

# THE FASHION RETAIL ACADEMY

Financial Statements for the year ended 31 July 2007

## THE FASHION RETAIL ACADEMY

Report and Financial Statements for the year ended 31 July 2007

A company limited by guarantee, registered in England & Wales

Registered Number 05507547

Registered Charity Number: 1119540

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**THE FASHION  
RETAIL ACADEMY**  
**Financial Statements for the year ended 31 July 2007**

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# THE FASHION RETAIL ACADEMY

Financial Statements for the year ended 31 July 2007

## Report of the Members of the Board

The Members present their report and the audited financial statements for the year ended 31 July 2007

### Legal status

The Fashion Retail Academy was registered as a company limited by guarantee in June 2005. The Academy obtained charitable status on 7 June 2007 when it became registered with the Charities Commission.

### Mission

The Academy's mission statement is

*"To work in partnership with the retail industry to deliver professional and vocational programmes that equips learners with the skills and talents required by the industry, in a contemporary learning environment"*

### Implementation of strategic plan

The Academy is now two-thirds the way through its first strategic plan covering the period from August 2005 to July 2008. This strategy includes outline targets for student recruitment and retention together with financial plans. The Board regularly monitors the Academy's success in achieving these strategic objectives. The plans are reviewed and updated each year. The Academy's continuing strategic objectives are to

- achieve a student body of 420 Learning and Skills Council (LSC) funded full-time students by the start of the 2008/09 academic year
- improve student retention
- develop a range of courses, to include Level 4 and Foundation Degree qualifications
- raise the profile of the Academy as a renowned national centre of excellence

The Academy's specific objectives for 2006/07 were to

- achieve 220 LSC-funded students, the actual result was 231 enrolments
- obtain work placements for all students. This objective was achieved
- increase collaboration with the industry by providing training and master classes for students
- improve student retention

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## **Report of the Members of the Board (continued)**

### **Financial objectives**

The Academy's financial objectives are to

- achieve budgeted targets
- generate sufficient levels of income to support the asset base of the Academy
- generate income from conference hire of the Academy's facilities

The Academy has an overarching financial objective and that is to breakeven by the end of the financial year 2008/09. Until that time, a year-on-year reducing subsidy has been provided by the LSC, in accordance with an agreed business plan, to cover start-up deficits in the first three years of operation. Student numbers are instrumental to the success of the Academy and they are increasing in line with the business plan.

### **Performance indicators**

Skills-based academies are required to submit three-year development plans, which are reviewed each year. These development plans focus on four headline targets:

- learner number growth and achievement of LSC funding targets
- learner success rates
- teacher qualifications
- employer engagement

The success we have achieved in achieving these targets is discussed below.

### **Student numbers and funding**

Student enrolments by level and age were as follows:

	<b>16 to 18 year olds</b>		<b>19 + year olds</b>		<b>All students</b>	
<b>Course level</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2005/06</b>
2	61	17	11	3	72	20
3	49	24	110	7	159	31
<b>Total</b>	<b>110</b>	<b>41</b>	<b>121</b>	<b>10</b>	<b>231</b>	<b>51</b>

This is the Academy's second year of operations. Student numbers have increased by 350% compared to 2005/06.

In 2006/07 the Academy has received £1,083,000 in LSC main allocation (2005/06 £249,000). This level of funding was based on budgeted activity for the year.

### **Student achievement**

Success rates in 2006/07 were 76% for Level 2 and 74% for Level 3, which is comparable with the national average.

### **Curriculum development and related matters**

The Academy is researching the development of new courses in visual merchandising, buying and retail management together with any other relevant qualifications requested by the fashion retail industry.

All full-time academic staff have commenced their post-graduate diploma in teaching.

Employer engagement has extended beyond the initial sponsor companies to include an additional twenty major fashion retailers over and above the original four sponsors.

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## Report of the Members of the Board (continued)

### Financial results

For 2006/07 the Academy generated an operating deficit of £972,000 (2005/06 £450,000), which was in-line with the business plan. The Income & Expenditure Account shows that the Academy achieved a break-even position, resulting from a release of funds from LSC-funded deferred grants to cover the operating deficit, as explained in note 2 to the financial statements.

In the three years to 31 July 2008, the Academy will receive LSC start-up funding amounting to £10 million in total. This funding has already enabled the major refurbishments to the Academy's premises and covers the operating deficits in those three years.

Capital expenditure in 2006/07 amounted to £980,000 (2005/06 £6,665,000).

