

**The Pegasus Academy
Trust**

**Annual Report and
Financial Statements**

Year ended 31 August 2017

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

Contents

Reports

Reference and administrative information	1
Directors' report (including the strategic report)	3
Governance statement	11
Statement on regularity, propriety and compliance	15
Statement of Directors' responsibilities	16
Independent auditor's report on the financial statements	17
Independent reporting accountant's report on regularity	20

Financial statements

Statement of financial activities	22
Balance sheet	23
Statement of cash flows	24
Principal accounting policies	25
Notes to the financial statements	31

Reference and administrative information

Members	Richard Hill Patricia Salami (appointed 27 March 2017) Kevin Smith Geraldine Vassell David Wood (appointed 27 March 2017)
Directors	Richard Hill (Chair) Shelley Davies Fiona Fearon Gary Griffin Ian Patterson (appointed 16 December 2016) Nina Pogossova (appointed 16 December 2016) Muhummad Umar Quarashi Jolyon Roberts Lynne Sampson Kevin Smith
Company Secretary	Roger Melody (resigned 4 May 2017) Josephine Ridge (appointed 19 May 2017)
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
Registered office	Whitehorse Manor – Brigstock Site 129-133 Brigstock Road Croydon CR7 7JN
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 2017

The Directors of The Pegasus Academy Trust (the 'Academy Trust') present their statutory report together with the financial statements of the charitable company for the year ended 31 August 2017.

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 25 to 30 of the attached financial statements and comply with the Academy 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 and Skills Funding Agency ('ESFA') (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 Academy 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 Academy Trust; Whitehorse Manor Junior School, Whitehorse Manor Infant School, Ecclesbourne Primary School and Beulah Infant and Nursery School. The Academy Trust also runs Thornton Heath Nursery School under a service level agreement on behalf of Croydon Council. In total the Academy 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 Academy Trust runs Breakfast and After School Clubs at each of its sites at very competitive rates.

Members

On the advice of the Department for Education ('DfE') the number of members was changed in the year ended 31 August 2017 to increase the number from three to five. Members who are not also Directors are now in the majority which is a requirement for expanding Multi-Academy Trusts.

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 Academy 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 2016/17; and setting the 2017/18 budget.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure (continued)

The Executive Principals have overall responsibility for the strategic and operational direction of the Academy Trust. They also have overall responsibilities for the schools within the Academy 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 Academy Trust. The Executive Principals provide the strategic and operational vision for the Academy Trust in terms of guidance, accountability, external and internal assurance.

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

Arrangements for setting pay and remuneration of key management personnel

The key management personnel of the Academy Trust responsible for directing and controlling the Academy 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 Academy Trust. However, certain Directors (Staff Governors) are remunerated in their capacity as employees of the Academy 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 Academy 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/ Finance Manager, the Remuneration Committee has set a pay range, and annual progression within that range is subject to satisfactory annual assessment under the Academy Trust's appraisal scheme.

OBJECTIVES AND ACTIVITIES

The principal object and activity of the Academy 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 Academy 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 DfE. These policies specify, amongst other things, the basis for admitting pupils to the four schools and the curriculum that is provided.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

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 Academy 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 Academy 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.

Disabled persons

The Academy Trust takes all reasonable steps to ensure that there is appropriate access for all persons to all main areas of the Academy Trust's schools. The Academy 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 2016/17 academic year, The Pegasus Academy Trust continued to provide a good education to its pupils. Expansion at Whitehorse Manor is now nearly complete with a Year 5 class now in situ at the Brigstock Road site. By next year, the Academy Trust will have reached capacity after seven years of expansion.

Although not part of the Academy Trust, Thornton Heath Nursery School (THNS) is managed by the Academy 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 and a recent development is the provision of the Government's new 30 hour provision for which there is steady demand at THNS.

