools' Regional Commissioner, the Local Authority and local Headteachers interested in the possibility of the Trust becoming their sponsor. We are currently in advanced discussions with one primary school which wishes to join the Trust.

As part of its commitment to maximising the use of our facilities by the local community and meeting the needs of our working parents, the Trust continues to provide wraparound care facilities to through its breakfast and after-school clubs. Currently up to one hundred and fifty children per day benefit from this programme.

STRATEGIC REPORT (continued)

Financial review

Financial report for the year

The Trust's total income for the year ended 31 August 2016 amounted to £8,802,000 (2015 - £14,010,000). Included within the 2014/15 figures is a total of £5,900,000 relating to sites which the Trust took over during 2014/15. The first is the Whitehorse Manor site at Brigstock Road which was financed by the Local Authority (£3,700,000) and the second is the property utilised by the pupils of Beulah Infant and Nursery School which was inherited at no cost from the Local Authority upon Beulah joining the Trust (£2,200,000).

The bulk of the Trust's income was obtained from the EFA, an agency of the DfE, the use of which is restricted to particular educational purposes. The grants received from the EFA in the year ended 31 August 2016 and the associated expenditure are shown as restricted in the statement of financial activities.

During the year ended 31 August 2016 total expenditure amounted to £9,111,000 (2015 - £8,716,000). 70% (2015 - 70%) of the Trust's expenditure relates to staff costs which totalled £6,407,000 for the year ended 31 August 2016 (2015 - £6,084,000).

The deficit for the year (before actuarial losses on the Local Government Pension Scheme) was £309,000 (2015 - surplus of £5,294,000). Excluding the pension adjustments in respect of the LGPS, the movements on the fixed assets fund and other amounts inherited from the Local Authority upon Beulah Infant and Nursery School joining the Trust, the operational surplus for the year was £277,000 (2015 - £351,000).

Financial position

The Trust held fund balances at 31 August 2016 of £22,617,000 (2015 - £24,154,000) comprising £25,583,000 (2015 - £25,510,000) restricted fixed asset fund, a deficit of £3,432,000 (2015 - £2,034,000) on the general restricted fund, which includes a deficit on the pension reserve of £3,683,000 (2015 - £2,327,000), and unrestricted general funds of £466,000 (2015 - £678,000). Movements in the pension scheme reserve are shown in note 19.

Reserves policy

The review of reserves encompasses the nature of income and expenditure streams and the need to match income with commitments.

The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. At 31 August 2016, the Trust's free reserves, equating to the unrestricted general fund balance, amounted to £466,000 (2015 - £678,000).

STRATEGIC REPORT (continued)

Financial review (continued)

During the year ended 31 August 2016 the Trust reviewed its reserves policy. The key factors taken into account were:

- ◆ Potential changes to funding formulae that impact on the Trust;
- ◆ Assumptions regarding inflation;
- ◆ Individual school's condition survey and capital projects;
- ◆ The Trust's track record in budget management;
- ◆ Our experience in absorbing Beaulah Infants School into the Trust;
- ◆ The prospects for absorbing other schools into the Trust; and
- ◆ An assessment of external risks.

After this review the Board maintained a policy of reserves being 4% to 8% of annual income over the long term. It anticipated that this limit would be temporarily exceeded by August 2016 but it was felt this would be acceptable until we knew the outcome of discussions on another school joining the Trust and the financial implications of that happening.

The fund balances at the year end are adequate to fulfil the obligations of the Trust and provide a balance against most unforeseen future events. Whilst general restricted funds were in deficit by £3,432,000 at 31 August 2016, the deficit is almost entirely because of the Local Government Pension Scheme liability.

As the Local Government Pension Scheme is a funded scheme, employers' pension contributions will increase in line with the deficit over a period of years. The Trust will not be liable for a lump sum and the increased pension contribution will be met from the Trust's budgeted annual income. In addition, 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. Accordingly, there is no direct impact on the Trust's free reserves in recognising the deficit on the pension scheme.

Principal risks and uncertainties

The Trust has undertaken a review of the main areas of risk which it faces and where appropriate, procedures, and written policies covering these areas are being developed and agreed by the Board of Directors.

STRATEGIC REPORT (continued)

The Trust regularly reviews its risk management process to assess business risks and to implement risk management strategies (as considered appropriate by the Board). This process will involve identifying the types of risk the Trust faces, scoring and prioritising the risks in terms of their potential operational and financial impact, assessing the likelihood of occurrence and identifying means of mitigating the risks.

