

Company Registration No. 08469218 (England and Wales)

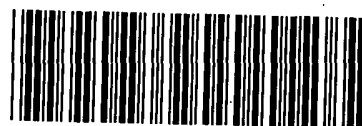
PARADIGM TRUST

(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

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COMPANIES HOUSE

PARADIGM TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Members

C Crozier
J Martin
D Willis
D Syndercombe Court
M Williams

Directors

A Phillips CBE (Chief Executive Officer)
A Redgrove (Parent director) (Appointed 23 September 2015)
C Crozier (Resigned 19 July 2016)
D Willis (Vice Chairman to 19 July 2016, Chairman from 20 July 2016)
D Syndercombe Court
J Martin (Vice Chairman from 20 July 2016)
R Brumby (Appointed 23 September 2015 and resigned 10 January 2016)
M Williams
P Wallace
R Newman (Parent director) (Resigned 27 September 2016)

Senior management team

- Chief Executive Officer and Accounting Officer	A Phillips CBE
- Financial Manager	B Jeavons
- Company Secretary	B Holledge

Culloden Primary Academy Senior Management Team

- Principal	B Carter
- Assistant Principal	A Whytock (appointed 6 June 2016)
- Assistant Principal	D Gregory
- Assistant Principal	M Dolan
- Deaf Support Base Manager and Midday Meals Manager	S Richards

Ipswich Academy Senior Management Team

- Principal	A Phillips CBE (appointed 1 September 2015)
- Associate Principal	H Winn (appointed 1 September 2015)
- Director of Learning	C Willis (appointed 1 September 2015)
- Director of Inclusion	W Fletcher (appointed 1 September 2015)

Old Ford Primary Academy Senior Management Team

- Principal	K Jones
- Assistant Principal	A McKenzie
- Assistant Principal	L Sherling
- Assistant Principal	M Hawken (appointed 6 June 2016)

PARADIGM TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Solebay Primary Academy Senior Management Team

- Principal	J Baker (appointed 1 April 2016)
- Interim Principal	J Baker (to 31 March 2016)
- Assistant Principal	R Chetty (appointed 1 September 2016)
- Assistant Principal	T Ward (appointed 1 September 2016)
- EYFS Manager	R Begum

Company registration number 08469218 (England and Wales)

Registered office Dee Street
London
E14 0PT

Academies operated

Culloden Primary Academy
Ipswich Academy
Old Ford Primary Academy
Solebay Primary Academy

Location

London
Ipswich
London
London

Principal

B Carter
A Phillips CBE
K Jones
J Baker

Independent auditor RSM UK Audit LLP
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

Internal auditor UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London
E1W 1YW

Bankers Lloyds Bank
Stratford Westfield Branch
PO Box 1000
BX1 1LT

Accountant RSM UK Tax and Accounting Limited
Third Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

PARADIGM TRUST

DIRECTORS' REPORT

HIGHLIGHTS DURING THE YEAR

Ipswich Academy transferred into Paradigm Trust on 1 September 2015. Prior to transfer, the school had been judged by Ofsted to require special measures. The exceptional work of staff, supported by highly effective leaders, has resulted in the school improving rapidly over the course of the year, as reflected by Ofsted following monitoring visits in September 2015, January 2016 and July 2016. The examination results achieved in the summer were the highest in the school's history, with pupils making progress in line with the national benchmark. Ofsted conducted a full inspection at Ipswich Academy in October 2016 and confirmed that the school no longer required special measures. It was particularly pleasing that the report praised the school's management: 'high quality leadership reported in previous Ofsted monitoring inspections since September 2015 has transformed the school' and 'leaders and staff share the same vision and ambition, and show a relentless drive to improve the school further'. This is clear recognition from Ofsted of the work which has taken place to transform Ipswich Academy.

Culloden Primary Academy continued to build on its inspection success from the previous year. Paradigm Trust commissioned an external review of the school by a former senior Ofsted inspector in February 2016, who commented that the overall effectiveness of the school remains outstanding. The former senior Ofsted inspector noted that, "Under the leadership of the principal and senior team, the school continues to go from strength to strength. Standards and quality have not slipped. Leaders know the school well, and doing the best for pupils is at the heart of decision making."

Old Ford Primary Academy continued in its role as a National Teaching School, playing a key part in the government's plan to develop a self-improving and sustainable school-led system. Old Ford continues to work with other schools to provide high-quality training and development to new and experienced school staff as well as leading initial teacher training through the School Direct programme. The external review of Old Ford in September 2016 highlighted the strong leadership of the school which has resulted in pupils at the school continuing to make strong progress across all year groups.

Solebay Primary Academy was inspected by Ofsted for the first time since joining Paradigm Trust. The March 2016 report confirmed an overall judgement of good, with 'leadership and management', 'personal development and welfare' and 'early years provision' all judged to be outstanding. This represents a significant improvement on the school's previous 'requires improvement' judgement (relating to the period of time prior to the school joining Paradigm Trust). The report noted that, "New leaders have transformed the school since joining the Trust in September 2014. Senior leaders and members of [the] Paradigm Trust have successfully established an ambitious ethos where expectations of pupils' achievement are very high."

Paradigm Trust's new governance structure took effect from 1 September 2015. The revised arrangements for governance across the Trust have resulted in an improved approach to accountability and more efficient decision-making, thereby enabling Directors to provide enhanced support and challenge at a strategic level.

Introduction

The Directors present their Annual Report together with the Financial Statements and Auditor's Report of the charitable company for the period 1 September 2015 to 31 August 2016. The Annual Report serves the purposes of both a Trustees' Report under charity law, and a Directors' Report under company law.

Paradigm Trust ('Paradigm' or 'the Company') operates a multi-academy trust for pupils aged 2-16 serving catchment areas in London and Ipswich. It has a pupil capacity of 2,783 and had a roll of 2,386 in the school census on 6 October 2016.

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Company is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Company.

The Directors are the Trustees of Paradigm Trust and are also the Directors of the charitable company for the purposes of company law. Details of the Directors who served during the year are included in the Reference and Administrative Details on page 1.

Members' liability

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

Directors' indemnities

The Company has opted into the Department for Education's risk protection arrangement (RPA). This protects Directors and Officers from claims arising from negligent acts, errors or omissions occurring while on company business. RPA provides cover up to £5,000,000 on any one claim.

Method of recruitment and appointment or election of Directors

Provisions relating to the appointment of Directors are contained in the Company's Articles of Association, and can be summarised as follows:

- the members are entitled to appoint up to seven Directors;
- the Chief Executive Officer is a Director;
- there are up to two Parent Directors; and
- the Board is entitled to co-opt up to four additional Directors.

Policies and procedures adopted for the induction and training of Directors

Directors have many years' experience as members of school governing bodies and/or Directors of other organisations. Directors attend seminars, conferences and similar events to keep abreast of developments in the education sector and internal training is also organised including attendance by Directors at staff inset days.

Organisational structure

Paradigm is led by a team of members and Directors. The members appoint the Directors. Members and Directors work together to provide strategic leadership and oversight, via the Board of Directors ('the Board'). The majority of members sit on the Board. The Board meets monthly and receives reports and recommendations from the three Board committees, and the Chief Executive Officer.

The Chief Executive Officer has responsibility for the day-to-day management and implementation of the decisions of the Directors. The Chief Executive Officer is also the Accounting Officer.

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Education Committee

The Education Committee monitors the educational performance of each of Paradigm's schools, considering educational aims and setting appropriate performance targets. It also oversees arrangements for individual committee members to take a leading role in specific areas of provision such as special educational needs and disabilities, or child protection.

Operations and Finance Committee

The Operations and Finance Committee considers:

- Paradigm's financial priorities;
- the management accounts;
- the appropriate charging of expenses; and
- draft budgets submitted by Paradigm schools.

The committee also:

- ensures that Paradigm has proper insurance cover and that the regulations relating to funding are complied with;
- sets and monitors human resource policies/contractual terms; and
- monitors the management of the estate.

Audit and Risk Committee

The Audit and Risk Committee advises the Board on:

- the adequacy and effectiveness of internal financial control and risk management;
- control and governance processes;
- securing value for money;
- the terms of appointment and the remuneration of the external auditor and the internal audit service provider; and
- on audit strategy.

Interim Executive Board

When Ipswich Academy became part of Paradigm, it required 'special measures' (an Ofsted judgement, which describes a school which is failing to provide an adequate quality of education for students). Given this, an Interim Executive Board (IEB) was established for Ipswich Academy, which reported directly to the Board while the academy improvement plan was formulated and implemented.

Community Forum

The Principal of each school within Paradigm may recommend to the Board that there should also be a Community Forum for the school to provide an opportunity to raise the profile of the school in the local community and engage with a wider group of benefactors/supporters.

Academy council/parent focus group

Each school within Paradigm also has some form of academy council or a parent focus group, which facilitates communication between parents/carers and the relevant academy Principal. Academy councils and/or the parent focus group may ask questions of the Principal about the operation/performance of the school as well as raising any issues of concern.

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Arrangements for setting pay and remuneration of key management personnel

With the exception of the Chief Executive Officer, all Directors of the multi-academy trust offer their services on a voluntary basis. Paradigm is committed to the principle of performance related pay, the process and parameters for which are set out within the multi-academy trust's Pay Policy. All teaching staff, including academy Principals and Assistant Principals, receive an annual appraisal and pay review during the Autumn Term. Assessment of performance including for performance related pay purposes is evidence based; taken from a range of sources (including but not limited to individual appraisal objectives) as measured against the Teachers' Standards and in the case of Principals and Assistant Principals, against the national standards of excellence for headteachers.

The process for making performance related pay recommendations to the multi-academy trust's Operations and Finance Committee is robustly moderated by the multi-academy trust's HR advisor, the Operations and Finance Committee as a whole and (with the exception of the Chief Executive Officer's pay) the Chief Executive Officer.