Leadership across the Academy Trust is judged to be at least 'good' and we are confident that this can be sustained and built upon. The six 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 Academy Trust is recognised by the Local Authority and the DfE who include The Pegasus Academy Trust on their list of preferred academy sponsors. The Academy Trust is regularly approached by The Regional Schools' Commissioner (RSC), the Local Authority and local Headteachers interested in the possibility of the Academy Trust becoming their sponsor. In September 2017, Cypress Primary School joined the Academy Trust and this will be reflected in next year's financial statements.

STRATEGIC REPORT (continued)

Achievements and performance (continued)

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 Academy 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.

Key performance indicators

The Academy Trust had two Ofsted inspections during the 2016-17 academic year: Whitehorse Junior School had a one day 'Section 8' Inspection in February 2017 and was given an overall judgement of 'Good' and Beulah Infant and Nursery School had a two day 'Section 5' inspection in July 2017 and was judged to be 'Good' with 'Outstanding' Leadership and Management.

Academically it was a good year for the Academy Trust. Of particular note was Ecclesbourne Primary School's improvement in KS2 achievement which showed a 41% improvement in the 'Combined' score for Reading, Writing and Maths, taking the school above national results for this year. Results in the Year 1 phonics tests across the Academy Trust were also strong with all schools exceeding national results despite having many children who speak English as an additional language.

Parents continue to rank the schools in the Academy Trust highly in terms of their preference for Reception class places. Whitehorse Manor Infants had 477 applications for the 120 places available at the school in September 2017 and Ecclesbourne Primary had 233 applications for the 60 places available.

The Academy Trust has a stable workforce but has noticed a rising staff turnover rate in 2016-17 amongst teachers of approximately 12%. This is attributed to the cost of housing in London and many of those teachers who left the Academy Trust in this period left London completely rather than moving to other schools in the locality. The Senior Leadership team now comprises six individuals and this is a settled group with only one member of staff leaving and two arriving to bolster capacity.

Going concern

After making appropriate enquiries, the Board of Directors 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

Financial report for the year

The Trust's total income for the year ended 31 August 2017 amounted to £8,746,000 (2016 – £8,802,000).

STRATEGIC REPORT (continued)

Financial review (continued)

The bulk of the Academy Trust's income was obtained from the ESFA, an agency of the DfE, the use of which is restricted to particular educational purposes. The grants received from the ESFA in the year ended 31 August 2017 and the associated expenditure are shown as restricted in the statement of financial activities.

During the year ended 31 August 2017 total expenditure amounted to £9,016,000 (2016 – £9,111,000). 73% (2016 – 70%) of the Academy Trust's expenditure relates to staff costs which totalled £6,568,000 for the year ended 31 August 2017 (2016 – £6,407,000).

The deficit for the year (before actuarial losses on the Local Government Pension Scheme) was £270,000 (2016 – deficit of £309,000). Excluding the pension adjustments in respect of the Local Government Pension Scheme and the movements on the fixed assets fund, the operational surplus for the year was £274,000 (2016 – £277,000).

Financial position

The Academy Trust held fund balances at 31 August 2017 of £23,705,000 (2016 – £22,617,000) comprising £25,619,000 (2016 – £25,583,000) in the restricted fixed assets fund, a deficit of £2,645,000 (2016 – £3,432,000) on the general restricted fund and unrestricted general funds of £731,000 (2016 – £466,000).

The general restricted fund only consists of the deficit on the pension reserve (2016 – £3,683,000) and the 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 2017, the Academy Trust's free reserves, equating to the unrestricted general fund balance, amounted to £731,000 (2016 – £466,000).

During the year ended 31 August 2017 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;
- ◆ The prospects for absorbing other schools into the Trust; and
- ◆ An assessment of external risks.

STRATEGIC REPORT (continued)

Financial review (continued)

Reserves policy (continued)

After this review the Board maintained a policy of reserves being 4% to 8% of annual income over the long term.