### Staff and student involvement

The Academy believes good communication with staff and students to be very important. There is an effective communication strategy, which includes all staff meetings, monthly team briefing, and Virtual Learning Environment for staff and students.

### Taxation

The majority of the Academy's activities do not fall to be charged to corporation tax with effect from 7 June 2007, when it became a Registered Charity.

### Equal opportunities and employment of disabled persons

The Academy is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, able-bodiedness and age. We strive vigorously to remove conditions, which place people at disadvantage. This policy will be resourced, implemented and monitored on a planned basis.

The Academy considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Academy continues. The Academy's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

### Disability statement

The Academy seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001.

- a) The Academy has made significant investment in ensuring its premises have appropriate disability access. Information, advice and support is provided to all students with disabilities.
- b) The admissions policy for all students is described in the Academy's charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- c) The Academy has appointed specialist lecturers to support students with learning difficulties and/or disabilities. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- d) Specialist programmes are described in the Academy's prospectus. Achievements and destinations are published in standard format.
- e) Counselling and welfare services are described in the Academy's Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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**Report of the Members of the Board (continued)**

**Disclosure of information to auditors**

The Members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Academy's auditors are unaware, and each Member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the Academy's auditors are aware of that information

Approved by order of the Board on 20 March 2008, and signed on its behalf by.



**Kim Morton**  
Chair

**Registered Address**

**Fashion Retail Academy**  
**15 Gresse Street**  
**London**  
**W1T 1QL**

**Professional advisers**

**Tax Advisors**  
**Ernst & Young LLP**  
**1 More Place**  
**London SE1 2AF**

**Bankers**  
**Bank of Scotland**  
**The Mound**  
**Edinburgh**  
**EH1 1YZ**

**External Auditors**  
**PricewaterhouseCoopers LLP**  
**Benson House**  
**33 Wellington Street**  
**Leeds**  
**LS1 4JP**

**Solicitors**  
**Eversheds**  
**Senator House**  
**85 Queen Victoria Street**  
**London**  
**EC4V 4JL**

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**Financial Statements for the year ended 31 July 2007**

## **Statement of Corporate Governance and Internal Control**

The Academy is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the Academy has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the board, the Academy complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2007.

### **The Board**

The members who served on the Corporation during the year and up to the date of signature of this report were as listed below:

#### **Academy board during 2006/07**

	<b>Date of Appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Committees Served</b>
Ms Kim Morton Chair	13 July 2005	3		Strategy and Finance
Mr Paul Budge	13 June 2006	3	19 July 2007	Audit and Finance
Mrs Frances Corner	13 June 2006	3		Strategy and Finance
Mrs Sandra Holtby	13 July 2005	3		Strategy and Audit
Mr Keith Cameron	13 June 2006	3		Finance
Mr Martin Prince	7 July 2007	3		Audit
Mr Amir Afkani	7 July 2007	3		Audit
Mrs Elizabeth Reid	13 June 2006	3		Strategy and Finance
Dr Julia Gaimster (former Head)	13 June 2006	3	31 December 2006	Strategy and Finance
Ms Karen Dennison (Head of Academy)	1 January 2007	3		Strategy and Finance
Mrs Jane Shepherdson	13 June 2006	3		Strategy

The Clerk to the Board is Mr David Kaye.

It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board is provided with regular and timely information on the overall financial performance of the Academy together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board meets each term.

The Board conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board. These are the finance & resources committee, audit committee and the curriculum & standards committee.

# THE FASHION RETAIL ACADEMY

Financial Statements for the year ended 31 July 2007

## Statement of Corporate Governance and Internal Control (continued)

The Clerk to the Board maintains a register of financial and personal interests of the members of the board. The register is available for inspection at the registered address.

All members of the board are able to take independent professional advice in furtherance of their duties at the Academy's expense and have access to the Clerk to the Board, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to members of the board in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

There is a clear division of responsibility in that the roles of the Chairman and Head of Academy are separate.

### Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a committee, consisting of three members of the Board, which is responsible for the selection and nomination of any new member for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

Members of the Board are appointed for a term of office not exceeding three years.

### Audit Committee

The Audit Committee comprises three members of the Board (excluding the Head of Academy and the Chair). The Committee operates in accordance with written terms of reference approved by the Board.

The Audit Committee meets on a termly basis and provides a forum for reporting by the Academy's Individual Learning Record (ILR) and financial statement auditors, who have access to the Committee for independent discussion, without the presence of the Academy's management. The Committee also receives and considers reports from the LSC as they affect the Academy's business.