The above process and principles also apply to the annual pay review for the Chief Executive Officer, although the annual assessment of her performance and individual objectives set are wholly linked to the multi-academy trust's overall performance. Responsibility for overseeing the annual review of the Chief Executive Officer's performance and pay is delegated to a panel of three Directors, normally members of the multi-academy trust's Operations and Finance Committee, who report to the full Board of Directors.

Related parties and co-operation with other organisations

Paradigm is committed to school improvement and collaborates with a range of organisations to help develop and spread best practice. Old Ford Primary Academy was designated as a National Teaching School in 2011. National Teaching Schools take a leading responsibility for supporting and assuring initial teacher training and professional and leadership development for teachers and leaders in their area. Old Ford Primary Academy is part of a network of schools in East London, including Culloden Primary Academy, that work in partnership to deliver school improvement and offers bespoke school improvement services to other schools.

Paradigm has a number of educational business partners including Aldgate and Allhallows, Bank of New York Mellon, The Mercers' Company, Morgan Stanley, Sir John Cass Foundation and Thomson Reuters and is very grateful for the contributions they have made to improve the work of Paradigm's schools. Paradigm Trust is particularly grateful for the support which has been provided to Ipswich Academy by Claydon High School, Suffolk and Green Spring Education Trust (formerly Bethnal Green Academy).

OBJECTIVES AND ACTIVITIES

Objects and aims

The Company's objects are set out in the Articles of Association and are restricted to advancing for the public benefit education in the United Kingdom, in particular by establishing, maintaining, carrying on, managing and developing:

- schools offering a broad and balanced curriculum; and/or
- educational institutions which provide education for children who may not receive suitable education unless alternative provision is made for them; and/or
- 16 to 19 academies; and/or
- schools organised to make special educational provision for pupils with special educational needs.

In line with the objects set out in the Company's Articles of Association, its schools provide a broad, balanced and relevant curriculum through outstanding teaching to ensure high educational standards are achieved by all of its pupils. This includes those pupils with special educational needs and disabilities and in particular, pupils attending the Deaf Support Base at Culloden Primary Academy.

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Objectives, strategies and activities

In the academic year ending 31 August 2016, Paradigm continued to consolidate the achievements of the two founding schools (Culloden Primary Academy and Old Ford Primary Academy) and Solebay Primary Academy and expand the number of schools operated by the Company. This involved the transfer of Ipswich Academy in September 2015 into the Company. The schools serve communities in areas of acute deprivation, where there are high levels of unemployment and the proportion of pupils receiving free school meals is much higher than the national average. In addition, the proportion of pupils who speak English as an additional language in the London schools is in the highest quintile in the country.

The key aims and objectives of Paradigm during this period were:

- sustaining high achievement and improving the life chances for all pupils who attend its schools;
- improving the ambitions and the aspirations of the communities that its schools serve;
- providing a framework within which governance ensures the success of Paradigm and secures its vision for the future;
- attracting and retaining high quality and dynamic leadership; and
- creating an environment that helps in the recruitment and retention of high quality staff linked to performance appraisal.

The multi-academy trust was invited by the Department for Education ('DfE') to sponsor the conversion of Murrayfield Community Primary School (Ipswich) into an academy within Paradigm. Many of the Murrayfield pupils progress to Ipswich Academy when they transfer into secondary education. Given this, the Board agreed to initiate a due diligence review of the school. It is hoped that Murrayfield will join the multi-academy trust in January 2017.

Activities relating to this area are commensurate with the Company's objective, which is to prioritise growth around our existing base in East London and Suffolk. In the short term, the Directors see more scope to develop a Suffolk hub.

The Directors recognise that equal opportunities should be an integral part of good practice in the work place. Paradigm aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all peoples are fully valued.

Disabled persons

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

Public benefit

In setting our objectives and planning our activities as set out above, the Directors have given careful consideration to the Charity Commission's general guidance on public benefit, in particular, the additional guidance on the advancement of education for the public benefit and are satisfied that the Company is compliant. Further details of how Paradigm has achieved this are set out in the strategic report below.

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

STRATEGIC REPORT

Achievements and performance

All four of the Paradigm schools have delivered strong academic outcomes over the course of the year. This is particularly pleasing in terms of Ipswich Academy, given its poor performance in previous years (prior to joining the multi-academy trust).

The schools maintain strong links within the communities they serve. This has included work to engage parents/carers in the life of the schools. High profile events such as music concerts continue to demonstrate the quality of provision to the local communities and beyond. Academy councils have been established in each of the primary schools, and a parent/carer forum at Ipswich Academy - all parents/carers are invited to attend meetings. A community council has also been established at Ipswich Academy to build a network of supporters for the school.

A new Principal has been appointed at Solebay Primary Academy. She reports to the Chief Executive Officer and has strengthened the senior leadership of Paradigm. This leadership has been further strengthened by the continued development of a central support services team, which comprises leadership and management, teaching and learning, finance and HR.

High quality teaching continues to be the most important feature of the success of Paradigm. Much work has been carried out to ensure that all teachers and staff have the resources and support to carry out their responsibilities with consistently high quality. Professional development features prominently in this work and at all levels within the schools. The impact of this work is assessed regularly by employing external experts to verify the quality of teaching and the impact on learning. The designation of Old Ford Primary Academy as a National Teaching School continues to provide opportunities for staff to share good practice in teaching, learning, leadership and management.

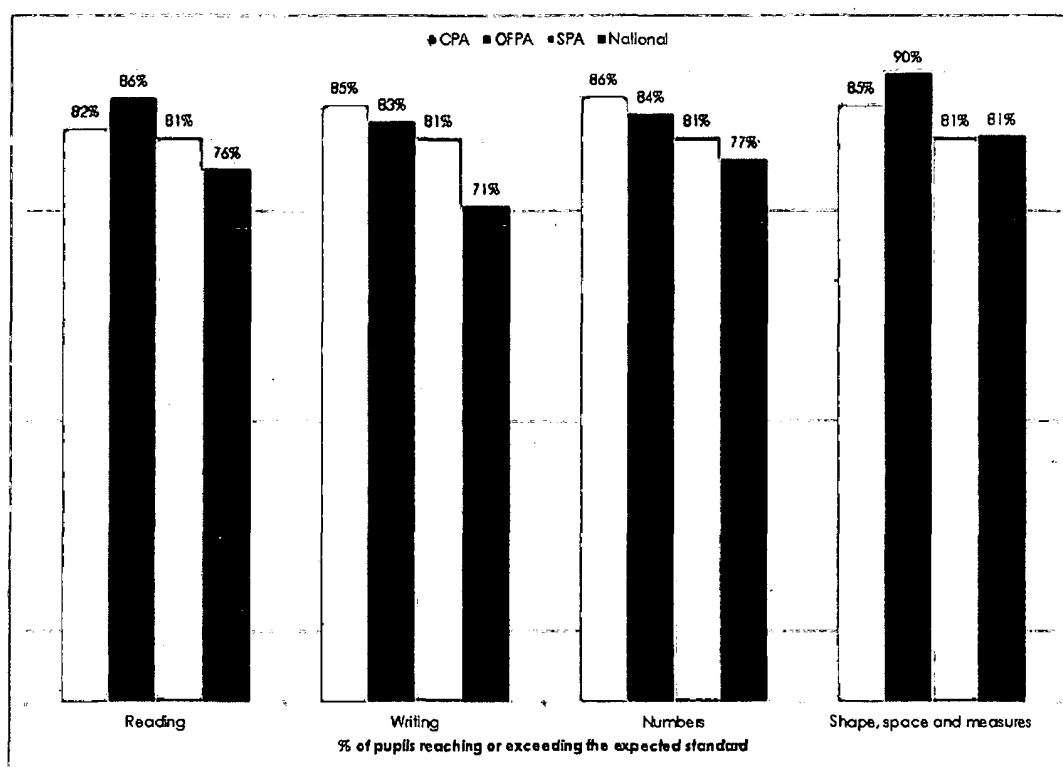
PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Key performance indicators

Foundation stage

Pupils exceeded national benchmarks in reading, writing and mathematics across the Trust schools, as indicated below. In addition, the proportion of pupils who achieved the good level of development (i.e. those pupils who achieved at least the expected level within all of the following areas of learning: communication and language; physical development; personal, social and emotional development; literacy; and mathematics) at the end of the foundation stage was also significantly above the national benchmark in each school.