The main areas of risk and uncertainty which the Trust faces are:

- ◆ There might be insufficient staff to deliver services to the appropriate level. This is a risk many schools face, particularly in London. Actions taken to mitigate this risk include developing a competitive remuneration policy, establishing links with training schools, investing in the CPD of existing staff and creating conditions in which staff feel committed to the Trust.
- ◆ Our pupils' academic achievement falls below acceptable levels. Mitigating actions include regular internal assessment of pupils' progress and external moderation.
- ◆ Financial resources being stretched, particularly by the real terms decline in funding levels. Mitigating actions include a cautious reserves policy, and tight budgetary controls.

Future plans

The Trust has completed the refurbishment of the Beulah site and the new Brigstock Road annex of the two Whitehorse schools is on target to be fully occupied by September 2018. The Trust remains interested in expanding and recognises that to do so it is likely to have to consider areas other than Thornton Heath. We have had discussions with three other schools in the South London area and in one of the cases discussions have advanced to the point where the converting school has identified the Trust as its preferred sponsor. We are hopeful that approval will be given by the Regional Schools Commissioner in time to allow that school to join the Trust by the summer term of 2017.

In the medium term the Trust remains committed to establishing a secondary school although proposals are unlikely to be submitted before 2017/18.

Directors' report (including the strategic report) Year ended 31 August 2016

AUDITORS

Insofar as the Directors are aware:

- ♦ there is no relevant audit information of which the Trust's auditor is unaware; and
- ♦ the Directors 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.

Approved by the Board of Directors and signed on its behalf by:



Richard Hill
Chair of the Board of Directors

Approved by the Directors on: 16/12/2016

Scope of responsibility

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

In 2015/16, the Board of Directors has delegated the day-to-day responsibility to the Executive Principals, as Accounting Officers, 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 the Academy Trust and the Secretary of State for Education. The Executive Principals were also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control. As noted below, further to recommendations made by the Regional Schools' Commissioner, the structure was modified so that with effect from November 2016, the role of Accounting Officer resides with just one individual, Jolyon Roberts.

Governance

The information on governance included here supplements that described in the Directors' report and in the statement of Directors' responsibilities. The Board of Directors have formally met six times during the year. Attendance during the year at meetings of the Directors was as follows:

Director	Role	Number of meetings attended	Out of a possible
Richard Hill	Academy Director (Chair)	6	6
Susan Bittle	Staff Director	1	1
Shelley Davies	LA Director	3	6
Fiona Fearon	Academy Director	2	2
Gary Griffin	Co-opted Director	6	6
Maciej Idzikowski	Co-opted Director	0	1
Muhammad Umar Qurashi	Academy Director	3	6
Jolyon Roberts	Executive Principal	5	6
Lynne Sampson	Executive Principal	5	6
Kevin Smith	Academy Director	5	6
Geraldine Vassell	Co-opted Director	5	6

Changes to the composition of the Board during the year included the resignation of Susan Bittle, a staff representative on the Board and Maciej Idzikowski, a co-opted member. Fiona Fearon was appointed as an Academy Director on 20 May 2016. Umar Quaraishi's status was amended on 20 May 2016 from Academy Director to Community Member.

Governance (continued)

The Finance Committee is a sub-committee of the main Board of Directors. The purpose of the Finance Committee is to assist the decision making of the Board of Directors, by enabling more detailed consideration to be given to the best means of fulfilling the Board of Directors' responsibility to ensure sound management of the Trust's finances and resources, including proper planning, monitoring and probity. The Finance Committee is required to make appropriate comments and recommendations on such matters to the Board of Directors on a regular basis. Major issues identified by the Committee are referred to the Board of Directors for ratification. Membership is made up of four Directors (including the Executive Principals) together with the Director of Finance and Resources. Current membership comprises Richard Hill (Academy Director), Kevin Smith (Academy Director), the two Executive Principals and the Director of Finance and Resources.

Attendance at meetings in the year was as follows:

Committee Member	Number of meetings attended	Out of a possible
Richard Hill	2	3
Roger Melody	3	3
Jolyon Roberts	3	3
Lynne Sampson	2	3
Kevin Smith	3	3
Gary Griffin	1	1

Since its creation the Trust has had two Executive Principals with both also having the role of Accounting Officer. During the continuing discussions about the Trust absorbing another school the office of the Regional Schools' Commissioner expressed a strong preference for the role of Accounting Officer to reside with just one individual. We have therefore modified our structure so that effective from November 2016 Jolyon Roberts is the sole Accounting Officer.

Governance review

In the light of the Trust's success and expansion, commitment to education at the highest level and the desire to expand further, the Board of Directors formed a working group which aims to review the Trust's governance and leadership arrangements and recruitment and retention policies.

A review is currently on-going into the overall governance of the Trust in terms of the committee/sub-committee structure, scheme of delegation and relationship between the Board and the Local Governing Bodies of individual schools. The review will incorporate a review of the skills and effectiveness of individual Directors and the impact and effectiveness of the Board as a whole.

