

Open College of the Arts
(A company limited by guarantee)

Financial Statements
for the year ended 31 July 2017

Charity No. 327446
Company No. 2125674

TUESDAY



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Open College of the Arts

Financial Statements for the year ended 31 July 2017

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Open College of the Arts

Operating and Financial Review

The Trustees present their report and accounts for year ended 31 July 2017 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

These financial statements have been prepared in accordance with Financial Reporting Standards 102 and the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with FRS 102.

Purposes and activities for public benefit

The Charity's Trustees confirm that they have complied with their duty to have due regard to the guidance on public benefit issued by the Charity Commission for England and Wales in exercising their duties.

The object of the Charity is to promote and provide education and training in the field of arts and crafts and related skills and disciplines in all countries of the world. Further information is available on the Charity's website (www.oca.ac.uk).

The principal work of the Charity is through the provision of high quality, tutor supported, distance learning courses. This is done using specially written course manuals and associated learning materials which guide students through a programme of work.

Merger with the University for the Creative Arts

On 1 November 2016, having concluded, after careful consideration of all relevant factors, that the best interests of current and future students would be served by merger, the Trustees approved the merger with the University for the Creative Arts ("UCA"), with which it had enjoyed a strong working relationship for the previous five years.

Achievements and performance

During the year, the OCA continued to focus its efforts on improving the quality of the student experience and widening the student choice.

Notable achievements include:

- Obtaining OCA access to JANET
- Securing access for OCA students to the UCA online library services, including Open Athens
- Development of a further Foundations course in photography and agreement on a progression route to degree study
- Alignment of OCA and UCA academic processes and initial review work for an expansion of Foundation and Undergraduate programmes in 2017/18
- Recruitment of a new Chief Executive and Principal.

Financial review

The outcome of the 2016/17 year was an overall surplus of £86,676 (2016: restated deficit £195,195). This outcome is wholly attributable to two factors:

- enrolments higher than forecast;
- savings in marketing costs due to greater impact of spend following the merger with UCA.

Investment powers and policy

The Trustees have the power to invest surplus funds (to the extent that there are surpluses available for this purpose). During 2016/17 there were no such investment surpluses.

Reserves policy and going concern

As at 31 July 2017, the Charity had unrestricted reserves of £138,124 in deficit. The Trustees have an agreed budget for the forthcoming financial year. UCA has confirmed that it will provide financial support to enable the Charity to meet its liabilities as they fall due for the foreseeable future, and for a period of at least twelve months from the date the financial statements are signed.

Future Plans

The Charity remains committed to widening access and improving the quality of its course provision and will:

- Work with UCA to explore opportunities for new programmes;
- Identify the potential for synergies in UCA and OCA's learning models;
- Develop further our engagement with students to increase student success and progression.

Structure, governance and management

The Charity is a company limited by guarantee and not having a share capital is governed by its Memorandum and Articles of Association dated 23 April 1987. The company is a registered charity.

The directors of the company are its Trustees for the purpose of charity law and throughout this report are referred to as the Trustees. The Trustees as Charity Trustees have control of the company and its property and funds.

The Trustees named in these accounts have served as Trustees during the year for the specified terms.

The Trustees are the members of the company. The Memorandum and Articles of Association provide that each member undertakes to contribute to the assets of the company in the event of the company being wound up to a limit not exceeding £1 (one pound).

The Board of Trustees, which can consist of up to 12 members, agree the broad strategy and areas of activity of the company in accordance with the Articles of Association and the charitable objects of the company.

On a day to day basis the Chief Executive and the Company Secretary manage the activities of the Charity. To facilitate effective operations, the Chief Executive has delegated authority for operational matters including finance, employment and academic affairs.

Policies and procedures adopted for the induction and training of Trustees

The company recognises that it has a responsibility to provide guidance and assist new Trustees in fulfilling their duties and responsibilities. This is done in accordance with Charity Commission guidance. New Trustees are given appropriate Charity Commission publications and training seminars.

Risk management

The Trustees actively assess the major risks to which the Charity is exposed through regular meetings and the maintenance of a risk register. Key risks, such as financial, quality and operational risks are managed through agreed policies.

Statement of Trustees' responsibilities

The Charity Trustees (who are also the directors of the Open College of the Arts for the purposes of company law) are responsible for preparing a Trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources) including the income and expenditure, of the charitable company for that period.