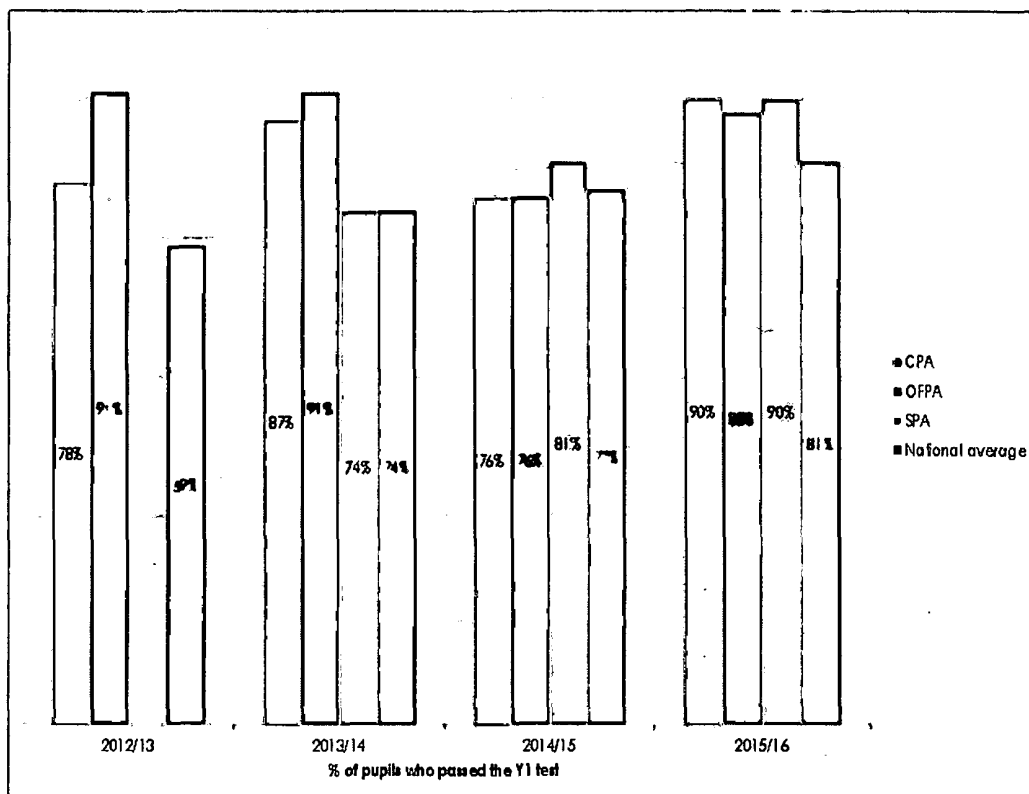


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DIRECTORS' REPORT (CONTINUED)

Phonics

In Years 1 and 2 pupils are given a test on 40 pseudo and real words they are expected to be able to read. The proportion of pupils who passed the test was significantly higher than national benchmarks across all three of the London schools.

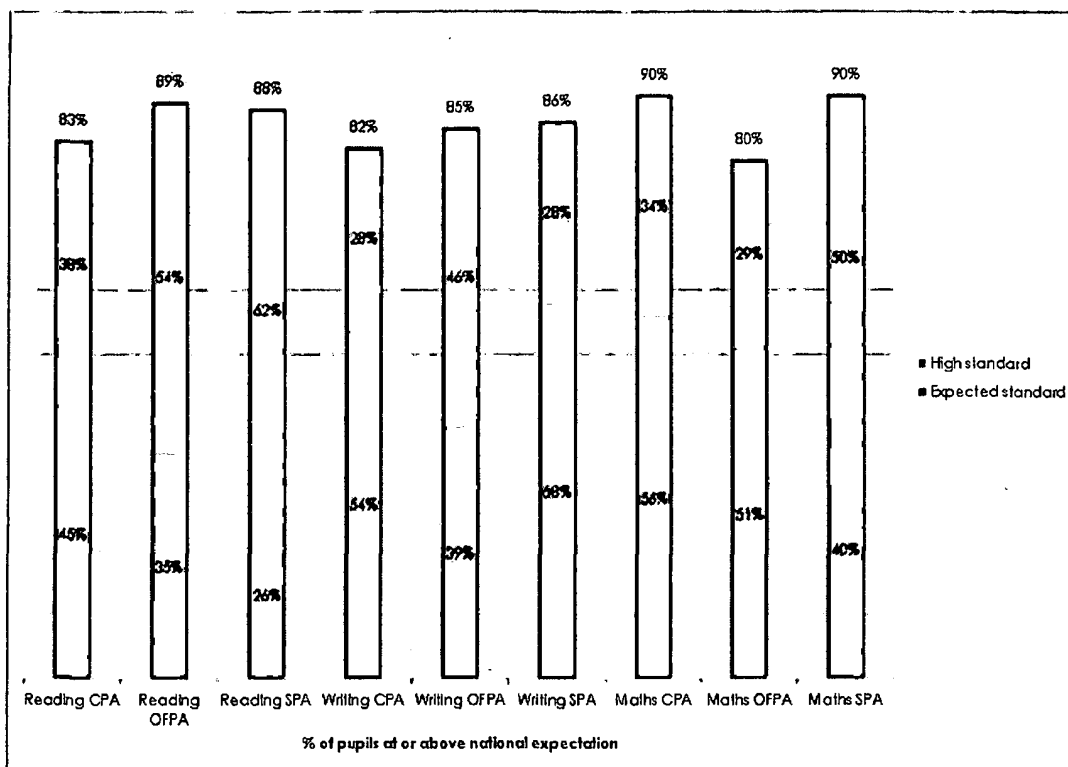


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DIRECTORS' REPORT (CONTINUED)

Key stage 1

All three London schools either met or exceeded national benchmark performance at the end of key stage 1. These are strong achievements given the very low starting points of children on entry to the schools.

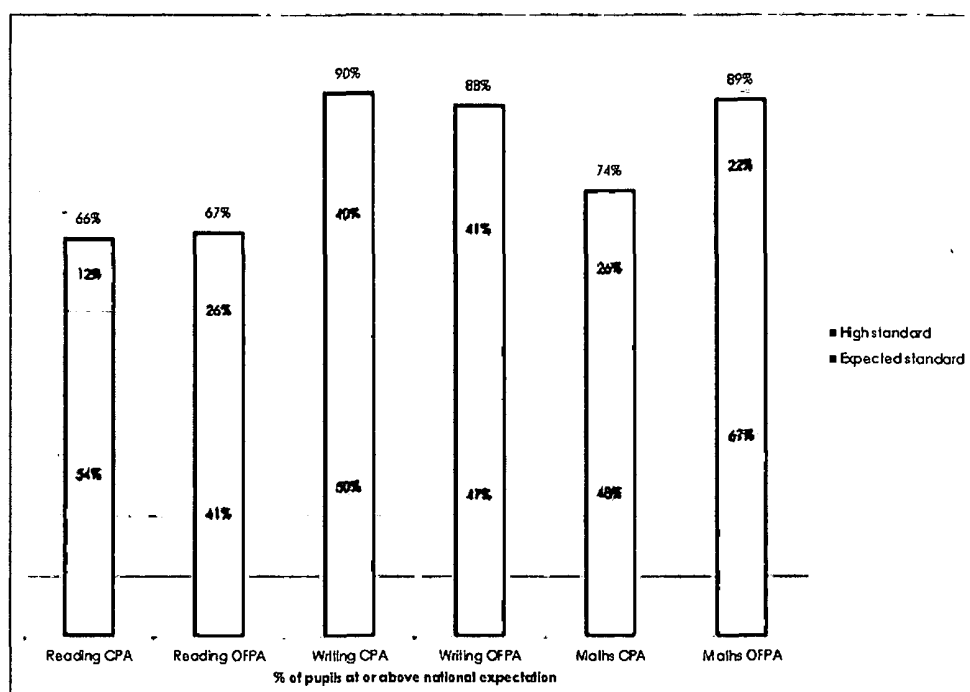


PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Key stage 2

The proportion of pupils who achieved the expected standards in reading, writing and mathematics by the end of key stage 2 ('KS2') was at or higher than national benchmarks, although the average amount of progress made by pupils in reading during key stage 2 fell slightly below our expectations at both Culloden and Old Ford. The underlying causes have been analysed and a robust plan of action has been implemented to ensure this is not repeated. Solebay continues to expand but did not, during this reporting period, have any pupils in the last year of KS2. Therefore no KS2 results for SPA are available for inclusion within the next graph.



Key stage 3

A new assessment system was developed at Ipswich Academy for students who are within key stage 3 ('KS3'). Examinations have been constructed in all subject areas to determine whether students have (by the end of Y7, Y8 and Y9) achieved the Ipswich Academy required standard. Success in these examinations indicates that students are well placed for GCSE study, with the clear potential to achieve a 'good pass' (a grade 5) by the end of Y11. The examinations which took place in summer 2016 demonstrated that students are making good progress relative to their end of key stage 2 starting points.

Key stage 4

Students at Ipswich Academy made progress at a rate which is exactly in line with the national benchmark. This is an exceptionally strong achievement given the very weak progress which students made in the previous year (prior to the school joining Paradigm Trust).

49% of students achieved A*-C grades in both English and mathematics. This is a marked improvement compared to the 31% which the school achieved last year. 39% of students achieved A*-C grades in five subjects (including English and mathematics). This is, again, a significant improvement compared to the previous year's figure of 24%.

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Key financial performance indicators

The Company has adopted a number of financial key performance indicators, two of which are shown below, to help monitor our financial performance and efficiency, both internally between our own academies and externally as compared to our peers.

So as to benchmark ourselves against other academies and multi-academy trusts we have sourced information from the latest Bishop Fleming Academies Benchmark Report, which contains comparative statistics up to and including financial year 2014/15.

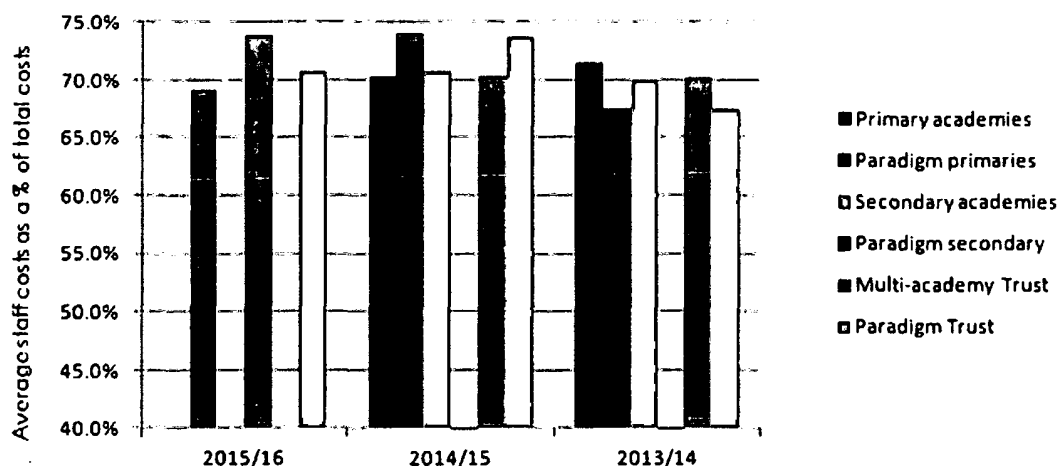
Staff costs as a percentage of total costs

Staff costs are by far the largest expenditure in education and recent increases in both pension and national insurance contributions have created a further challenge for the sector. To control these costs many schools have found it necessary to either reduce staffing numbers and/or employ cheaper, less experienced people, which inevitably can have a negative impact upon the quality of teaching. In contrast to this, our experience in school improvement shows that, at least for the short to medium term, additional top quality staff and resources are required to turn around a failing school as quickly as possible. This can be seen by our higher percentage of staff costs (73.96% of total costs) at Ipswich Academy during this financial year. We also pride ourselves on retaining high performing staff and attracting top quality staff to join us.