Review of value for money

The Accounting Officer has responsibility for ensuring that the 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.

Review of value for money (continued)

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during the academic year, and reports to the Board of Directors where value for money can be improved, including the use of benchmarking data where available.

Actions which we took during the year to bring improved value for money included an internal review and subsequent improvement of our financial control procedures.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Trust's 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 at the Trust for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Board of Directors has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is an ongoing process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

The risk and control framework

The 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 Directors;
- ◆ regular reviews by the Finance 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;

The risk and control framework (continued)

- ◆ identification and management of risks.

The Board of Directors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Directors have appointed JCA School Support Services Ltd as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems. The Responsible Officer visited the Trust during the year (as planned) and carried out a series of comprehensive checks on the internal control system in the Trust. The RO produced a report with recommendations which was presented to the Board. The report highlighted particular areas where improvements could be made. The various recommendations stated in the report have been used to design and implement an on-going action plan which is reviewed by the Board quarterly.

Review of effectiveness

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

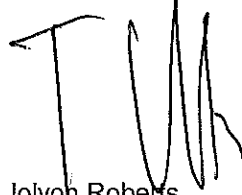
- ◆ the work of the Responsible Officer;
- ◆ the work of the external auditor;
- ◆ the financial management and governance self-assessment process;
- ◆ the work of the senior leadership team within the Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of his review of the system of internal control by the Finance Committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the Board of Directors and signed on its behalf by:



Richard Hill
Chair of the
Board of Directors



Jolyon Roberts
Executive Principal
and Accounting Officer

Approved on: 16/12/2016

Statement on regularity, propriety and compliance 31 August 2016

As Accounting Officer of The Pegasus Academy Trust (the 'Trust'), I have considered my responsibility to notify the Board of Directors and the Education Funding Agency (EFA) of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the Trust's Board of Directors are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook 2015.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

A handwritten signature in black ink, appearing to read 'Jolyon Roberts', written over the printed name.

Jolyon Roberts
Executive Principal and Accounting Officer

Date: 16/12/16

Statement of Directors' responsibilities 31 August 2016

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities' SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards (FRS 102) 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 Trust will continue in operation.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Trust 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 Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the charity and financial information included on the Trust'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 Board of Directors and signed on its behalf by:



Richard Hill
Chair of the Board of Directors

Date: 16/12/2016

Independent auditor's report on the financial statements to the members of The Pegasus Academy Trust

We have audited the financial statements of The Pegasus Academy Trust for the year ended 31 August 2016 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

This report is made solely to the charitable company'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 charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the statement of Directors' responsibilities set out in the Directors' report, the Directors of The Pegasus Academy Trust (who are also the trustees of the charitable company for the purposes of charity legislation) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report, including the strategic report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report on the financial statements Year ended 31 August 2016

Opinion

In our opinion:

- ◆ the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its income and expenditure, for the year then ended;
- ◆ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ the financial statements have been prepared in accordance with the Companies Act 2006; and
- ◆ the financial statements have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2015 to 2016.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 Directors' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit.



Katharine Patel, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

22 December 2016

Independent reporting accountant's assurance report on regularity to The Pegasus Academy Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 3 September 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Pegasus Academy Trust during the period from 1 September 2015 to 31 August 2016 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 The Pegasus Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Pegasus Academy Trust and the EFA 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 The Pegasus Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Pegasus Academy Trust's Accounting Officers and the reporting accountant

The Accounting Officers are responsible, under the requirements of The Pegasus Academy Trust's funding agreement with the Secretary of State for Education dated 31 March 2011 and the Academies Financial Handbook, extant from 1 September 2015, 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 2015 to 2016. 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 period from 1 September 2015 to 31 August 2016 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 2015 to 2016 issued by the EFA. 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.

Independent reporting accountant's report on regularity Year ended 31 August 2016

Approach (continued)

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 Trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the Trust's activities;
- ◆ Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

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 period from 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

22 December 2016

Statement of financial activities Year ended 31 August 2016

(including an income and expenditure account)