In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed) subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

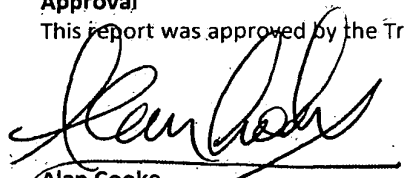
Statement of disclosure to auditors

In so far as the Trustees are aware at the time of approving this report:

- there is no relevant information (being information needed by the auditor in connection with preparing their report), of which the Charity's auditor is unaware, and
- each of the Trustees, having made enquiries of fellow directors and the Charity's auditor that they ought to have individually taken, has taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approval

This report was approved by the Trustees and signed on their behalf by:


Alan Cooke
Chairman of the Board of Trustees
27 November 2017

Board of Trustees

Cathy Baxandall

The Very Reverend Peter Bradley Resigned 1 November 2016

Professor Roni Brown Appointed 1 November 2016

Alan Cooke Appointed 1 November 2016

Professor Patricia Cullen

Helen Dingle Resigned 1 November 2016

Karan Green Resigned 1 November 2016

Derek Grover Resigned 1 November 2016

Kate Henry Resigned 1 November 2016

Simon Hill Resigned 1 November 2016

Professor Mark Hunt Resigned 1 November 2016

John Oliver Appointed 31 October 2017

Professor Muriel Robinson OBE Resigned 1 November 2016

Carlos Manuel Cortes Pereira Sa Appointed 1 November 2016

Nick Whitaker Resigned 1 November 2016

Company Secretary

Marion Wilks Appointed 1 November 2016

Robert Malcolm Thompson Resigned 1 November 2016

Principal & Chief Executive

Gareth Dent To 29 September 2017

Will Woods From 29 September 2017

Bankers

Barclays Bank plc, 10 Market Street, Bradford, BD1 1EG

CAF Bank Ltd, 25 Kings Hill Avenue, Kings Hill, West Malling, ME19 4JQ

External Auditors

KPMG LLP, 15 Canada Square, Canary Wharf, London, E14 5GL

Solicitors

Pinsent Masons, 1 Park Row, Leeds, LS1 5AB

Eversheds LLP, 1 Callaghan Square, Cardiff, CF10 5BT

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF OPEN COLLEGE OF THE ARTS

We have audited the financial statements of Open College of the Arts ("the charitable company") for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income and Expenditure; Statement of Financial Position; Statement of Cash Flow; Statement of Changes in Reserves and related notes, including the statement of principal account policies.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Trustees are responsible for the other information, which comprises the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Annual Report, which constitutes the Trustees' report for the financial year, is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- the charitable company 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 Trustees' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 3 and 4 the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial

statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

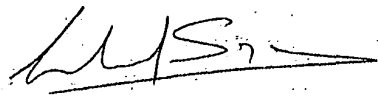
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 its members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Sayers (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
29 November 2017

Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2017

| | | 2017 | Restated 11 months ended 31 July 2016 |
|--|------|------------------|--|
| | Note | £ | £ |
| Income | | | |
| Tuition fees and education contracts | 1 | 1,502,685 | 1,181,234 |
| Other operating income | 1 | 14,837 | 15,441 |
| Total income | | 1,517,522 | 1,196,675 |
| Expenditure | | | |
| Staff costs | 2 | 484,025 | 436,766 |
| Other operating expenses | 4 | 930,963 | 942,337 |
| Depreciation | | 15,858 | 12,767 |
| Total expenditure | 3 | 1,430,846 | 1,391,870 |
| Surplus/(deficit) for the year | | 86,676 | (195,195) |
| Total comprehensive income/(expenditure) for the year | | 86,676 | (195,195) |
| All funds are unrestricted funds | | | |

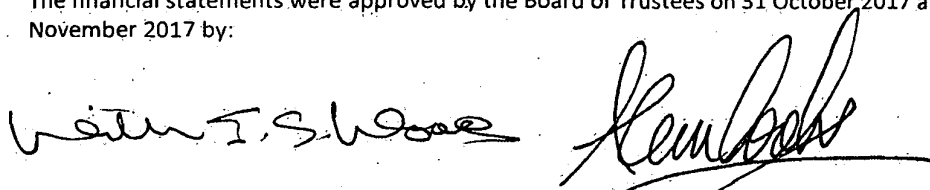
The income and expenditure of the Company relates wholly to continuing operations.
Notes on pages 12 to 19 form part of the financial statements.