In the annual Bishop Fleming Academies Benchmarking Report 2016 it says "we expect to see academies spending 65-75% of total revenue expenditure on staffing costs".

Average staff costs as a % of total costs			
	2015/16	2014/15	2013/14
Primary academies		70.30%	71.60%
Paradigm primaries	69.12%	74.85%	67.48%
Secondary academies		70.80%	70.10%
Paradigm secondary	73.96%	n/a	n/a
Multi-academy Trust		70.40%	70.20%
Paradigm Trust	73.74%	73.89%	67.48%

Source: Bishop Fleming Academies Benchmark Report 2016



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DIRECTORS' REPORT (CONTINUED)

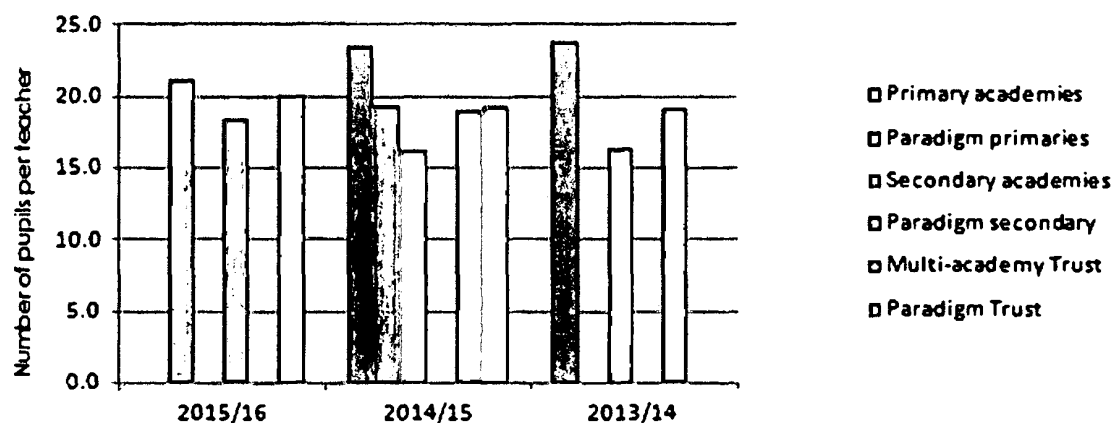
The Bishop Fleming report highlights the attractiveness of multi-academy trusts as a larger group and the economies of scale they can bring, enabling the sharing of support costs, making it easier to cover absences and to balance teaching cost and experience within a larger workforce.

Pupil/teacher ratio

The need to control costs comes at a time when pupil numbers are rising and therefore one would expect to see pupil/teacher ratio numbers rising accordingly.

Pupil / teacher ratio					
	2015/16	2014/15	2013/14	Change	% Change
Primary academies		23.6	23.8	-0.2	-0.8%
Paradigm primaries	21.3	19.4		1.9	8.8%
Secondary academies		16.3	16.5	-0.2	-1.2%
Paradigm secondary	18.5	n/a		n/a	n/a
Multi-academy Trust		19.1	19.3	-0.2	-1.0%
Paradigm Trust	20.2	19.4	n/a	0.8	3.9%

Source: Bishop Fleming Academies Benchmark Report 2016



PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Financial review

Paradigm's income is derived in the main from the DfE via the Education Funding Agency ('EFA') in the form of recurrent revenue and capital grants, the use of which is restricted to particular purposes. The grants received from the EFA and other sources during the academic year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Financial Statements.

The Company also receives grants for fixed assets from the DfE. In accordance with the Charities document, '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) (effective January 2015)' (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Further funds are sought from educational grants sponsorship and the outsourcing of our outstanding central services capabilities. A further source of income is Old Ford Primary Academy's status as a National Teaching School, which provides support and training for trainee teachers, leaders and other schools facing challenging circumstances.

Upon conversion to academies on 1 September 2013, the assets, liabilities and funds associated with both Culloden Primary School and Old Ford Primary School were transferred from London Borough of Tower Hamlets (LBTH) to Paradigm. On 1 September 2014, Solebay Primary Academy, formerly called CET Primary School Tower Hamlets, transferred into the Company. On 1 September 2015, Ipswich Academy transferred into the Company. In accordance with the requirements of SORP 2015, the value of the net assets transferred into the Company as a result of these transactions is shown as voluntary income in the Statement of Financial Activities for the period in which the transfer occurs.

Old Ford Primary Academy forms part of Tower Hamlets Grouped Schools Private Finance Initiative (PFI) contract. On conversion to an academy, in accordance with the requirements for PFI schools converting to academy status, the Company was obliged to enter into a separate agreement that formed part of the PFI contract, which runs until 2027. Ownership of the land and buildings at the school was not transferred into the Company. The nature of the arrangements is deemed to be akin to serviced accommodation, and payments under the PFI contract are treated as operating lease payments in the Financial Statements. These PFI arrangements are considered by the Board to be far from ideal from the point of view of the school.

During the academic year ended 31 August 2016, the Company received incoming resources (excluding the value of net assets received from the transfer of academies) of £16,998,928 (2015: £12,365,678) and generated a surplus on its restricted general funds of £963,137 (2015: £19,367), before transfers into the trust on the acquisition of Ipswich Academy, transfers between funds and other recognised gains and losses.

The net book value of tangible fixed assets at 31 August 2016 was £32,389,333 (2015: £20,181,721); movements in tangible fixed assets are shown in note 12 to the Financial Statements. The assets were primarily used for providing educational and associated support services to pupils and the community.

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Reserves policy

The Board believes that the funding received in any one year, excluding transfers into the fixed asset reserve, should primarily be used for the benefit of the pupils on roll at the time and those due to join within the next 12 months. Funds raised through our National Teaching School status are channelled into school improvement. Any additional grants and donations are usually project-related and are used for that particular purpose. Reserves held are assessed by the Board annually to ensure they are sufficient to cover capital and revenue contingencies.

With effect from 1 September 2016, Paradigm holds designated funds of £30,000 to be deployed as additional funding, if required, when a new school joins the Company. Access to this reserve is by prior agreement from the Operations and Finance Committee.

Within its overall reserves, Paradigm holds designated funds which are equivalent to 1% of total multi-academy trust forecast income (as stated in the budget which is formally approved by the Board and submitted to the EFA). These are contingency funds to be deployed to meet unexpected operating costs which arise during the year. Access to this reserve is by prior agreement from the Operations and Finance Committee.

The Operations and Finance Committee is authorised to determine the designation of reserves and to approve expenditure of designated reserves. Unrestricted funds as at 31 August 2016 amounted to £502,386 (2015: £471,901).

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Investment policy

The Company aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, the Company aims to invest surplus cash funds to optimise returns whilst ensuring the investment instruments are such that there is no material risk to the loss of these cash funds.

This is to ensure adequate cash balances are maintained in the current accounts to cover day-to-day working capital requirements and to ensure there is no material risk of loss in the capital value of any cash funds invested.

Management of the Company's cash is undertaken by the Finance Manager. This includes the management of the cash flow for all academies. The excess cash from each academy will be pooled by the Finance Department for investment purposes.

Quarterly cash flow statements projecting forward for at least the next 15 months are prepared and monitored to ensure there are adequate liquid funds to meet all payroll related commitments, outstanding supply creditors that are due for payment and any other identified contingencies. Cash flow statements are reported to the Operations and Finance Committee on a quarterly basis together with investment performance.

Where the cash flow identifies a base level of cash funds that will be surplus to requirements, this surplus may be invested in at least two of the following, at any one time, with no more than 60% of this surplus in any one account:

- interest bearing deposit accounts (including fixed term bonds with a term not exceeding six months) with any of the UK High Street banks with which we have an account. To mitigate the spread of risk, at least one further bank account for investment purposes will be opened in the forthcoming period.
- treasury deposits with maturity dates which do not result in the cash funds being unavailable for longer than six months.

It is permissible to have surplus cash invested on a rolling basis so that there is a phased increase or decrease in invested funds provided that Paradigm can revert to a fully liquid position within six months.

Periodically, the Finance Manager reviews the interest rates being achieved and compares with other investment opportunities that comply with the parameters of our policy.

Financial position

The Company held fund balances at 31 August 2016 of £30,759,308 (2015: £19,720,061) comprising £32,389,333 (2015: £20,181,721) of restricted fixed assets, £3,235,000 deficit (2015: £1,040,000 deficit) of pension reserve, £1,102,589 (2015: £106,439) of restricted funds and £502,386 (2015: £471,901) of unrestricted funds.

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Principal risks and uncertainties

During the financial year, the Audit and Risk Committee developed a risk register taking into account input from Directors, committee members, the leadership teams of the schools and Paradigm's senior support staff identifying the major risks facing the Company. These were allocated into six categories: strategic, sustainability, financial, operational, reputational and compliance. The Committee assessed the probability and impact of the identified risks and discussed risk mitigation actions and implications. Finally, the draft risk register was discussed and approved by the Board.