The fund balances at the year end are adequate to fulfil the obligations of the Academy Trust and provide a balance against most unforeseen future events. Whilst general restricted funds were in deficit by £2,645,000 (2016 – £3,432,000) at 31 August 2017, this is 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 Academy Trust is liable for pension deficit contributions each year but is able to meet this from revenue and reserves. The triennial evaluation of the Croydon LGPS scheme has resulted in a slightly smaller contribution rate for the Academy Trust for the next three years. 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 Academy Trust's free reserves in recognising the deficit on the pension scheme.

Principal risks and uncertainties

The Academy 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.

The Academy 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 Academy 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 Academy 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 Continuous Professional Development of existing staff and creating conditions in which staff feel committed to the Academy Trust.
- ◆ Our pupils' academic achievement falls below acceptable levels. Mitigating actions include regular internal assessment of pupils' progress and external moderation.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

- ◆ Financial resources being stretched, particularly by the real terms decline in funding levels over a period of seven years. Mitigating actions include a cautious reserves policy, and tight budgetary controls, especially on staffing levels where a careful consideration of need for staff at each site is regularly undertaken by the Executive Principals

Future plans

The Academy Trust has completed the refurbishment of the Beulah site and the new Brigstock Road annexe of the two Whitehorse schools is on target to be fully occupied by September 2018. Discussions with three other schools in the South London area have been held, and in one case, discussions advanced to the point where the converting school has identified the Academy Trust as its preferred sponsor. Approval was given by the Regional Schools Commissioner in time to allow that school to join the Academy Trust in September 2017.

In the medium term the Academy Trust remains committed to establishing a secondary school.

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: 15/12/2017

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.

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 four 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
Shelley Davies	LA Director	1	4
Fiona Fearon	Academy Director	3	4
Gary Griffin	Co-opted Director	4	4
Richard Hill	Academy Director (Chair)	3	4
Ian Patterson	Co-opted Director	2	3
Nina Pogossova	Co-opted Director	3	3
Muhammad Umar Qurashi	Community Director	4	4
Jolyon Roberts	Executive Principal	4	4
Lynne Sampson	Executive Principal	4	4
Kevin Smith	Academy Director (Vice Chair)	4	4

Changes to the composition of the Board during the year included the appointment of Ian Patterson and Nina Pogossova as Academy Directors on 16 December 2016.

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 six Directors (including the Executive Principals) together with the Finance Manager/Director of Finance and Resources. Current membership comprises Richard Hill (Academy Director), Kevin Smith (Academy Director), Gary Griffin (Co-opted Director), Ian Patterson (Co-opted Director) and the two Executive Principals and the Finance Manager/Director of Finance and Resources.

Attendance at meetings in the year was as follows:

Committee Member	Number of meetings attended	Out of a possible
Gary Griffin	5	5
Richard Hill	5	5
Roger Melody	2	2
Ian Patterson	2	3
Jolyon Roberts	5	5
Josephine Ridge	2	2
Lynne Sampson	4	5
Kevin Smith	5	5
Peter Turner	2	3

Since its creation, the Academy Trust has had two Executive Principals with both also having the role of Accounting Officer. During the continuing discussions about the Academy 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. The structure of the Academy Trust was therefore modified so that effective from November 2016 Jolyon Roberts is the sole Accounting Officer.

Governance review

In the light of the Academy 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 Academy 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 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 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 the Academy Trust undertook during the year to bring improved value for money included a re-tender of its catering contract, which is the largest contract the Academy Trust has. In order to ensure impartiality, this process was run by an outside contractor. The Academy Trust is also reducing staff numbers each year as funding from central government is static although costs have risen.

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 2017 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 2017 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;

The risk and control framework (continued)

- ♦ 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;
- ♦ 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 in January 2017 (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 actioned over the accounting period.

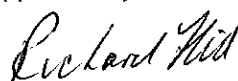
Review of effectiveness

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:

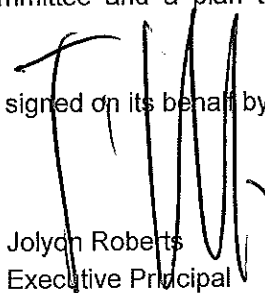
- ♦ the work of the Responsible Officer;
- ♦ the work of the external auditor;
- ♦ the financial management and governance self-assessment process;
- ♦ the work of the senior leadership team within the Trust who have responsibility for the development and maintenance of the internal control framework.