		Restricted funds				Year to
	Notes	Unrestricted funds £'000	General funds £'000	Fixed asset funds £'000	Year to 31 August 2016 £'000	31 August 2015 (restated) £'000
Income from:						
Donations and capital grants	1	—	—	153	153	4,278
Transfer from Local Authority on conversion	21	—	—	—	—	1,368
Investments	2	3	—	—	3	3
Other trading activities	3	802	—	—	802	510
Charitable activities						
. Funding for the Academy Trust's educational operations	4	—	7,844	—	7,844	7,851
Total income		805	7,844	153	8,802	14,010
Expenditure						
Charitable activities:						
. Academy Trust's educational operations	6	486	8,014	611	9,111	8,716
Total expenditure	5	486	8,014	611	9,111	8,716
Net income (expenditure) before transfers						
		319	(170)	(458)	(309)	5,294
Transfers between funds	14	(531)	—	531	—	—
Net (expenditure) income		(212)	(170)	73	(309)	5,294
Other recognised gains and losses						
. Actuarial losses on defined benefit pension scheme	19	—	(1,228)	—	(1,228)	(34)
Net movement in funds		(212)	(1,398)	73	(1,537)	5,260
Fund balances brought forward at 1 September 2015						
		678	(2,034)	25,510	24,154	18,894
Fund balances carried forward at 31 August 2016						
		466	(3,432)	25,583	22,617	24,154

All of the Trust's activities were derived from continuing operations during the above two financial periods.

All recognised gains and losses are included in the above statement of financial activities.

Balance sheet 31 August 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible fixed assets	11		25,583		25,510
Current assets					
Debtors	12	346		426	
Cash at bank and in hand		1,073		1,222	
		1,419		1,648	
Liabilities					
Creditors: amounts falling due within one year	13	(702)		(677)	
Net current assets			717		971
Net assets excluding pension scheme liability			26,300		26,481
Pension scheme liability	19		(3,683)		(2,327)
Total net assets			22,617		24,154
The funds of the Academy Trust:					
Restricted funds	14				
. General funds		251		293	
. Pension reserve		(3,683)		(2,327)	
		(3,432)		(2,034)	
. Fixed assets fund		25,583		25,510	
			22,151		23,476
Unrestricted funds	14				
. General fund			466		678
Total funds			22,617		24,154

Approved by the Board of Directors and signed on its behalf by:



Richard Hill
Chair of the Board of Directors

Approved on: 16/12/2016

Company registration number: 07542114 (England and Wales)

Statement of cash flows Year ended 31 August 2016

		2016 £'000	2015 £'000
Net cash inflow from operating activities			
Net cash provided by operating activities	A	379	457
Cash flows from investing activities	B	(528)	(17)
Change in cash and cash equivalents in the year		(149)	440
Cash and cash equivalents at 1 September 2015		1,222	782
Cash and cash equivalents at 31 August 2016	C	1,073	1,222

A Reconciliation of (expenditure) income to net cash flow from operating activities

	2016 £'000	2015 £'000
Net (expenditure) income for the year (as per the statement of financial activities)	(309)	5,294
Adjusted for:		
Depreciation (note 11)	611	569
Capital grants from DfE and other capital income	(153)	(6,479)
Interest receivable (note 2)	(3)	(3)
Defined benefit pension scheme obligation inherited	—	949
Defined benefit pension scheme cost less contributions payable (note 19)	42	53
Defined benefit pension scheme finance cost (note 19)	86	81
Decrease (increase) in debtors	80	(213)
Increase in creditors	25	206
Net cash provided by operating activities	379	457

B Cash flows from investing activities

	2016 £'000	2015 £'000
Interest received	3	3
Purchase of tangible fixed assets	(684)	(599)
Capital grants from DfE/EFA	153	579
Net cash used in investing activities	(528)	(17)

C Analysis of cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	1,073	1,222
Total cash and cash equivalents	1,073	1,222

Principal accounting policies Year ended 31 August 2016

Statement of accounting policies

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

Basis of preparation

The financial statements of the Academy Trust has been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 2015), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

The Pegasus Academy Trust meets the definition of a public benefit entity under FRS 102. The financial statements are presented in Sterling to the nearest thousand pound.

Transition to FRS 102

First time adoption of FRS 102

These financial statements are the first financial statements of The Pegasus Academy Trust prepared in accordance with FRS 102 and the Charities SORP 2015. The financial statements of The Pegasus Academy Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Directors have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Explanation of transition to FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Transition to FRS 102 (continued)

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on net income for the comparative period reported under previous UK GAAP and SORP 2005 are given below. There were no changes to the fund balances as at 1 September 2014 or 31 August 2015 as a result of the transition to FRS 102 and SORP 2015.

Reconciliation of net income	2015 £'000
Net income reported under previous UK GAAP	5,323
Change in recognition of LGPS interest cost (A)	(29)
Net income reported under FRS 102	5,294

A – Change in recognition of LGPS interest cost

Under previous UK GAAP the Academy Trust recognised an expected return on defined benefit plan assets in income. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit to expense by £29,000 and increase the credit in other recognised gains and losses in the statement of financial activities by an equivalent amount.

Going concern

The Directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Academy Trust to continue as a going concern. The Directors 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.