The principal risks identified in the risk register include:

- failure to comply with safeguarding matters;
- the loss of the Chief Executive Officer or other key members of the leadership team;
- failure to manage growth effectively (too fast or too slow);
- failure to obtain sufficient resources (people/money); and
- failure to maintain high standard of teaching and learning.

The Audit and Risk Committee are using the risk register to monitor changes to the risk environment and the implementation of agreed risk mitigation actions.

Paradigm does not hold significant financial instruments and therefore considers that its only material financial risk is cash flow risk. It manages this risk on a continuous basis throughout the year by actively monitoring cash inflows and outflows and reconciling its cash position monthly.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board of Directors 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.

Plans for future periods

Paradigm will continue to build on the aims and objectives referred to previously by:

- sustaining high achievement at the existing primary schools;
- continuing to implement improvement strategies at Ipswich Academy so as to further accelerate progress and improve the life chances for all students who attend the school;
- developing the breadth and reach of the National Teaching School at Old Ford Primary Academy and applying for National Teaching School status at Culloden Primary Academy;
- sponsoring the conversion of Murrayfield Community Primary School (Ipswich) into an academy within Paradigm;
- forging close partnership working with additional schools (e.g. the cluster of primary schools which feed to Ipswich Academy). These additional schools could, in time, join Paradigm;
- developing and retaining internal staff and recruiting/inducting additional effective staff from external sources;
- continuing to develop and strengthen the Board; and
- exploring opportunities to acquire or establish a secondary school in Tower Hamlets.

PARADIGM TRUST

DIRECTORS' REPORT (CONTINUED)

Auditor

The Board will recommend the reappointment of RSM UK Audit LLP ('RSM') at its meeting on 14 December 2016 and RSM has indicated its willingness to continue in office.

Statement as to disclosure of information to auditor

In so far as the Directors are aware:

- there is no relevant audit information of which the charitable company'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.

The Directors' Report and the Strategic Report (included therein) is approved by the Board of Directors at a meeting on 14 December 2016 and signed on its behalf by:



D Willis
Chairman

PARADIGM TRUST

GOVERNANCE STATEMENT

Scope of responsibility

As Directors, we acknowledge we have overall responsibility for ensuring that Paradigm 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 Chief Executive Officer, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Paradigm and the Secretary of State for Education. She is also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control.

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 has formally met 11 times during the year. Attendance during the year at meetings of the Board of Directors was as follows:

Directors	Meetings attended	Out of possible
A Phillips CBE (Chief Executive Officer)	11	11
A Redgrove (Parent director) (Appointed 23 September 2015)	8	11
C Crozier (Resigned 19 July 2016)	10	11
D Willis (Vice Chairman to 19 July 2016, Chairman from 20 July 2016)	11	11
D Syndercombe Court	8	11
J Martin (Vice Chairman from 20 July 2016)	11	11
R Brumby (Appointed 23 September 2015 and resigned 10 January 2016)	3	5
M Williams	11	11
P Wallace	10	11
R Newman (Parent director) (Resigned 27 September 2016)	4	11

PARADIGM TRUST

GOVERNANCE STATEMENT (CONTINUED)

In the reporting year there have been 3 resignations from the Board and the resignation of the Company Secretary. We would like to take this opportunity to thank Mr Brumby, Mr Crozier and Mr Newman for their contributions to the Company and Mr Jenkins for his contributions as Company Secretary. Mr Willis, former Vice Chairman, became Chairman of the Company on 20 July 2016. Mr Martin became Vice Chairman of the Company on 20 July 2016. Mr Holledge became Company Secretary on 25 March 2016.

Mr R Brumby joined the Board of Directors of Paradigm in September 2015. He was a member of the Audit and Risk Committee and the Operations and Finance Committee. Mr Brumby was a Governor at Old Ford Primary School for approximately 6 years until 2013, when he left to become Vice Chair of Governors at Culloden Primary Academy. During this time, he was also Chair of its finance and premises committee using his contacts to introduce the school to a beneficial relationship with the Tower Hill Trust. Mr Brumby served as a Director of Paradigm from September 2015 until January 2016.

Mr C Crozier joined the governing body at Old Ford Primary School in 2004 and went on to become Chair in 2008. Mr Crozier was also a Governor at Culloden Primary School, before it converted to an academy in September 2013. Mr Crozier served as a Director and Chairman of Paradigm from September 2013 until 19 July 2016. He was appointed as a Director by the members when the Company was formed on 2 April 2013. Mr Crozier is a member of the Company and joined the Audit and Risk Committee in September 2016.

Mr R Newman was appointed as a Parent Director by the members on 10 October 2013. Mr Newman was also the Chair of the Academy Council at Old Ford Primary Academy.

The Chairman and the Board are actively recruiting new Board members to join the Company.

During the period, there were four committees that reported to the Board:

Education Committee

Attendees	Meetings attended	Out of possible
A Phillips CBE	3	5
C Crozier	4	5
D Syndercombe Court	5	5
P Wallace	5	5
B Bryant	3	5

Operations and Finance Committee

Attendees	Meetings attended	Out of possible
A Phillips CBE	11	11
D Willis	11	11
J Martin	11	11
R Brumby (appointed 23 September 2015 and resigned 10 January 2016)	4	4
M Williams	11	11
R Newman (resigned 27 September 2016)	1	4

PARADIGM TRUST

GOVERNANCE STATEMENT (CONTINUED)

Audit and Risk Committee

Attendees	Meetings attended	Out of possible
D Willis	6	6
J Martin	6	6
R Brumby (appointed 23 September 2015 and resigned 10 January 2016)	1	2
P Wallace	6	6

Interim Executive Board (Ipswich Academy Only)

Attendees	Meetings attended	Out of possible
A Phillips CBE	7	8
D Willis	7	8
S Skinner	6	8
R Briscoe	7	8
C Bally	5	8
S Eastall	7	8
C Crozier	4	8

Review of value for money

The Accounting Officer of the Company is responsible and accountable for ensuring that it delivers good value in the use of public resources. She is aware of the guide to academy value for money statements published by the EFA and understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received. Set out below is how she has ensured that the Company's use of its resources has provided good value for money during the academic year.

Improving educational outcomes

Targeted improvement – the Company has kept its staffing structure under review, deploying staff effectively to ensure an effective, broad and balanced curriculum. Transparent and open recruitment processes took place in order to appoint the Principals for both Culloden Primary Academy and Old Ford Primary Academy, creating additional capacity within the Company prior to its expansion as well as the appointment of a Principal at Solebay Primary Academy.

Focus on individual pupils – the Company has been highly effective in meeting the differing needs of the pupils that it serves, narrowing the gap between disadvantaged and other pupils, and also supporting pupils who have additional needs and/or are higher attaining.

Collaboration – the Company has continued to work with a wide range of strategic partners (school and other) in order to spread good practice, including via the National Teaching School status of Old Ford Primary Academy. A shared service offer has been developed across the Company, particularly in terms of finance, human resources and Governor/Director support.

PARADIGM TRUST

GOVERNANCE STATEMENT (CONTINUED)

Better purchasing

Services and contracts were regularly appraised for quality and outcome. Where it was thought that improved economies could be achieved, several quotes for work were obtained; a formal tender process operated for larger expenditures particularly in terms of IT improvements and upgrades in all academies, the final phase of the playground development at Culloden Primary Academy and minor repairs at Solebay Primary Academy. The Company has taken opportunities for collaborative working across its schools to reduce and share administration and procurement costs. The Company has made effective use of public sector framework contracts to ensure value for money.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Company policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Paradigm for the period 1 September 2015 to 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 Company 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 a formal ongoing process for identifying, evaluating and managing the Company's significant risks that has been in place for the period 1 September 2015 to 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.

The risk and control framework

The Company'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;
- regular reviews by the Operations and Finance Committee of reports which indicate financial performance against budgets and capital expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing policies and procedures;
- delegation of authority and segregation of duties; and
- identification and management of risks.

The Audit and Risk Committee appointed UHY Hacker Young as the Company's internal auditor throughout the year.

The internal auditor's role includes performing a range of checks on the Company's financial systems, which in the period covered expenditure, income and governance related policies and procedures. The internal auditor reported to the Audit and Risk Committee and findings were discussed by the Committee with management and the internal auditor. A number of recommendations for improvements were made and the Committee will monitor implementation of the actions agreed with management. Overall, financial systems were considered satisfactory. The process and findings were then reported to the Board.

PARADIGM TRUST

GOVERNANCE STATEMENT (CONTINUED)

Review of effectiveness

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

- the report from the internal auditor on financial systems referred to above;
- the work of the external auditor;
- discussions at the Board and Audit and Risk Committee; and
- the work of the senior support staff within Paradigm who have responsibility for the development and maintenance of the internal control framework.

Approved by order of the Board of Directors on 14 December 2016 and signed on its behalf by:



A Phillips CBE
Chief Executive Officer



D Willis
Chairman

PARADIGM TRUST

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Paradigm, I have considered my responsibility to notify the Company Board and the EFA of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Company and the Secretary of State for Education. As part of my consideration, I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the Company's Board of Directors are able to identify any material irregular or improper use of funds by the Company, or material non-compliance with the terms and conditions of funding under the Company'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. If any instances are identified after the date of this statement, these will be notified to the Board of Directors and EFA.



A Phillips CBE
Accounting Officer

14 December 2016

PARADIGM TRUST

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors (who also act as trustees for Paradigm Trust for the purposes of charity law) are responsible for preparing the Directors' Report (including the Strategic Report) and the Financial Statements in accordance with the Annual Accounts Direction 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 Paradigm Trust and of its income and expenditure, for that period. In preparing those 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Directors on 14 December 2016 and signed on its behalf by:



D Willis
Chairman

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARADIGM TRUST

YEAR ENDED 31 AUGUST 2016

We have audited the financial statements of Paradigm Trust for the year ended 31 August 2016 set out on pages 30 to 57. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 on page 27, the directors, who also act as trustees for the charitable activities of Paradigm Trust, 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 incorporated 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.