Statement of Financial Position

As at 31 July 2017

| | Note | 2017 £ | Restated 2016 £ |
|---|------|------------------|-----------------------|
| Non-current assets | | | |
| Fixed assets | 5 | 9,220 | 21,393 |
| Current assets | | | |
| Stock | | 4,805 | 7,522 |
| Trade and other receivables | 6 | 311,961 | 141,576 |
| Cash and cash equivalents | | 339,938 | 188,617 |
| | | <u>656,704</u> | <u>337,715</u> |
| Creditors: amounts falling due within one year | 7 | (804,048) | (583,908) |
| Net current liabilities | | <u>(147,344)</u> | <u>(246,193)</u> |
| Total net liabilities | | <u>(138,124)</u> | <u>(224,800)</u> |
| Unrestricted reserves | | | |
| Designated fund – Learner Support Scheme | | 4,832 | 4,385 |
| Income and expenditure reserve - unrestricted | | (142,956) | (229,185) |
| Total (deficit)/reserves | | <u>(138,124)</u> | <u>(224,800)</u> |

The financial statements were approved by the Board of Trustees on 31 October 2017 and signed on its behalf on 27 November 2017 by:



Will Woods

Principal & Chief Executive

Alan Cooke

Chairman of the Board of Trustees

Notes on pages 12 to 19 form part of the financial statements.

Statement of Cash Flow
For the year ended 31 July 2017

| | Note | 2017 £ | Restated 11 months ended 31 July 2016 £ |
|--|------|----------------|---|
| Net cash flow from operating activities | 9 | <u>155,007</u> | <u>(72,160)</u> |
| Cash flows from investing activities | | | |
| Purchase of fixed assets | | (3,686) | (9,594) |
| Net cash outflow from investing activities | | <u>(3,686)</u> | <u>(9,594)</u> |
| Increase/(decrease) in cash and cash equivalents | | <u>151,321</u> | <u>(81,754)</u> |
| Cash and cash equivalents at the beginning of the period | | 188,617 | 270,371 |
| Cash and cash equivalents at the end of the period | | <u>339,938</u> | <u>188,617</u> |

The notes on pages 12 to 19 form an integral part of these Financial Statements.

Statement of Changes in Reserves
For the year ended 31 July 2017

| | Income and expenditure reserve | | Total |
|--|--|------------------|------------------|
| | Designated fund – Learner Support Scheme | Unrestricted | |
| | £ | £ | £ |
| Balance at 1 September 2015 as previously stated | - | 368,639 | 368,639 |
| Prior year adjustment (see note 12) | - | (398,244) | (398,244) |
| Balance at 1 September 2015 as restated | - | (29,605) | (29,605) |
| Deficit from the income and expenditure statement – restated (see note 12) | (5,615) | (189,580) | (195,195) |
| Transfers | 10,000 | (10,000) | - |
| Balance at 1 August 2016 as restated | 4,385 | (229,185) | (224,800) |
| (Deficit)/surplus from the income and expenditure statement | (9,553) | 96,229 | 86,676 |
| Transfers | 10,000 | (10,000) | - |
| Balance at 31 July 2017 – surplus/(deficit) | 4,832 | (142,956) | (138,124) |

The notes on pages 12 to 19 form an integral part of these Financial Statements.

Statement of Principal Accounting Policies

1 Basis of Preparation

These financial statements have been prepared in accordance with Financial Reporting Standards 102 and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS 102 (Charities SORP).

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

2 Basis of Accounting

The financial statements are prepared under the historical cost convention.

3 Going Concern

The activities of the Charity, together with the factors and risks likely to affect its future development and performance, are set out in the Operating and Financial Review. The financial position of the Charity, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The financial statements are prepared on a going concern basis as UCA has confirmed that it will provide financial support to enable the Charity to meet its liabilities as they fall due for the foreseeable future, and for a period of at least twelve months from the date the financial statements are signed.

On 1 November 2016 the Charity was acquired by the University for the Creative Arts ("UCA"), which became its parent company and is an exempt charity under the terms of the Charities Act 2011. The ability of the Charity to continue to meet its liabilities as they fall due is dependent upon the on-going support of UCA.

4 Income Recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income over the period in which the students are studying. This is achieved by using a time apportionment basis over the average expected period for completion of courses and taking into account the average course completion rate for all students. Any fee income carried forward to a future financial year is included in creditors as deferred income. This deferral of income represents a correction of an error for which a prior year adjustment has been made (see note 12).

Where the amount of the tuition fee is reduced, by a refund or discount, income receivable is shown net of the discount.

5 Accounting for Retirement Benefits

The Charity set up a defined contribution pension scheme for employees in the period. The amounts charged are as payable by the Charity during the period.