Income

All income is recognised when the Academy Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Income (continued)

Grants

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.

The General Annual Grant is recognised in full in the statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities and catering income, is recognised in the period it is receivable and to the extent the Academy Trust has provided the goods or services.

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.

Charitable activities

These are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

All resources expended are stated net of recoverable VAT.

Principal accounting policies Year ended 31 August 2016

Tangible fixed assets

All assets costing more than £500 and with an expected useful life exceeding one year are capitalised.

Depreciation is charged on a straight-line basis beginning in the year in which the asset is brought into use at the following rates

- ◆ Leasehold buildings – 2% per annum;
- ◆ Computer equipment – 33.3% per annum;
- ◆ Furniture and equipment – 20% per annum.

Where fixed assets have been acquired with the aid of specific grants or donated to the Trust, they are included in the balance sheet at cost or an appropriate valuation and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Debtors

Debtors are recognised at their settlement amount less any provision for non-recoverability. Prepayments are valued at the amounts prepaid.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand.

Liabilities

Liabilities 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

Provisions are recognised when the Academy Trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions (continued)

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.

Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term.

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.

Pensions benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government 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. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

Pensions benefits (continued)

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability 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.

Fund accounting

Unrestricted general funds represent monies which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the Directors.

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education and other funders.

Critical accounting estimates and areas of judgement

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

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:

Critical accounting estimates and areas of judgement (continued)

- ◆ 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 19, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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; and,
- ◆ The net book value of tangible fixed assets is based on the original cost/value of the asset net of provision for depreciation. The depreciation provision to date is based on the Directors' assessment of the estimated useful economic lives of such assets. The basis of the original valuation of the long leasehold properties (which from 1 September 2014, the date of transition to FRS 102, were deemed to be equal to its cost) is disclosed in note 11 to the financial statements.

Notes to the financial statements Year ended 31 August 2016

1 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2016 £'000	Year to 31 August 2015 £'000
Capital donations	—	—	—	3,700
Capital grants	—	153	153	578
	—	153	153	4,278

Capital donations for the year ended 31 August 2015 related to the new Whitehorse Manor site at Brigstock Road which was made available to the Trust from 1 September 2014 by the London Borough of Croydon on a 125 year lease.

2 Investments

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2016 £'000	Year to 31 August 2015 £'000
Bank interest	3	—	3	3

3 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2016 £'000	Year to 31 August 2015 £'000
Trip income	35	—	35	31
Catering	95	—	95	83
Lettings income	131	—	131	5
Miscellaneous income	541	—	541	391
	802	—	802	510

4 Funding for the Academy Trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2016 £'000	Year to 31 August 2015 £'000
DfE/EFA revenue grants				
. General Annual Grant (GAG) (note 14)	—	6,210	6,210	5,866
. Other revenue grants	—	868	868	893
	—	7,078	7,078	6,759
Local Authority revenue grants				
. Other grants from the London Borough of Croydon	—	766	766	1,092
	—	766	766	1,092
	—	7,844	7,844	7,851

Notes to the financial statements Year ended 31 August 2016

5 Expenditure

	Staff costs (note 8) £'000	Premises £'000	Other costs £'000	Year to 31 August 2016 £'000	Year to 31 August 2015 (restated) £'000
Academy Trust's educational operations					
. Direct costs (note 6)	5,651	—	1,039	6,690	6,250
. Support costs (note 6)	756	558	1,107	2,421	2,466
	6,407	558	2,146	9,111	8,716

Net (expenditure) income for the year is stated after charging:

	Year to 31 August 2016 £'000	Year to 31 August 2015 £'000
Operating lease charges	8	14
Depreciation	611	569
Auditor's remuneration		
. Statutory audit	18	16
. Other services	2	4

6 Charitable activities – Academy Trust's educational operations

	2016 Total funds £'000	2015 Total funds (restated) £'000
Direct costs	6,690	6,250
Support costs	2,421	2,466
	9,111	8,716

	2016 Total funds £'000	2015 Total funds £'000
Analysis of support costs		
Support staff costs	756	855
Technology costs	44	144
Premises costs	558	545
Other support costs	971	833
Governance costs	92	89
Total support costs	2,421	2,466

Notes to the financial statements Year ended 31 August 2016

7 Comparative information

Analysis of income and expenditure in the year ended 31 August 2015 between restricted and unrestricted funds:

		Restricted funds		
	Unrestricted funds £'000	General funds £'000	Fixed asset funds £'000	Year to 31 August 2015 £'000
Income from:				
Donations and capital grants	—	—	4,278	4,278
Transfer from local authority on conversion	—	(832)	2,200	1,368
Investments	3	—	—	3
Other trading income	390	120	—	510
Charitable activities				
. Funding for the Academy Trust's educational operations	—	7,851	—	7,851
Total income	393	7,139	6,478	14,010
Expenditure				
Charitable activities:				
. Academy Trust's educational operations	139	8,008	569	8,716
Total resources expended	139	8,008	569	8,716
Net income (expenditure)	254	(869)	5,909	5,294
Transfers between funds	—	(21)	21	—
Actuarial losses on defined benefit pension scheme	—	(34)	—	(34)
Net movement in funds	254	(924)	5,930	5,260
Reconciliation of funds				
Total fund balances brought forward at 1 September 2014	424	(1,110)	19,580	18,894
Total fund balances carried forward at 31 August 2015	678	(2,034)	25,510	24,154

8 Staff

(a) Staff costs

Staff costs comprise:

	Year to 31 August 2016 £'000	Year to 31 August 2015 £'000
Wages and salaries	5,028	4,921
Social security costs	342	306
Other pension costs	769	725
	6,139	5,952
Agency costs	233	133
Staff severance payments (see below)	35	—
	6,407	6,085

(b) Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £34,660 (2015: £nil). Individually, the payments were: £27,500 and £7,160.

(c) Staff numbers

The average number of persons (including the senior management team) employed by the charitable company during the year ended 31 August 2016 was as follows:

	2016 Number	2015 Number
Teaching staff (including teaching assistants)	205	204
Administration and support	40	39
Management	3	3
	248	246

(d) Higher paid staff

The number of employees whose annualised emoluments fell within the following bands (including taxable benefits but excluding employer pension contributions), was:

	2016 Number	2015 Number
£60,001 - £70,000	3	2
£70,001 - £80,000	—	1
£80,001 - £90,000	2	1
£90,001 - £100,000	—	1

(e) Key management personnel

The key management personnel of the Academy Trust comprise the directors and the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £499,833 (2015: £490,464).

9 Directors' remuneration and expenses

Executive Principals and Staff Governors only receive remuneration in respect of services they provide in undertaking their role as employees of the Trust and not in respect of their services as Directors. Directors did not receive any payments from the Trust in respect of their role as Directors. The value of Directors' remuneration and other benefits was as follows:

	2016 £'000	2015 £'000
L Sampson (Executive Principal and Director)		
. Remuneration	85-90	85-90
. Employer's pension contributions	10-15	10-15
J Roberts (Executive Principal and Director)		
. Remuneration	85-90	90-95
. Employer's pension contributions	10-15	10-15
Susan Bittle (Staff Governor)		
. Remuneration	0-5	25-30
. Employer's pension contributions	0-5	0-5
Cheryl Peters (Staff Governor)		
. Remuneration	—	20-25
. Employer's pension contributions	—	n/a

None of the Directors were reimbursed expenses during the year as directors (2015 – none).

10 Central services

The Trust has provided the following services to its schools during the year.

- ♦ Strategic management;
- ♦ Human resources;
- ♦ Financial services;
- ♦ Legal services;
- ♦ Education support services;
- ♦ Catering; and
- ♦ Other services on an ad hoc basis.

The Trust charges for these services based on the ratio of pupil numbers across the four schools (excluding nursery students).

The amounts charged during the year were as follows:

	2016 £'000	2015 £'000
Ecclesbourne Primary School	157	326
Whitehorse Manor Infant School	132	507
Whitehorse Manor Junior School	145	435
Beulah Infant and Nursery School	89	210
	<u>523</u>	<u>1,478</u>

11 Tangible fixed assets

	Long leasehold land and buildings £'000	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 September 2015	26,116	505	278	26,899
Additions	569	58	57	684
At 31 August 2016	26,685	563	335	27,583
Depreciation				
At 1 September 2015	957	189	243	1,389
Charge for the year	532	65	14	611
At 31 August 2016	1,489	254	257	2,000
Net book value				
At 31 August 2016	25,196	309	78	25,583
At 31 August 2015	25,159	316	35	25,510

The Trust buildings, acquired under a 125 year lease on a peppercorn basis from the London Borough of Croydon, have been capitalised under long leasehold land and buildings. All of the properties were donated to the Trust by the London Borough of Croydon and the values attributed to the properties have been derived as follows:

- The Whitehorse Manor Infant and Junior School sites are included on the balance sheet based on a professional valuation dated 5 June 2014;
- The Ecclesbourne Primary School site is included on the balance sheet based on a professional valuation dated 1 September 2013;
- The Whitehorse Manor site at Brigstock Road is included on the balance sheet based on an insurance valuation as at 1 September 2015; and
- The Beulah Infant and Nursery School site is included on the balance sheet based on a professional valuation dated 1 April 2012.