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

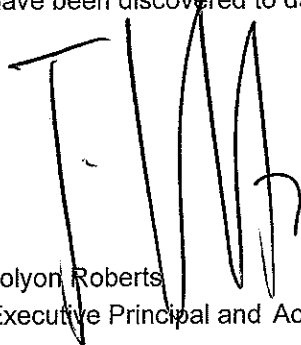
Approved on: 15/12/2017

Statement on regularity, propriety and compliance 31 August 2017

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

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

I confirm that 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', is written over the printed name and title.

Jolyon Roberts
Executive Principal and Accounting Officer

Date: 15.12.2017

Statement of Directors' responsibilities 31 August 2017

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education and Skills 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 Academy 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 2016 to 2017;
- ♦ 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 Academy Trust will continue in operation.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Academy Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Academy 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 Academy 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 Academy 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 ESFA 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 Academy 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: 15/12/2017

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

Opinion

We have audited the financial statements of The Pegasus Academy Trust (the 'charitable company') for the year ended 31 August 2017 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), 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) (the Charities SORP 2015) and the Academies Accounts Direction 2016 to 2017.

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.

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 2017 and of its income and expenditure for the year then ended;
- ♦ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ♦ have been prepared in accordance with the requirements of the Companies Act 2006; and
- ♦ have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2016 to 2017.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's 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.

Opinions 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 Directors' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Directors' report including the strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report including the strategic report.

Independent auditor's report on the financial statements Year ended 31 August 2017

Matters on which we are required to report by exception (continued)

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 or 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors 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 Directors 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 Directors are responsible for assessing the charitable company'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 Directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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



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

19 December 2017

Independent reporting accountant's report on regularity Year ended 31 August 2017

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

In accordance with the terms of our engagement letter dated 8 September 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Pegasus Academy Trust during the period from 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Pegasus Academy Trust and the ESFA 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 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 The Pegasus Academy Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Pegasus Academy Trust's Accounting Officer's 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 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

We conducted our engagement in accordance with the Academies: Accounts Direction 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

Independent reporting accountant's report on regularity Year ended 31 August 2017

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 Academy 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 Academy 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 2016 to 31 August 2017 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

19 December 2017

Statement of financial activities Year ended 31 August 2017

(including an income and expenditure account)

	Notes	Restricted funds			Year to	Year to
		Unrestricted funds	General funds	Fixed assets funds	31 August 2017	31 August 2016
		£'000	£'000	£'000	£'000	£'000
Income from:						
Donations and capital grants	1	—	—	273	273	153
Charitable activities						
. Funding for the Academy Trust's educational operations	2	—	7,880	—	7,880	7,844
Other trading activities	3	587	—	—	587	802
Investments	4	6	—	—	6	3
Total income		593	7,880	273	8,746	8,802
Expenditure						
Charitable activities:						
. Academy Trust's educational operations	6	328	8,191	497	9,016	9,111
Total expenditure	5	328	8,191	497	9,016	9,111
Net expenditure before transfers		265	(311)	(224)	(270)	(309)
Transfers between funds	15	—	(260)	260	—	—
Net expenditure		265	(571)	36	(270)	(309)
Other recognised gains and losses						
. Actuarial gains (losses) on defined benefit pension scheme	19	—	1,358	—	1,358	(1,228)
Net movement in funds		265	787	36	1,088	(1,537)
Fund balances brought forward at 1 September 2016		466	(3,432)	25,583	22,617	24,154
Fund balances carried forward at 31 August 2017		731	(2,645)	25,619	23,705	22,617