Opinion on financial statements

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 incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Opinion on other requirement of the Companies Act 2006

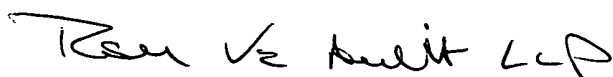
In our opinion the information given in the Directors' report and the incorporated strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARADIGM TRUST (CONTINUED)
YEAR ENDED 31 AUGUST 2016

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:

- the charity has not kept adequate accounting records, 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.



Christopher Mantel (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

Dated: 15/12/16.....

PARADIGM TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

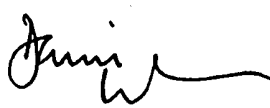
FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed asset Funds £	Total 2016 £	Total 2015 £
Income and endowments from:						
Donations and capital grants	3	4,337	136,184	47,343	187,864	1,026,510
Donations - transfer into the multi academy trust	26	-	(1,042,000)	12,893,000	11,851,000	7,515,880
Charitable activities:						
- Funding for educational operations	4	-	16,401,546	-	16,401,546	11,119,155
Other trading activities	5	229,522	176,808	-	406,330	218,441
Investments	6	3,188	-	-	3,188	1,572
Total income and endowments		<u>237,047</u>	<u>15,672,538</u>	<u>12,940,343</u>	<u>28,849,928</u>	<u>19,881,558</u>
Expenditure on:						
Raising funds	7	-	85,093	-	85,093	49,030
Charitable activities:						
- Educational operations	8	206,562	15,663,308	766,718	16,636,588	11,952,760
Total expenditure	7	<u>206,562</u>	<u>15,748,401</u>	<u>766,718</u>	<u>16,721,681</u>	<u>12,001,790</u>
Net income		30,485	(75,863)	12,173,625	12,128,247	7,879,768
Transfers between funds		-	(33,987)	33,987	-	-
Other recognised gains and losses						
Actuarial losses on defined benefit pension schemes	24	-	(1,089,000)	-	(1,089,000)	(20,000)
Net movement in funds		<u>30,485</u>	<u>(1,198,850)</u>	<u>12,207,612</u>	<u>11,039,247</u>	<u>7,859,768</u>
Reconciliation of funds						
Total funds brought forward		471,901	(933,561)	20,181,721	19,720,061	11,860,293
Total funds carried forward		<u>502,386</u>	<u>(2,132,411)</u>	<u>32,389,333</u>	<u>30,759,308</u>	<u>19,720,061</u>

PARADIGM TRUST**BALANCE SHEET****AS AT 31 AUGUST 2016**

		2016		2015	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	12		32,389,333		20,181,721
Current assets					
Debtors	13	427,725		162,399	
Cash at bank and in hand		2,580,105		1,572,623	
		<u>3,007,830</u>		<u>1,735,022</u>	
Current liabilities					
Creditors: amounts falling due within one year	14	(1,402,855)		(1,040,432)	
Net current assets			<u>1,604,975</u>		<u>694,590</u>
Total assets less current liabilities			33,994,308		20,876,311
Creditors: amounts falling due after more than one year	15		-		(116,250)
Net assets excluding pension liability			<u>33,994,308</u>		<u>20,760,061</u>
Defined benefit pension liability	24		(3,235,000)		(1,040,000)
Net assets			<u><u>30,759,308</u></u>		<u><u>19,720,061</u></u>
Funds of the Company:					
Restricted funds	18				
- Restricted fixed asset funds			32,389,333		20,181,721
- Restricted general funds			1,102,589		106,439
- Pension reserve			(3,235,000)		(1,040,000)
Total restricted funds			<u>30,256,922</u>		<u>19,248,160</u>
Unrestricted income funds	18		<u>502,386</u>		<u>471,901</u>
Total funds			<u><u>30,759,308</u></u>		<u><u>19,720,061</u></u>

The Financial Statements set out on pages 30 to 57 were approved by the Board of Directors and authorised for issue on 14 December 2016 and are signed on its behalf by:


D Willis
Chairman

PARADIGM TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Net cash provided by operating activities	21		902,097		613,454
Cash flows from investing activities					
Dividends, interest and rents from investments		3,188		1,572	
Capital grants from DfE and EFA		152,275		934,453	
Capital funding from sponsors and others		31,252		-	
Payments to acquire tangible fixed assets		(81,330)		(842,503)	
			105,385		93,522
Change in cash and cash equivalents in the reporting period			1,007,482		706,976
Cash and cash equivalents at beginning of the year			1,572,623		865,647
Cash and cash equivalents at end of the year			2,580,105		1,572,623

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies

Paradigm Trust ('Paradigm') is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the Directors' Report.

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 Company have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Paradigm meets the definition of a public benefit entity under FRS 102 and has therefore applied the relevant public benefit requirements of FRS 102.

These Financial Statements are the first Financial Statements of Paradigm prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The Financial Statements of Paradigm for the year ended 31 August 2015 were prepared in accordance with previous UK GAAP.

An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 27.

Going concern

The Directors assess whether the use of going concern is appropriate, that is, whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company 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 Company has adequate resources to continue in operational existence for the foreseeable future. There are no material uncertainties about the Company's ability to continue as a going concern and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Transfer into the multi-academy trust

The transfer from another multi-academy trust into Paradigm involved the transfer of identifiable assets and pension liabilities and the operation of the school for £Nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred from the Learning Schools Trust ('LST') to Paradigm have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate Balance Sheet categories, with a corresponding amount recognised in Donations – transfer into the multi-academy trust in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds as appropriate. Further details of the transaction are set out in note 26.

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies (Continued)

Income

All income is recognised when the Company 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.

General Annual Grant is recognised in full in the Statement of Financial Activities in the period 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.

Sponsorship income

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

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 measured reliably.

Other income

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

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the Financial Statements until they are sold. This income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Company's accounting policies.

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies (Continued)

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of pupil numbers or staff numbers as appropriate, and depreciation charges are allocated on the portion of the asset's use.

All expenditure is inclusive of irrecoverable VAT.

Expenditure on raising funds

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

Charitable activities

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

Governance costs

These include the costs attributable to the Company's compliance with constitutional and statutory requirements, including audit, strategic management, Directors' meetings and reimbursed expenses.

Tangible fixed assets and depreciation

Assets costing £500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land, so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings	50-125 years straight line
Computer equipment	3 years straight line
Fixtures, fittings and equipment	7 years straight line

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies (Continued)

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

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 Company 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.

Leased assets

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

Taxation

The Company 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 Company 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 Company are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'), which are multi-employer 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 Company 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 projected unit method. The TPS is a multi-employer scheme but 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 are recognised in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

1 Accounting policies (Continued)

The LGPS is a funded scheme and the assets are held separately from those of the Company 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 net income are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Fund accounting

Restricted general funds comprise all restricted funds received with restrictions imposed by the funder/donor and include grants from the DfE/EFA.

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

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

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

2 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

The Company 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 LGPS 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 or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23 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.

Critical areas of judgement

The school building at Old Ford Primary Academy is under a 25 year PFI contract. In the opinion of the Directors, the risks and rewards of ownership have not transferred to the multi-academy trust. Consequently no value for land and buildings related to this contract have been included in these Financial Statements.

3 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Capital grants	-	152,275	152,275	934,453
Other donations	4,337	31,252	35,589	92,057
	<u>4,337</u>	<u>183,527</u>	<u>187,864</u>	<u>1,026,510</u>

The income from donations and capital grants was £187,864 (2015: £1,026,510) of which £4,337 was unrestricted (2015: £33,644), £136,184 was restricted (2015: £150,363) and £47,343 was restricted fixed assets (2015: £842,503).

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

4 Funding for the Company's educational operations

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
DfE / EFA grants				
General annual grant (GAG)	-	12,306,969	12,306,969	7,541,403
Start up grants	-	15,900	15,900	69,555
Other DfE / EFA grants	-	2,469,182	2,469,182	1,767,963
	-	14,792,051	14,792,051	9,378,921
Other government grants				
Local authority grants	-	1,609,495	1,609,495	1,740,234
Total funding	-	16,401,546	16,401,546	11,119,155

The income from funding for educational operations was £16,401,546 (2015: £11,119,155) of which £16,401,546 was restricted (2015: £11,119,155).

5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Hire of facilities	45,112	-	45,112	5,769
Catering income	113,170	-	113,170	39,030
School training course fees	-	-	-	14,783
Parental contributions to school trips	40,997	-	40,997	35,277
Afterschool clubs	21,008	-	21,008	17,042
Other income	9,235	176,808	186,043	106,540
	229,522	176,808	406,330	218,441

The income from other trading activities was £406,330 (2015: £218,441) of which £229,522 was unrestricted (2015: £218,441) and £176,808 was restricted (2015: £-).

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Short term deposits	3,188	-	3,188	1,572

The income from funding for investment income was £3,188 (2015: £1,572) of which £3,188 was unrestricted (2015: £1,572).

7 Expenditure

	Staff costs £	Premises & equipment £	Other costs £	Total 2016 £	Total 2015 £
Expenditure on raising funds	-	-	85,093	85,093	49,030
Academy's educational operations					
- Direct costs	10,020,686	-	2,038,368	12,059,054	8,294,840
- Allocated support costs	1,427,622	1,741,810	1,408,102	4,577,534	3,657,920
Total expenditure	11,448,308	1,741,810	3,531,563	16,721,681	12,001,790

The expenditure on raising funds was £85,093 (2015: £49,030) of which £85,093 was restricted (2015: £49,030).