As permitted by FRS 102, the directors have adopted a policy of not revaluing tangible fixed assets and, under the transitional arrangements set out in FRS 102, with effect from 1 August 2014, the value assigned to the properties as noted above are now deemed to be its cost. Any subsequent additions to the properties have been capitalised at cost.

12 Debtors

	2016 £'000	2015 £'000
Trade debtors	—	64
VAT recoverable	105	225
Prepayments and accrued income	241	137
	346	426

Notes to the financial statements Year ended 31 August 2016

13 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	210	184
Other tax and social security	113	99
Accruals	211	135
Deferred income (see below)	168	259
	702	677

Deferred income	£'000
Deferred income at 1 September 2015	259
Amounts released from previous years	(259)
Resources deferred in the year	168
Deferred income a 31 August 2016	168

Deferred income includes funding received from the Education Funding Agency for Universal Infant Free School Meals Income which is specifically received for the 2016/17 academic year.

14 Funds

	Balance at 1 September 2015 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2016 £'000
Restricted general funds					
DfE / EFA restricted funds					
. General Annual Grant (GAG)	—	6,210	(5,959)	—	251
. Other DfE/EFA revenue grants	293	226	(519)	—	—
. Pupil premium	—	642	(642)	—	—
Other restricted general funds					
. Local Authority grants	—	766	(766)	—	—
	293	7,844	(7,886)	—	251
. Pension reserve	(2,327)	—	(128)	(1,228)	(3,683)
Total restricted general funds	(2,034)	7,844	(8,014)	(1,228)	(3,432)
Restricted fixed asset funds					
. DfE / EFA and Local Authority capital grants	351	153	(79)	(38)	387
. Inherited from Local Authority	25,159	—	(532)	569	25,196
	25,510	153	(611)	531	25,583
Total restricted funds	23,476	7,997	(8,625)	(697)	22,151
Unrestricted general fund	678	805	(486)	(531)	466
Total funds	24,154	8,802	(9,111)	(1,228)	22,617

14 Funds (continued)

These grants relate to the Trust's development and educational activities.

General Annual Grant

The General Annual Grant (GAG) has been provided by the EFA in order to fund the normal running costs of the Academy Trust. Under the funding agreement with the Secretary of State, the Trust was not subject to limits on the amount of GAG that it could carry forward at 31 August 2016.

Other DfE/EFA revenue grants

This primarily includes Universal Infant Free School Meal Programme income receivable from the EFA to support disadvantaged children from low-income families.

Pupil Premium

This relates to income received from the EFA to support disadvantaged children from low-income families.

Other Local Authority grants

These are grants receivable from the London Borough of Croydon for specific purposes or projects.

Pension reserve

The pension reserve relates the deficit on the Academy Trust's share of the Local Government Pension Scheme as at 31 August 2016.

Restricted fixed asset funds

These funds relate to the Trust's holding of tangible fixed assets, predominantly the buildings held under a long lease with the London Borough of Croydon. Transfers to the restricted fixed assets fund from other restricted or unrestricted funds reflects the utilisation of such funds to cover the shortfall of any financing the Academy Trust's tangible fixed assets.

Analysis of funds by school

Fund balances at 31 August 2016 were allocated as follows:

	£'000
Ecclesbourne Primary School	5
Whitehorse Manor Infant School	501
Whitehorse Manor Junior School	479
Beulah Infant and Nursery School	(181)
Central Services	(87)
Total before fixed assets and pension reserve	717
Restricted fixed asset fund	25,583
Pension reserve	(3,683)
Total	22,617

14 Funds (continued)

Beulah's deficit arises from higher than expected costs of renovating the Beulah infrastructure, ongoing staff restructuring, and lower pupil numbers. We are confident that the improvements to the infrastructure, the steps we have taken to improve the quality of teaching will improve the school's reputation and lead to an increase in pupil numbers.

The deficit on Central Services arises mainly as a result of our decision to allocate the cost of one Executive Principal to the future development of the Academy Trust. Previously both Executive Principals had been charged to the schools. As noted the annual report, we are now in advanced discussions with another school which has expressed an interest in joining the Trust

Analysis of costs by school

Expenditure incurred by each school during the year (excluding depreciation) was as follows:

	Teaching and educational support staff costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs (excluding depreciation) £'000	Total £'000
Ecclesbourne Primary School	1,488	127	95	328	2,038
Whitehorse Manor Infant School	1,325	165	85	313	1,888
Whitehorse Manor Junior School	1,050	142	104	307	1,603
Beulah Infant and Nursery School	993	126	68	412	1,599
Central services	412	505	108	170	1,195
Total costs	5,268	1,065	460	1,530	8,323

15 Analysis of net assets between funds

	Unrestricted general funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	2016 Total funds £'000
Fund balances at 31 August 2016 are represented by:				
Fixed assets	—	—	25,583	25,583
Current assets	1,168	251	—	1,419
Creditors: amounts falling due within one year	(702)	—	—	(702)
Pension scheme liability	—	(3,683)	—	(3,683)
Total net assets	466	(3,432)	25,583	22,617

16 Related party transactions

Owing to the nature of the Trust's activities and the composition of the Board of Directors 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.