Statement of Principal Accounting Policies (Continued)

6 Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the Charity. Any unused benefits are accrued and measured as the additional amount the Charity expects to pay as a result of the unused entitlement.

7 Leases

Finance leases

The Charity does not have any finance leases identified in accordance with FRS 102.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8 Stocks

Stocks are valued at the lower of cost or net realisable value.

9 Tangible Fixed Assets

Equipment and plant, including computers and software, are capitalised at cost and depreciated over its expected useful life of 5 years for fixtures, fittings and equipment and 3 years for computer equipment on a straight line basis.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

10 Cash and Cash Equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with significant risk of change in value.

11 Reserves

Reserves are classified as restricted or unrestricted. The Charity currently has no restricted reserves.

An element of the unrestricted reserve is designated to be used for a Learner Support Scheme but this could be reversed at any time.

Statement of Principal Accounting Policies (Continued)

12. Transition to FRS 102

These are the Charity's first financial statements prepared in accordance with FRS 102 and the Charities SORP. The Trustees note that the transition to FRS 102 and the Charities SORP should have occurred in the prior period. However, the Charity has not identified any adjustments necessary to amounts reported in previous financial statements as a result of the transition.

Notes to the accounts

| 1 Income | 2017 | 2016 |
|--|------------------|------------------|
| | £ | £ |
| UK & EU Higher Education Students | 1,226,178 | 996,539 |
| Non EU Higher Education Students | 142,578 | 106,742 |
| UK & EU Further Education Students | 116,176 | 74,512 |
| Non EU Further Education Students | 17,753 | 3,441 |
| | | |
| Tuition fees and educational contracts | 1,502,685 | 1,181,234 |
| Other operating income | 14,837 | 15,441 |
| Total income | 1,517,522 | 1,196,675 |

| 2. Staff costs | 2017 | 2016 |
|------------------------------|----------------|----------------|
| | £ | £ |
| Staff Costs: | | |
| Wages and salaries | 412,152 | 397,663 |
| Social security costs | 38,884 | 32,255 |
| Other pension costs | 20,739 | 6,848 |
| Contract termination payment | 12,250 | - |
| | 484,025 | 436,766 |

Pension contributions are paid into the Charity's defined contribution group personal pension plan. The Charity set up a defined contribution pension scheme for employees with effect from 1 April 2016.

| Average staff numbers: | Number | Number |
|-------------------------------|---------------|---------------|
| Number of employees | 17 | 18 |
| Full time equivalent | 14 | 15 |

| Emoluments of the Principal & Chief Executive | £ | £ |
|--|---------------|---------------|
| Salary | 92,209 | 84,698 |
| Pension contributions | 4,086 | 1,362 |
| | 96,295 | 86,060 |

The Principal's pension contributions are on the standard terms of the Charity's defined contribution group personal pension plan.

There were no other higher paid staff in the year (2016: nil).

Notes to the accounts (Continued)

2. Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Charity. The Principal & Chief Executive is the only person with this responsibility.

Trustees

No Trustee has received/waived remuneration from the Charity during the year (2016: – none).

The total expenses paid to or on behalf of 2 Trustees for travelling and subsistence was £636 (2016: £1,017 to 2 Trustees). No other expenses were paid (2016: nil).

3. Analysis of expenditure by activity

| | Staff costs | | Other operating Costs | | Total | |
|-------------------------------------|----------------|----------------|-----------------------|----------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ | £ | £ |
| Academic departments | - | - | 634,742 | 665,391 | 634,742 | 665,391 |
| Academic services | 135,197 | 118,661 | - | - | 135,197 | 118,661 |
| Administration and central Services | 348,828 | 318,105 | 243,250 | 224,516 | 592,078 | 542,621 |
| Premises | - | - | 52,971 | 52,430 | 52,971 | 52,430 |
| | <u>484,025</u> | <u>436,766</u> | <u>930,963</u> | <u>942,337</u> | <u>1,414,988</u> | <u>1,379,103</u> |
| Depreciation | - | - | 15,858 | 12,767 | 15,858 | 12,767 |
| | <u>484,025</u> | <u>436,766</u> | <u>946,821</u> | <u>955,104</u> | <u>1,430,846</u> | <u>1,391,870</u> |

4. Other Operating Expenses

| | 2017 | 2016 |
|---|----------------|----------------|
| | £ | £ |
| Equipment, furniture and computing costs | 11,336 | 8,919 |
| Audit fees (including VAT): | | |
| Remuneration for external audit services – current auditor | 12,000 | 6,417 |
| Remuneration for external audit services – previous auditor | 2,303 | - |
| Other expenses | 905,324 | 927,001 |
| Total | <u>930,963</u> | <u>942,337</u> |