Management is responsible for the implementation of audit recommendations and undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Board on the appointment of internal, ILR and financial statement auditors, and their remuneration for both audit and non-audit work.

### Internal control

#### *Scope of responsibility*

The Board is ultimately responsible for the Academy's system of internal control and for reviewing its effectiveness. 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 has delegated the day-to-day responsibility to the Head of Academy, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Academy's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the Academy and the LSC. She is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

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Financial Statements for the year ended 31 July 2007

## *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy 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 the Academy for the period ended 31 July 2007 and up to the date of approval of the annual report and accounts.

## *Capacity to handle risk*

The Board has reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy's significant risks that has been in place for the period ended 31 July 2007 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board.

## *The risk and control framework*

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the board of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate

## *Review of effectiveness*

As Accounting Officer, the Head of Academy has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework
- comments made by the Academy's financial statement auditors and ILR auditors in their management letters and other reports

## **Going concern**

After making appropriate enquiries, the Board considers that the Academy has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.



**Karen Dennison**  
Head of Academy

20 March 2008

# THE FASHION RETAIL ACADEMY

Financial Statements for the year ended 31 July 2007

## Statement of Responsibilities of the Members of the Board

Company law requires the members of the board to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Academy and of the profit or loss of the Academy for that period

Within the terms and conditions of the Financial Memorandum agreed between the LSC and the Board of the Academy, the Board, through its Head of Academy, is required to prepare financial statements for each financial year in accordance with the *Statement of Recommended Practice - Accounting for Further and Higher Education* and which give a true and fair view of the state of affairs of the Academy and the result for that year

In preparing the financial statements, the Board is required to

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Academy will continue in operation

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. The members of the board are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Academy, and enable them to ensure that the financial statements comply with the Companies Act 1985 and other relevant accounting standards. They are responsible for taking steps that are reasonably open to it in order to safeguard the assets of the Academy and to prevent and detect fraud and other irregularities.

Members of the Board are responsible for ensuring that funds from the LSC are used only in accordance with the Financial Memorandum with the LSC and any other conditions that the LSC may prescribe from time to time. Members of the Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Board are responsible for securing economical, efficient and effective management of the Academy's resources and expenditure, so that the benefits that should be derived from the application of public funds by the LSC are not put at risk.

So far as each member of the board is aware, there is no relevant audit information of which the auditors are unaware, and each member of the board has taken all the steps that he/she ought to have taken as a member of the board in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Signed on behalf of the Board



Kim Morton  
Chair

20 March 2008

# THE FASHION RETAIL ACADEMY

Financial Statements for the year ended 31 July 2007

## **Independent Auditors' Report to the Corporation of Fashion Retail Academy**

We have audited the Academy's financial statements ('the financial statements') on pages 12 to 24 of Fashion Retail Academy for the year ended 31 July 2007 which comprise the income and expenditure account, the balance sheet, the cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report, including the opinion, is made solely to the Board, as a body, in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Board, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the Members of the Board of Fashion Retail Academy and Auditors**

The Academy Board's responsibilities for preparing the Members' Report and financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the Academy has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report or other similar reports and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to any other information.

We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Academy's Corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Academy's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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Financial Statements for the year ended 31 July 2007

**Opinion**

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Academy as at 31 July 2007 and of the Academy's break-even of income over expenditure for the year then ended,
- the information given in the directors' report, (or equivalent) is consistent with the financial statements, and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education

  
PricewaterhouseCoopers LLP  
Chartered Accountants  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

20 March 2008

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The maintenance and integrity of the Fashion Retail Academy website is the responsibility of the Academy Board, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website  
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Income & Expenditure Account

	Note	Year to 31 July 2007 £000	Period to 31 July 2006 £000
<b>Income</b>			
Funding Council Grants	2	2,698	699
Tuition fees and education contracts	3	28	-
Other income	4	861	783
Endowment and investment income	5	112	92
<b>Total income</b>		<b>3,699</b>	<b>1,574</b>
<b>Expenditure</b>			
Staff costs	7	821	213
Other operating expenses	9	2,209	1,361
Depreciation	10	643	-
<b>Total expenditure</b>		<b>3,673</b>	<b>1,574</b>
<b>Surplus/(deficit) on continuing operations after depreciation and before tax</b>		<b>26</b>	<b>-</b>
Taxation	12	(26)	-
<b>Surplus/(deficit) on continuing operations after depreciation and tax</b>		<b>-</b>	<b>-</b>

The company had no other recognised gains and losses other than those included in the results above. Therefore, no separate statement of total recognised gains and losses has been presented.