All of the Academy 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 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible fixed assets	12		25,559		25,583
Current assets					
Debtors	13	514		346	
Cash at bank and in hand		1,280		1,073	
		<u>1,794</u>		<u>1,419</u>	
Liabilities					
Creditors: amounts falling due within one year	14	<u>(1,003)</u>		<u>(702)</u>	
Net current assets			791		717
Net assets excluding pension scheme liability			<u>26,350</u>		<u>26,300</u>
Pension scheme liability	19		(2,645)		(3,683)
Total net assets			<u>23,705</u>		<u>22,617</u>
<i>The funds of the Academy Trust:</i>					
Restricted funds	15				
. Fixed assets fund			25,619		25,583
. Restricted income fund			—		251
. Pension reserve			<u>(2,645)</u>		<u>(3,683)</u>
Total restricted funds			<u>22,974</u>		<u>22,151</u>
Unrestricted funds	15				
. General fund			<u>731</u>		<u>466</u>
Total funds			<u>23,705</u>		<u>22,617</u>

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



Richard Hill
Chair of the Board of Directors

Approved on: 15/12/2017

Company registration number: 07542114 (England and Wales)

Statement of cash flows Year ended 31 August 2017

		2017 £'000	2016 £'000
Net cash flows from operating activities			
Net cash provided by operating activities	A	401	379
Cash flows from investing activities	B	(194)	(528)
Change in cash and cash equivalents in the year		207	(149)
Cash and cash equivalents at 1 September 2016		1,073	1,222
Cash and cash equivalents at 31 August 2017	C	1,280	1,073

A Reconciliation of net expenditure to net cash flow from operating activities

	2017 £'000	2016 £'000
Net expenditure for the year (as per the statement of financial activities)	(270)	(309)
Adjusted for:		
Depreciation (note 12)	497	611
Capital grants from DfE and other capital income	(273)	(153)
Interest receivable (note 4)	(6)	(3)
Defined benefit pension scheme cost less contributions payable (note 19)	244	42
Defined benefit pension scheme finance cost (note 19)	76	86
(Increase) decrease in debtors	(168)	80
Increase in creditors	301	25
Net cash provided by operating activities	401	379

B Cash flows from investing activities

	2017 £'000	2016 £'000
Dividends, interest and rents from investments	6	3
Purchase of tangible fixed assets	(473)	(684)
Capital grants from DfE/ESFA	273	153
Net cash used in investing activities	(194)	(528)

C Analysis of cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	1,280	1,073
Total cash and cash equivalents	1,280	1,073

Principal accounting policies Year ended 31 August 2017

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 2016 to 2017 issued by ESFA, 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.

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.

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.

Principal accounting policies Year ended 31 August 2017

Income (continued)

Grants (continued)

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 in the balance 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.

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 expenditure is stated net of recoverable VAT.

Tangible fixed assets

All assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised.

Principal accounting policies Year ended 31 August 2017

Tangible fixed assets (continued)

Depreciation is provided on all tangible fixed assets in the year in which the assets is brought into use (other than leasehold land), at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

- ◆ 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 Academy 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.

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 13. Prepayments are not financial instruments.

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

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

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.

Pensions benefits (continued)

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.

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 Education and Skills Funding Agency 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:

- ◆ 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 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability; 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 12 to the financial statements.

Critical areas of judgement

Other than the estimates discussed above, the Directors do not consider that there are any key judgements made in the preparation of the financial statements.

1 Donations and capital grants

	Unrestricted funds £'000	Restricted fixed assets funds £'000	Year to 31 August 2017 £'000	Year to 31 August 2016 £'000
Capital grants	—	273	273	153
	—	273	273	153

2 Funding for the Academy Trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2017 £'000	Year to 31 August 2016 £'000
DfE/ESFA revenue grants				
. General Annual Grant (GAG)	—	6,233	6,233	6,210
. Start Up Grants	—	70	70	—
. Other revenue grants	—	893	893	868
	—	7,196	7,196	7,078
Other Government grants				
. Local authority grants	—	684	684	766
	—	684	684	766
	—	7,880	7,880	7,844

3 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2017 £'000	Year to 31 August 2016 £'000
Hire of facilities	42	—	42	131
Trip income	38	—	38	35
Catering	124	—	124	95
Miscellaneous income	383	—	383	541
	587	—	587	802