Notes to the accounts (Continued)

5. Tangible Assets

| | Equipment £'000 | Total £'000 |
|---|--------------------|----------------|
| Cost | | |
| At 1 August 2016 | 108,672 | 108,672 |
| Additions at cost | 3,686 | 3,686 |
| Write offs | (82,705) | (82,705) |
| Disposals | (11,035) | (11,305) |
| At 31 July 2017 | 18,618 | 18,618 |
| Depreciation | | |
| At 1 August 2016 as previously stated | 77,182 | 77,182 |
| Prior year correction (note 12) | 10,097 | 10,097 |
| At 1 August 2016 as restated | 87,279 | 87,279 |
| Charge for year | 15,859 | 15,859 |
| Write offs | (82,705) | (82,705) |
| Disposals | (11,035) | (11,035) |
| At 31 July 2016 | 9,398 | 9,398 |
| Net book value at 31 July 2017 | 9,220 | 9,220 |
| Net book value at 31 July 2016 as restated | 21,393 | 21,393 |

6. Trade and other receivables

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Amounts falling due within one year: | | |
| Trade receivables | 300,360 | 132,123 |
| Prepayments and accrued income | 11,601 | 9,453 |
| | 311,961 | 141,576 |

Notes to the accounts (Continued)

7. Creditors : amounts falling due within one year

| | 2017 £ | 2016 £ |
|-------------------------------------|----------------|----------------|
| Trade creditors | 283,823 | 90,851 |
| Other Tax Payable & Social Security | 9,380 | 10,855 |
| Accruals | 103,155 | 115,354 |
| Other creditors | 6,893 | - |
| Deferred income | 400,797 | 366,848 |
| | <u>804,048</u> | <u>583,908</u> |

8. Lease Obligations

At 31 July 2017, the Charity had total future minimum lease payments in respect of property under non-cancellable operating leases payable as follows:

| | 2017 £ | 2016 £ |
|----------------------------|---------------|---------------|
| Within one year | 15,000 | 15,000 |
| Between two and five years | 6,250 | 21,250 |
| More than five years | - | - |
| | <u>21,250</u> | <u>36,250</u> |

9. Reconciliation of surplus to net cash flow from operating activities

| | 2017 £ | Restated 2016 £ |
|---|----------------|-----------------------|
| Surplus/(deficit) for the year | 86,676 | (195,195) |
| Adjustments for non-cash items | | |
| Depreciation | 15,859 | 22,864 |
| Decrease/(increase) in stocks | 2,717 | 6,836 |
| (Increase)/decrease in debtors | (170,385) | 8,481 |
| Increase/(decrease) in creditors | 220,140 | 84,854 |
| Total adjustments | <u>68,331</u> | <u>123,035</u> |
| Net cash flow from operating activities | <u>155,007</u> | <u>(72,160)</u> |

Notes to the accounts (Continued)

| 10. Analysis of changes in net debt | At 1 August 2016 £ | Net cash flows £ | At 31 July 2017 £ |
|-------------------------------------|--------------------------|---------------------|-------------------------|
| Cash at bank and in hand | 188,617 | 151,321 | 339,938 |

11. Related Party Transactions

Travelling expenses totalling £636 were reimbursed to 2 Trustees (2016: £1,017 to 2 Trustees).

12. Correction of prior period errors

As explained in the accounting policies the policy for recognition of income has been corrected to include deferral of income. This is the correction of an error in prior financial statements. The amount of deferred income has been calculated as at 31 July 2015 and 2016 as set out below. This revised policy has had an effect of reducing income recognised in the year ended 31 July 2017 by £29,132. In addition a correction has been made to the depreciation calculation up to 31 July 2016 as the accounting policy had been historically misapplied (see note 5).

| Financial position | £ |
|---|------------------|
| Total reserves as previously stated as at 31 August 2015 | 368,639 |
| Recognition of deferred income as at 31 August 2015 | (398,244) |
| Total reserves/(deficit) as restated as at 31 August 2015 | (29,605) |
| Deficit for the period ended 31 July 2016 as previously stated | (216,494) |
| Movement in deferred income for the period ended 31 July 2016 | 31,396 |
| Correction to historic depreciation calculation for the period ended 31 July 2016 | (10,097) |
| Total reserves/(deficit) as restated as at 31 July 2016 | (224,800) |