All incoming resources and resources expended are derived from continuing activities.

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Balance Sheet

	Note	31 July 2007 £000	31 July 2006 Restated £000
<b>Fixed assets</b>			
Tangible assets	10	<u>7,002</u>	<u>6,665</u>
<b>Total fixed assets</b>		<u>7,002</u>	<u>6,665</u>
<b>Current assets</b>			
Debtors	11	<u>563</u>	<u>362</u>
Cash at bank and in hand	17	<u>1,540</u>	<u>3,517</u>
<b>Total current assets</b>		<u>2,103</u>	<u>3,879</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	12	<u>(851)</u>	<u>(1,754)</u>
<b>Net current assets</b>		<u>1,252</u>	<u>2,125</u>
<b>Total assets less current liabilities</b>		<u>8,254</u>	<u>8,790</u>
<b>Net assets</b>		<u>8,254</u>	<u>8,790</u>
<b>Deferred capital grants</b>	13	<u>8,254</u>	<u>8,790</u>
		<u>8,254</u>	<u>8,790</u>

The financial statements on pages 12 to 24 were approved by the Board on 20 March 2008 and were signed on its behalf by



**Kim Morton**  
Chair



**Karen Dennison**  
Head of Academy

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Cash Flow Statement

	Note	Year to 31 July 2007 £000	Period to 31 July 2006 Restated £000
Cash flow from operating activities	14	(2,152)	498
Returns on investments and servicing of finance	15	112	92
Capital expenditure and financial investment	16	63	2,927
<b>Increase/(decrease) in cash in the period</b>		<b><u>(1,977)</u></b>	<b><u>3,517</u></b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash in the period	17	(1,977)	3,517
Net funds at 1 August		3,517	-
<b>Net funds at 31 July</b>		<b><u>1,540</u></b>	<b><u>3,517</u></b>

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Financial Statements for the year ended 31 July 2007

## Notes to the accounts

### 1. Accounting policies

#### Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

#### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice Accounting for Further and Higher Education 2003* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the Learning Skills Council (LSC), in the Accounts Direction Handbook.

The financial statements are prepared in accordance with the historical cost convention.

#### Recognition of income

The recurrent grant from the LSC is that receivable as determined by the results of the funding audit undertaken by the LSC.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the LSC are recognised in line with the latest estimates of grant receivable for the academic year. The final grant allocation from the LSC is determined by the ILR audit undertaken by the ILR Auditors.

Non-recurrent grants from the LSC or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

# THE FASHION RETAIL ACADEMY

Financial Statements for the year ended 31 July 2007

## Notes to the Accounts (continued)

### 1. Accounting policies (continued)

#### Tangible fixed assets

##### *Leasehold property*

Leasehold property improvements are depreciated over the period of the lease, 20 years

##### *Equipment, fixtures and fittings*

Equipment, fixtures and fittings costing less than £1,000 per individual item are written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset, evenly over its expected useful life, as follows:

- Fixtures & Fittings 5 years
- Computer Equipment 3 years

#### Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements which transfer to the Academy substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

#### Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

#### Taxation

The Academy is an exempt charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the Academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Academy is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against those amounts.

#### Liquid resources

Liquid resources include sums on short-term deposit with Bank of Scotland.

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Financial Statements for the year ended 31 July 2007

**Notes to the accounts (continued)**

**1. Accounting policies (continued)**

**Provisions**

Provisions are recognised when the Academy has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

**Learner Support Funds**

The Academy acts as an agent in the collection and payment of Learner Support Funds, educational maintenance allowances, and Adult Learning Grant and residential bursaries. Related payments received from the LSC and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 20, except for the 5 per cent of the grant received which is available to the Academy to cover administration costs relating to the grant. The Academy employs one member of staff dedicated to the administration of Learner Support Fund applications and payments

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Notes to the accounts (continued)

	Year to 31 July 2007 £000	Period to 31 July 2006 <i>Restated</i> £000
<b>2. Funding Council Grants</b>		
Recurring grant	1,083	249
Release of deferred capital grant	643	-
Release of deferred LSC start-up grant	972	450
	<u>2,698</u>	<u>699</u>
<b>3 Tuition Fees</b>		
	Year to 31 July 2007 £000	Period to 31 July 2006 £000
UK Further Education students	<u>28</u>	<u>-</u>
<b>4. Other Income</b>		
	Year to 31 July 2007 £000	Period to 31 July 2006 £000
Catering and conferences	81	-
Donations received	778	783
Learner Support Funds administration	2	-
	<u>861</u>	<u>783</u>
<b>5 Endowment and Investment Income</b>		
	Year to 31 July 2007 £000	Period to 31 July 2006 £000
Interest receivable	<u>112</u>	<u>92</u>