4 Investments

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2017 £'000	Year to 31 August 2016 £'000
Bank interest	6	—	6	3

Notes to the financial statements Year ended 31 August 2017

5 Expenditure

	Staff costs (note 8) £'000	Premises £'000	Other costs £'000	Year to 31 August 2017 £'000	Year to 31 August 2016 £'000
Academy Trust's educational operations					
. Direct costs (note 6)	5,601	497	459	6,557	6,690
. Support costs (note 6)	967	512	980	2,459	2,421
	6,568	1,009	1,439	9,016	9,111

Net expenditure for the year is stated after charging:

	Year to 31 August 2017 £'000	Year to 31 August 2016 £'000
Operating lease charges	8	8
Depreciation	497	611
Auditor's remuneration		
. Statutory audit	16	18
. Other services	3	2

6 Charitable activities – Academy Trust's educational operations

	2017 Total funds £'000	2016 Total funds £'000
Direct costs	6,557	6,690
Support costs	2,459	2,421
	9,016	9,111

	2017 Total funds £'000	2016 Total funds £'000
Analysis of support costs		
Support staff costs	967	756
Technology costs	54	44
Premises costs	512	558
Other support costs	826	971
Governance costs	100	92
Total support costs	2,459	2,421

Notes to the financial statements Year ended 31 August 2017

7 Comparative information

Analysis of income and expenditure in the year ended 31 August 2016 between restricted and unrestricted funds:

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

8 Staff

(a) Staff costs

Staff costs comprise:

	Year to 31 August 2017 £'000	Year to 31 August 2016 £'000
Wages and salaries	5,001	5,028
Social security costs	379	342
Other pension costs	1,023	769
Apprenticeship levy	4	—
	6,407	6,139
Agency costs	161	233
Staff severance payments (see below)	—	35
	6,568	6,407

(b) Staff severance payments

There were no restructuring costs in the year ended 31 August 2017 (2016 – individual non-statutory/non-contractual payments of £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 2017 was as follows:

	2017 Number	2016 Number
Teaching staff (including teaching assistants)	211	205
Administration and support	25	40
Management	6	3
	242	248

(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:

	2017 Number	2016 Number
£60,001 - £70,000	3	3
£80,001 - £90,000	—	2
£90,001 - £100,000	2	—

(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 £563,062 (2016 – £552,294).

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 Academy Trust and not in respect of their services as Directors. Directors did not receive any payments from the Academy Trust in respect of their role as Directors. The value of Directors' remuneration and other benefits was as follows:

	2017 £'000	2016 £'000
L Sampson (Executive Principal and Director)		
. Remuneration	90-95	85-90
. Employer's pension contributions	10-15	10-15
J Roberts (Executive Principal and Director)		
. Remuneration	90-95	85-90
. Employer's pension contributions	10-15	10-15
Roger Melody (Staff Governor)		
. Remuneration	35-40	—
. Employer's pension contributions	5-10	—
Cheryl Peters (Staff Governor)		
. Remuneration	15-20	—
. Employer's pension contributions	0-5	—
Josephine Ridge (Staff Governor)		
. Remuneration	10-15	—
. Employer's pension contributions	0-5	—
Susan Bittle (Staff Governor)		
. Remuneration	N/A	0-5
. Employer's pension contributions	N/A	0-5

None of the Directors were reimbursed expenses during the year as directors (2016 – none).

10 Directors and officers insurance

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

Notes to the financial statements Year ended 31 August 2017

11 Central services

The Academy 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 Academy 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:

	2017 £'000	2016 £'000
Ecclesbourne Primary School	173	157
Whitehorse Manor Infant School	149	132
Whitehorse Manor Junior School	170	145
Beulah Infant and Nursery School	97	89
	589	523

12 Tangible fixed assets

	Long leasehold land and buildings £'000	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 September 2016	26,685	563	335	27,583
Additions	271	61	141	473
At 31 August 2017	26,956	624	476	28,056
Depreciation				
At 1 September 2016	1,489	254	257	2,000
Charge for the year	315	115	67	497
At 31 August 2017	1,804	369	324	2,497
Net book value				
At 31 August 2017	25,152	255	152	25,559
At 31 August 2016	25,196	309	78	25,583

12 Tangible fixed assets (continued)

The Academy 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 Academy 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.