Net income for the year includes:

	2016 £	2015 £
Fees payable to auditor		
- Audit	26,770	20,000
- Other services	10,300	11,370
Operating lease rentals	3,302	2,977
Net interest on defined benefit pension liability	78,000	37,000
Depreciation of tangible fixed assets	766,718	513,898

Central services

Paradigm has incurred central overhead costs amounting to £219,633 (2015: £180,387) during the year relating to the following central services: advisory, legal, HR central costs and company secretarial.

The Company's policy for recharging these costs to each school is based on pupil numbers or staff numbers as appropriate.

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

7 Expenditure (Continued)

The amounts charged during the year were as follows:

	Total £
Culloden Primary Academy	44,114
Ipswich Academy	83,825
Old Ford Primary Academy	56,447
Solebay Primary Academy	35,247
	<u>219,633</u>

8 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Direct costs - educational operations	51,485	12,007,569	12,059,054	8,294,840
Support costs - educational operations	155,077	4,422,457	4,577,534	3,657,920
	<u>206,562</u>	<u>16,430,026</u>	<u>16,636,588</u>	<u>11,952,760</u>

The expenditure on educational operations was £16,636,588 (2015: £11,952,760) of which £206,562 was unrestricted (2015: £234,290), £15,663,308 was restricted (2015: £11,204,572) and £766,718 was restricted fixed assets (2015: £513,898).

	2016 £	2015 £
Analysis of support costs		
Support staff costs	1,427,622	704,679
Depreciation and amortisation	766,718	513,898
Technology costs	17,064	30,954
Premises costs	975,092	970,502
Other support costs	1,152,700	949,698
Governance costs	238,338	488,189
	<u>4,577,534</u>	<u>3,657,920</u>

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

9 Staff costs

	2016 £	2015 £
Wages and salaries	7,952,814	5,094,572
Social security costs	558,844	340,690
Other pension costs	924,051	444,613
Total staff costs	9,435,709	5,879,875
Supply staff costs	1,820,632	1,827,338
Staff development and other staff costs	191,967	144,907
	<u>11,448,308</u>	<u>7,852,120</u>

Staff numbers

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

	2016 Number	2015 Number
Teachers	100	64
Administration and support	91	40
Management	13	13
Classroom support staff	140	100
	<u>344</u>	<u>217</u>

Higher paid staff

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

	2016 Number	2015 Number
£60,001 - £70,000	4	3
£70,001 - £80,000	2	3
£80,001 - £90,000	1	3
£190,001 - £200,000	-	1
£210,001 - £220,000	1	-
	<u>8</u>	<u>10</u>

Eight (2015: Ten) of the above employees participated in the TPS. None (2015: None) of the employees participated in the LGPS. Both the TPS and the LGPS are defined benefit pension schemes. Paradigm paid £99,872 (2015: £118,009) in employers contributions to the TPS during the year in respect of these employees.

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

9 Staff costs (Continued)

Key management personnel

The key management personnel of the Company comprise the Principals 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 Company was £564,136 (2015: £441,424).

10 Directors' remuneration and expenses

During the period ended 31 August 2016, travel and subsistence expenses totalling £847 were reimbursed or paid directly to 2 trustees (2015: £nil). D Willis received £619 (2015: £nil) and A Phillips received £228 (2015: £nil).

Amanda Phillips CBE, the CEO, received remuneration of £213,018 (2015: £195,384) and is accruing retirement benefits under the TPS. The employer contributions paid in the year amounted to £19,741 (2015: £26,844).

11 Directors and officers insurance

In accordance with normal commercial practice, the Company has purchased insurance to protect Directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Company business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2016 was £4,590 (2015: £2,941). The cost of this insurance is included in the total insurance cost.

12 Tangible fixed assets

	Land and buildings	Computer equipment	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 September 2015	20,247,713	567,055	218,817	21,033,585
Additions	12,923,814	38,552	11,964	12,974,330
	<u>33,171,527</u>	<u>605,607</u>	<u>230,781</u>	<u>34,007,915</u>
Depreciation				
At 1 September 2015	519,788	284,831	47,245	851,864
Charge for the year	535,904	201,866	28,948	766,718
	<u>1,055,692</u>	<u>486,697</u>	<u>76,193</u>	<u>1,618,582</u>
Net book value				
At 31 August 2016	<u>32,115,835</u>	<u>118,910</u>	<u>154,588</u>	<u>32,389,333</u>
At 31 August 2015	<u>19,727,925</u>	<u>282,224</u>	<u>171,572</u>	<u>20,181,721</u>

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

13 Debtors	2016 £	2015 £
Trade debtors	11,261	-
VAT recoverable	59,631	79,735
Prepayments and accrued income	356,833	82,664
	<u>427,725</u>	<u>162,399</u>
14 Creditors: amounts falling due within one year	2016 £	2015 £
Trade creditors	238,349	529,321
Other taxation and social security	197,758	115,753
Other creditors	1,410	38,750
Accruals and deferred income	965,338	356,608
	<u>1,402,855</u>	<u>1,040,432</u>
15 Creditors: amounts falling due after more than one year	2016 £	2015 £
EFA creditor: abatement of GAG	-	116,250
	<u>-</u>	<u>116,250</u>
16 Deferred income	2016 £	2015 £
Deferred income is included within:		
Creditors due within one year	<u>75,643</u>	<u>29,750</u>
Deferred income at 1 September 2015	29,750	44,000
Released from previous years	(29,750)	(44,000)
Amounts deferred in the year	<u>75,643</u>	<u>29,750</u>
Deferred income at 31 August 2016	<u>75,643</u>	<u>29,750</u>

Included within deferred income is the Universal Free School Meals grant of £45,163 (2015: £29,750) and rates relief income of £30,480 (2015: £Nil).

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

17 Financial Instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	368,094	82,664
Carrying amount of financial liabilities		
Financial liabilities measured at amortised cost	1,129,454	894,929

18 Funds

	Balance at 1 September 2015 £	Income £	Expenditure £	Gains, losses & transfers £	Balance at 31 August 2016 £
Restricted general funds					
General Annual Grant	-	12,306,969	(11,981,667)	(33,987)	291,315
Start up grants	13,456	15,900	-	-	29,356
Other DfE/EFA grants	92,983	2,576,104	(2,242,083)	-	427,004
Other government grants	-	1,609,495	(1,359,041)	-	250,454
Other capital	-	26,622	(10,704)	-	15,918
Other restricted funds	-	179,448	(90,906)	-	88,542
Funds excluding pensions	106,439	16,714,538	(15,684,401)	(33,987)	1,102,589
Pension reserve	(1,040,000)	(1,042,000)	(64,000)	(1,089,000)	(3,235,000)
	(933,561)	15,672,538	(15,748,401)	(1,122,987)	(2,132,411)
Restricted fixed asset funds					
DfE/EFA capital grants	819,102	45,353	(75,284)	-	789,171
Inherited funds	11,640,338	-	(295,080)	-	11,345,258
Capital expenditure from GAG	199,391	-	(83,431)	33,987	149,947
Transfer into company	7,442,758	12,893,000	(297,151)	-	20,038,607
Private sector capital sponsorship	80,132	1,990	(15,772)	-	66,350
	20,181,721	12,940,343	(766,718)	33,987	32,389,333
Total restricted funds	19,248,160	28,612,881	(16,515,119)	(1,089,000)	30,256,922

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

18 Funds (Continued)

Unrestricted funds					
General funds	471,901	237,047	(206,562)	-	502,386
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total funds	19,720,061	28,849,928	(16,721,681)	(1,089,000)	30,759,308
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

Restricted general funds represents the grants received by the company to fund its operational activities and development.

Under the funding agreement with the Secretary of State, the Company's schools were not subject to a limit on the amount of GAG that they could carry forward at 31 August 2016.

Restricted other funds represent grants received for specific purposes, other than restricted general funds, which have to be spent according to grantor's requirements.

Restricted fixed asset funds represent the grants and donations received by the Company to fund capital expenditure. In addition, the inherited funds represent the assets gifted to the Company on the conversion of the schools to a multi academy trust. Where a school has previously been a member of a separate academy, the value of the assets are included in the fund titled "Transfer into company".

Unrestricted general funds represent the unrestricted funds which can be utilised by the Directors at their discretion to further the Company's objectives.

Total funds analysis by academy

	Total £
Fund balances at 31 August 2016 were allocated as follows:	
Culloden Primary Academy	401,275
Ipswich Academy	209,173
Old Ford Primary Academy	852,254
Solebay Primary Academy	142,273
	<u> </u>
Total before fixed assets fund and pension reserve	1,604,975
Restricted fixed asset fund	32,389,333
Pension reserve	(3,235,000)
	<u> </u>
Total funds	<u>30,759,308</u>

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

18 Funds (Continued)

Total cost analysis by academy

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

	Teaching and educational support staff costs	Other support staff costs	Educational supplies	Other costs excluding depreciation	Total
	£	£	£	£	£
Culloden Primary Academy	2,846,629	327,762	281,685	624,110	4,080,186
Ipswich Academy	3,201,615	640,041	691,962	730,485	5,264,103
Old Ford Primary Academy	2,818,045	327,159	890,852	620,588	4,656,644
Solebay Primary Academy	1,154,394	132,660	142,777	304,565	1,734,396
Central services	-	-	31,091	188,542	219,633
	<u>10,020,683</u>	<u>1,427,622</u>	<u>2,038,367</u>	<u>2,468,290</u>	<u>15,954,962</u>

19 Analysis of net assets between funds

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2016
	£	£	£	£
Fund balances at 31 August 2016 are represented by:				
Tangible fixed assets	-	-	32,389,333	32,389,333
Current assets	893,342	2,114,488	-	3,007,830
Creditors falling due within one year	(390,956)	(1,011,899)	-	(1,402,855)
Defined benefit pension liability	-	(3,235,000)	-	(3,235,000)
	<u>502,386</u>	<u>(2,132,411)</u>	<u>32,389,333</u>	<u>30,759,308</u>

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

20 Commitments under operating leases

At 31 August 2016, the total future minimum lease payments under non-cancellable operating leases were as follows:

	2016 £	2015 £
Amounts due within one year	2,688	2,977
Amounts due between one and five years	333	325
	<u>3,021</u>	<u>3,302</u>

In addition to the above, the Company maintains some of its assets under a PFI agreement. The amount due for the following financial year under this agreement is estimated to be £462,000 (2015: £470,000). The cost of the PFI agreement changes annually based on pupil numbers and as such the cost of the PFI agreement for the 25 year term would total approximately £11,750,000 (2015: £11,742,000).