During the year ended 31 August 2016, the Trust incurred charges totalling £116,969 (2015 - £48,455) for various contracted services (IT, governance, HR, and other school improvement services) from Octavo Partnership Limited. Mr J Roberts is a Director of The Pegasus Academy Trust and also a Director of the Octavo Partnership Limited. At 31 August 2016, the Trust owed £26,365 in respect of unsettled invoices issued by Octavo Partnership and this balance is included within trade creditors (2015 – the Trust was owed services to the value of £31,981 and this balance was included within prepayments).

The Directors confirm that the purchase was made at arm's length and they further confirm that they have observed and complied with the requirements set out in EFA's Academies Financial Handbook.

17 Capital commitments

At 31 August 2016, the Academy Trust had the following capital commitments:

	2016 £'000	2015 £'000
Authorised and contracted for	—	113

18 Commitments under operating leases

At 31 August 2016, the total of the Academy's future minimum lease payments under non-cancellable operating leases was as follows:

	2016 £'000	2015 £'000
Amounts due within one year	8	11
	8	11

19 Pension and similar obligations

The Academy Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London Borough of Croyden. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

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

Teachers' Pension Scheme

Introduction

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

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

19 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, 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 £415,008 (2015: £363,676).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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

19 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £472,000, of which employer's contributions totalled £382,000 and employees' contributions totalled £90,000. The agreed contribution rates for 2016/17 are 18.7% of employers and between 5.5% and 8.5% for employees depending on salary band.

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.

The following information is based upon an actuarial valuation of the funds at 31 August 2016 by a qualified independent actuary.

Principal Actuarial Assumptions	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	3.1%	3.5%
Rate of increase for pensions in payment / inflation	2.1%	2.6%
Discount rate for scheme liabilities	2.0%	3.7%
Inflation assumption (CPI)	2.1%	2.6%
Commutation of pensions to lump sums (pre-April 2008 service)	50%	50%
Commutation of pensions to lump sums (post-April 2008 service)	75%	75%

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	22.3	22.3
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	24.4	24.4
Females	26.7	26.7

19 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

The Academy Trust's share of the assets and present value of scheme liabilities in the scheme were:

	Fair value at 31 August 2016 £'000	Fair value at 31 August 2015 £'000
Equity instruments	1,940	1,205
Debt instruments	582	414
Property	249	263
Total market value of assets	2,771	1,882
Present value of scheme liabilities	(6,454)	(4,209)
Total market value of assets	(3,683)	(2,327)

Amounts recognised in statement of financial activities	2016 £'000	2015 £'000
Current service costs	424	386
Net interest cost	86	81
Total operating charge	510	467

Changes in the present value of defined benefit obligations were as follows:	2016 £'000	2015 £'000
At 1 September 2015	4,209	2,633
Effect of business combinations	—	973
Current service cost	424	386
Interest cost	164	141
Employee contributions	90	81
Actuarial loss	1,606	27
Benefits paid	(39)	(32)
At 31 August 2016	6,454	4,209

Changes in the fair value of the Academy's share of scheme assets:	2016 £'000	2015 £'000
At 1 September 2015	1,882	1,423
Assets acquired in business combination	—	24
Interest income	78	60
Actuarial gain/(loss)	378	(7)
Employer contributions	382	333
Employee contributions	90	81
Benefits paid	(39)	(32)
At 31 August 2016	2,771	1,882

20 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 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.

21 Transfer from Local Authority on conversion

On 1 September 2014, Beulah Infant and Nursery School joined The Pegasus Academy Trust. Upon joining the Trust, Beulah Infant and Nursery School achieved academy status under the Academies Act 2010 and the operations together with any assets and liabilities of predecessor Local Authority controlled school was transferred to the Trust at that date. These transfers have been accounted for using the acquisition method. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities.

The following table sets out the identifiable assets and liabilities transferred from the Local Authority and an analysis of their recognition in the statement of financial activities.

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed assets funds £'000	Total 2016 £'000
Leasehold land and buildings	—	—	2,200	2,200
Budget surplus on Local Authority funds	—	117	—	117
LGPS pension deficit	—	(949)	—	(949)
Net assets	—	(832)	2,200	1,368