13 Debtors

	2017 £'000	2016 £'000
Trade debtors	37	—
VAT recoverable	105	105
Other debtors	14	—
Prepayments and accrued income	358	241
	514	346

14 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	396	210
Other tax and social security	107	113
Accruals	213	211
Deferred income (see below)	287	168
	1,003	702

14 Creditors: amounts falling due within one year (continued)

Deferred income	£'000
Deferred income at 1 September 2016	168
Amounts released from previous years	(168)
Resources deferred in the year	287
Deferred income at 31 August 2017	287

Deferred income includes funding from the Education and Skills Funding Agency received specifically for the 2017/18 academic year including Universal Infant Free School Meals of £128,606 (2016 – £168,000), devolved formula capital grant income of £18,988 (2016 – £nil) and early years funding of £102,620 (2016 – £nil).

15 Funds

	Balance at 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2017 £'000
Restricted general funds					
. General Annual Grant (GAG)	251	6,233	(6,224)	(260)	—
. Start-up Grant	—	70	(70)	—	—
. Pupil premium	—	635	(635)	—	—
. Other DfE/EFA grants	—	258	(258)	—	—
. Pension reserve	(3,683)	—	(320)	1,358	(2,645)
Total restricted funds	(3,432)	7,196	(7,507)	1,098	(2,645)
Restricted fixed asset funds					
. DfE / ESFA and Local Authority capital grants	387	273	(182)	60	538
. Inherited from Local Authority	25,196	—	(315)	200	25,081
	25,583	273	(497)	260	25,619
Other restricted funds					
. Local authority grants	—	684	(684)	—	—
	—	684	(684)	—	—
Total restricted funds	22,151	8,153	(8,688)	1,358	22,974
Unrestricted general fund	466	593	(328)	—	731
Total funds	22,617	8,746	(9,016)	1,358	23,705

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

General Annual Grant

The General Annual Grant (GAG) has been provided by the ESFA in order to fund the normal running costs of the Academy Trust. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to limits on the amount of GAG that it could carry forward at 31 August 2017.

Notes to the financial statements Year ended 31 August 2017

15 Funds (continued)

Start-up grant

Funding was received in the year from the ESFA to help with the costs of converting Cypress Primary School into an Academy and introducing it to the Academy Trust.

Pupil Premium

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

Other DfE/ESFA revenue grants

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

Pension reserve

The pension reserve relates to the deficit on the Academy Trust's share of the Local Government Pension Scheme as at 31 August 2017.

Restricted fixed asset funds

These funds relate to the Academy 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.

Other Local Authority grants

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

Analysis of funds by school

Fund balances at 31 August 2017 were allocated as follows:

	2017 £'000	2016 £'000
Ecclesbourne Primary School	135	5
Whitehorse Manor Infant School	574	501
Whitehorse Manor Junior School	899	479
Beulah Infant and Nursery School	(221)	(181)
Central services	(656)	(87)
Total before fixed assets and pension reserve	731	717
Restricted fixed asset fund	25,619	25,583
Pension reserve	(2,645)	(3,683)
Total	23,705	22,617

Beulah Infant and Nursey School's deficit has increased by £40,000 as a result of declining pupil numbers and ongoing staff restructuring. Improvements to the school building during the year is expected to enhance the quality of teaching and the school's reputation leading to an increase in pupil numbers.

Notes to the financial statements Year ended 31 August 2017

15 Funds (continued)

The central services fund represents the cumulative income and expenditure of the Academy Trust that is not directly attributable to a particular school. In the year ended 31 August 2017, this represents significant centrally charged costs incurred in converting Cypress Primary School from a Local Authority maintained school in advance of bringing it into the Academy Trust from 1 September 2017.