21 Reconciliation of net income to net cash flows from operating activities

	2016 £	2015 £
Net income for the reporting period	12,128,247	7,879,768
Adjusted for:		
Net surplus transferred on conversion	(11,851,000)	(7,515,880)
Capital grants from DfE/EFA and other capital income	(183,527)	(934,453)
Interest receivable	(3,188)	(1,572)
Defined benefit pension scheme cost less contributions payable	(14,000)	(63,000)
Defined benefit pension scheme finance cost	78,000	37,000
Depreciation of tangible fixed assets	766,718	513,898
(Increase)/decrease in debtors	(265,326)	73,497
Increase in creditors	246,173	624,196
Net cash provided by operating activities	<u>902,097</u>	<u>613,454</u>

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

22 Contingent liabilities

Paradigm has identified a contingent liability of £140,000 in relation to works carried out at Old Ford Primary Academy. Old Ford Primary Academy is subject to a London Borough Tower Hamlets Group Schools PFI contract. As part of the conversion process, the DfE, LBTH and the Company entered into a suite of documents. The purpose of these agreements is to ensure the Company and LBTH are not prejudiced by the conversion as far as the financial liability of Old Ford Primary Academy under the Project Agreement (PA) is concerned. A building defect arose in 2014, which involved a major water leak. In preparing to repair the leak, the contractor made preparations to remove asbestos in under-floor ducts where the pipework is located. The contractor has indicated that the asbestos might be 'non-disclosed' asbestos under the terms of the PA. If so, this would mean that the cost of the asbestos removal would not be borne by the contractor but would transfer to the LBTH, under the terms of the PA. The LBTH would then seek to pass this financial liability to the Company. Uncertainty exists as to whether or not the asbestos is "disclosed" or "non-disclosed" under the PA. The Directors consider the possibility of a successful claim by LBTH against the Company to be remote and will actively defend any claim against the Company in this regard.

23 Members' liability

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

24 Pensions and similar obligations

The Company'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. Within the Company are two separate LGPS pension schemes which are managed by London Borough of Tower Hamlets and Suffolk County Council. All are multi-employer defined benefit schemes.

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

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.

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

24 Pensions and similar obligations (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. 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 DfE 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 (currently 14.1%))
- 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 the TPS in the period amounted to £580,938 (2015: £300,339).

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

The TPS is a multi-employer pension scheme and there is insufficient information to account for the scheme as a defined benefit scheme so it is accounted for as a defined contribution scheme.

Local Government Pension Scheme - London Borough of Tower Hamlets

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 32.9% for employers and 5.5% to 12.0% for employees.

The LGPS obligation relates to the employees of the Company who were employees transferred as part of the conversion from the maintained London based academies, together with new employees who joined the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Company at the Balance Sheet date.

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

24 Pensions and similar obligations (Continued)

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

Total contributions made	2016 £	2015 £
Employer's contributions	216,000	206,000
Employees' contributions	39,000	38,000
Total contributions	255,000	244,000

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 August 2016 by a qualified independent actuary.

Principal actuarial assumptions	2016 %	2015 %
Rate of increases in salaries	1.90	4.00
Rate of increase for pensions in payment	2.10	2.60
Discount rate	2.00	3.70
Inflation assumption (CPI)	3.10	2.70

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

	2016	2015
Retiring today		
- Males	22.2 years	22.2 years
- Females	24.2 years	24.2 years
Retiring in 20 years		
- Males	24.3 years	24.3 years
- Females	26.4 years	26.4 years

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

24 Pensions and similar obligations (Continued)

The Company's share of the assets in the scheme	2016 Fair value £	2015 Fair value £
Equities	783,000	479,000
Bonds	144,000	106,000
Property	110,000	78,000
Cash	66,000	42,000
Total fair value of assets	1,103,000	705,000
Actual return on scheme assets - loss	(206,000)	(20,000)
Amounts recognised in the statement of financial activities	2016 £	2015 £
Current service cost	157,000	143,000
Net interest cost	37,000	37,000
Total operating charge	194,000	180,000
Changes in the present value of defined benefit obligations		2016 £
Obligations at 1 September 2015		1,745,000
Current service cost		157,000
Interest cost		68,000
Employee contributions		39,000
Actuarial loss		318,000
At 31 August 2016		2,327,000

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

24 Pensions and similar obligations (Continued)

Changes in the fair value of the Company's share of scheme assets	2016 £
Assets at 1 September 2015	705,000
Interest income	31,000
Return on plan assets (excluding net interest on the net defined pension liability)	112,000
Employer contributions	216,000
Employee contributions	39,000
	<hr/>
At 31 August 2016	1,103,000

Local Government Pension Scheme - Suffolk County Council

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 32.9% for employers and 5.5% to 12.0% for employees.

The LGPS obligation relates to the employees of the Company who were employees transferred with Ipswich Academy (as described in note 25), together with new employees who joined the scheme in the period. The obligation in respect of employees who transferred represents their cumulative service at both the predecessor school and the Company at the Balance Sheet date.

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

Total contributions made	2016 £
Employer's contributions	128,000
Employees' contributions	38,000
	<hr/>
Total contributions	166,000

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 August 2016 by a qualified independent actuary.

Principal actuarial assumptions	2016 %
Rate of increases in salaries	4.10
Rate of increase for pensions in payment	2.10
Discount rate	2.10
Inflation assumption (CPI)	2.70

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

24 Pensions and similar obligations (Continued)

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

	2016
Retiring today	
- Males	22.4 years
- Females	24.4 years
Retiring in 20 years	
- Males	24.3 years
- Females	26.9 years

The Company's share of the assets in the scheme

	2016 Fair value £
Equities	1,916,000
Bonds	555,000
Property	278,000
Cash	28,000
Total fair value of assets	2,777,000

	2016 £
Actual return on scheme assets - loss	(883,000)

Amounts recognised in the statement of financial activities

	2016 £
Current service cost	173,000
Net interest cost	41,000
Total operating charge	214,000

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

24 Pensions and similar obligations (Continued)

Changes in the present value of defined benefit obligations	2016 £
Obligations acquired on transfer	3,264,000
Current service cost	173,000
Interest cost	128,000
Employee contributions	38,000
Actuarial loss	1,212,000
Benefits paid	(13,000)
Plan introductions, benefit changes, curtailments and settlements	(14,000)
At 31 August 2016	4,788,000

Changes in the fair value of the Company's share of scheme assets	2016 £
Assets acquired on transfer	2,222,000
Interest income	87,000
Return on plan assets (excluding net interest on the net defined pension liability)	315,000
Employer contributions	128,000
Employee contributions	38,000
Benefits paid	(13,000)
At 31 August 2016	2,777,000

25 Related party transactions

Due to the nature of Paradigm's operations and the composition of the Board, transactions may take place with organisations in which a Director has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with Paradigm's financial regulations and normal procurement procedures.

No related party transactions took place in the year.

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

26 Transfer into the multi-academy trust

On 1 September 2015, the Ipswich Academy transferred into the multi-academy trust and all the operations and fixed assets were transferred to Paradigm from the Learning Schools Trust for £Nil consideration. The agreement with DfE was on the basis that with the exception of the pension liability, no liabilities would be transferred, nor would any previous surplus or deficit transfer.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as donations – transfer into multi academy trust.

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

Academy	Location	Date of conversion
Ipswich Academy	Ipswich	1 September 2015

	2016 £
Net assets transferred:	
Leasehold land and buildings	12,893,000
LGPS pension surplus/(deficit)	(1,042,000)
	<u>11,851,000</u>

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total 2016 £
Funds surplus/(deficit) transferred:				
Fixed assets funds	-	-	12,893,000	12,893,000
LGPS pension funds	-	(1,042,000)	-	(1,042,000)
	<u>-</u>	<u>(1,042,000)</u>	<u>12,893,000</u>	<u>11,851,000</u>

27 Reconciliations on adoption of FRS 102

Reconciliation of funds for the previous financial period

	1 September 2014 £	31 August 2015 £
Funds as reported under previous UK GAAP and under FRS 102	<u>11,860,293</u>	<u>19,720,061</u>

PARADIGM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

27 Reconciliations on adoption of FRS 102 (Continued)

Reconciliation of net income for the previous financial period

	2015 £
Net movement in funds as reported under previous UK GAAP and under FRS 102	7,859,768

Notes to reconciliations on adoption of FRS 102

These Financial Statements are the first Financial Statements of Paradigm prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP (FRS 102). The Financial Statements of Paradigm for the year ended 31 August 2015 were prepared in accordance with previous United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and the Charities SORP 2005.

It is the first year that the multi-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 was therefore 1 September 2014. As a consequence of adopting FRS 102 and the Charities SORP (FRS102), a number of accounting policies have changed to comply with those standards.

There were no material adjustments on adoption of FRS 102 that had an effect on the multi-academy trust's net assets or total funds, and therefore, no reconciliation of equity has been presented here.

However, although net movement in funds were unaffected upon transition, net outgoing resources and net expenditure as stated in the financial statements for the year ended 31 August 2015 of £7,889,768 was shown before the revised value of net pension scheme interest of £37,000 previously £27,000 and is therefore represented in these Financial Statements as a comparative net income of £7,879,768.