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	1,449	202	77	370	2,098
Whitehorse Manor Infant School	1,205	255	53	384	1,897
Whitehorse Manor Junior School	1,226	242	101	257	1,826
Beulah Infant and Nursery School	917	185	47	313	1,462
Central services	637	250	182	167	1,236
Total costs	5,434	1,134	460	1,491	8,519

16 Analysis of net assets between funds

	Unrestricted general funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	2017 Total funds £'000
Fund balances at 31 August 2017 are represented by:				
Fixed assets	—	—	25,559	25,559
Current assets	731	1,003	60	1,794
Creditors: amounts falling due within one year	—	(1,003)	—	(1,003)
Pension scheme liability	—	(2,645)	—	(2,645)
Total net assets	731	(2,645)	25,619	23,705

17 Related party transactions

Owing to the nature of the Academy 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 Academy Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

During the year ended 31 August 2017, the Academy Trust incurred charges totalling £88,441 (2016 – £116,969) 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 2017, the Academy Trust owed £720 (2016 – £26,365) in respect of unsettled invoices issued by Octavo Partnership and this balance is included within trade creditors.

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 ESFA's Academies Financial Handbook.

18 Commitments under operating leases

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

	2017 £'000	2016 £'000
Amounts due within one year	1	8
	1	8

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 2016.

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

19 Pension and similar obligations (continued)

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

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 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.

19 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme (continued)

The employer's pension costs paid to TPS in the period amounted to £466,449 (2016 – £415,008).

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.

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 2017 was £507,000, of which employer's contributions totalled £410,000 and employees' contributions totalled £97,000. The agreed contribution rates for 2017/18 are 19.6% for employers and between 5.5% and 12.5% 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 2017 by a qualified independent actuary.

	At 31 August 2017	At 31 August 2016
Principal Actuarial Assumptions		
Rate of increase in salaries	2.9%	3.1%
Rate of increase for pensions in payment / inflation	2.4%	2.1%
Discount rate for scheme liabilities	2.5%	2.0%
Inflation assumption (CPI)	2.4%	2.1%
Commutation of pensions to lump sums (pre-April 2008 service)	50%	50%
Commutation of pensions to lump sums (post-April 2008 service)	75%	75%

19 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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 2017	At 31 August 2016
<i>Retiring today</i>		
Males	22.3	22.3
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	24.0	24.4
Females	26.2	26.7

	At 31 August 2017 £'000	At 31 August 2016 £'000
Sensitivity analysis – net increase in liability		
Discount rate -0.5%	781	813
Salary increase +0.5%	87	224
Pension increase +0.5%	685	567

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

	Fair value at 31 August 2017 £'000	Fair value at 31 August 2016 £'000
Equities	2,170	1,940
Corporate bonds	535	582
Property	346	249
Cash	94	—
Total market value of assets	3,145	2,771

19 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Amounts recognised in statement of financial activities	2017 £'000	2016 £'000
Current service cost	654	424
Interest income	(60)	(78)
Interest cost	136	164
Total amount recognised in the SOFA	730	510

Changes in the present value of defined benefit obligations were as follows:	2017 £'000	2016 £'000
At 1 September 2016	6,454	4,209
Current service cost	654	424
Interest cost	136	164
Employee contributions	97	90
Actuarial (gain)/loss	(1,501)	1,606
Benefits paid	(50)	(39)
At 31 August 2017	5,790	6,454

Changes in the fair value of the Academy's share of scheme assets:	2017 £'000	2016 £'000
At 1 September 2016	2,771	1,882
Interest income	60	78
Actuarial (loss)/gain	(143)	378
Employer contributions	410	382
Employee contributions	97	90
Benefits paid	(50)	(39)
At 31 August 2017	3,145	2,771

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 Events after the reporting period

The Academy Trust welcomed the addition of Cypress Primary School to its network from 1 September 2017.