### 6. Staff numbers

The average number of persons (including senior post-holders) employed by the Academy during the year, expressed as full-time equivalents (FTE's) was

	Year to 31 July 2007 FTE's	Period to 31 July 2006 FTE's
Teaching department - teaching staff	3	2
Teaching department - other staff	4	-
Other support services	2	-
Administration and central services	13	4
Premises	1	-
	<u>23</u>	<u>6</u>

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Notes to the accounts (continued)

#### 7 Staff costs

	Year to 31 July 2007 £000	Period to 31 July 2006 £000
Staff costs for the persons listed in Note 6		
Wages and salaries	672	188
Agency staff	72	-
Social security costs	64	16
Other pension costs	13	9
	<u>821</u>	<u>213</u>
	Year to 31 July 2007 £000	Period to 31 July 2006 £000
Teaching departments - teaching staff	252	63
Teaching departments - other staff	7	-
Other support services	381	150
Administration and central services	181	-
	<u>821</u>	<u>213</u>

The number of senior post-holders who received emoluments, including pension contributions and benefits in kind in the following ranges was

	Senior post-holders 2007 Number	2006 Number
£50,001 to £60,000	1	1
£60,001 to £70,000	-	-
£70,001 to £80,000	-	-
£80,001 to £90,000	1	-
	<u>2</u>	<u>1</u>

The number of other staff who received emoluments, including pension contributions and benefits in kind in the above ranges was nil

The above emoluments include amounts payable to the Head of the Academy

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Notes to the accounts (continued)

#### 8. Senior postholders' emoluments

Senior postholders are defined as the Head and the Deputy Head

	Year to 31 July 2007 Number	Period to 31 July 2006 Number
The number of senior postholders was	<u>2</u>	<u>1</u>

Senior post-holders' emoluments are made up as follows

	Year to 31 July 2007 £000	Period to 31 July 2006 £000
Wages and salaries	148	56
Benefits in kind	-	-
Pension contributions	<u>13</u>	<u>8</u>
	<u>161</u>	<u>64</u>

The above emoluments include amounts payable to the Head (who is also the highest paid senior post-holder) of

	Year to 31 July 2007 £	Period to 31 July 2006 £
Salary	<u>80,000</u>	<u>55,869</u>

The Head of Academy post was filled by two persons during the year  
Both postholders were on secondment from The London College of Fashion, University of the Arts, London

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Notes to the accounts (continued)

#### 9. Other operating expenses

	Year to 31 July 2007 £000	Period to 31 July 2006 £000
Teaching departments	40	25
Teaching support services	43	33
Other support services	4	9
Administration and central services	377	181
Premises costs	1,658	1,085
Catering and conference costs	87	28
	<u>2,209</u>	<u>1,361</u>

	Year to 31 July 2007 £000	Period to 31 July 2006 £000
<b>Other operating expenses include:</b>		
Auditors' remuneration		
Audit of Financial Statements	18	15
Operating leases		
Hire of plant and machinery	7	-
Hire of other assets	<u>1,050</u>	<u>-</u>

Hire of other assets includes £1,050,000 rent payable to Gresse Street Limited. The Academy has a 20 year lease relating to its premises granted by Gresse Street Limited.

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Notes to the accounts (continued)

<b>10. Tangible fixed assets</b>	<b>Leasehold Improvements £000</b>	<b>Computer Equipment £000</b>	<b>Fixtures &amp; Fittings £000</b>	<b>Total £000</b>
<b>Cost:</b>				
At 1 August 2006	5,736	424	505	<b>6,665</b>
Additions	495	242	243	<b>980</b>
<b>At 31 July 2007</b>	<b>6,231</b>	<b>666</b>	<b>748</b>	<b>7,645</b>
<b>Depreciation:</b>				
At 1 August 2006	-	-	-	-
Charge for year	304	198	141	<b>643</b>
<b>At 31 July 2007</b>	<b>304</b>	<b>198</b>	<b>141</b>	<b>643</b>
<b>Net book value:</b>				
<b>At 31 July 2007</b>	<b>5,927</b>	<b>468</b>	<b>607</b>	<b>7,002</b>
<b>Inherited</b>				
Finance by capital grant	5,927	468	607	<b>7,002</b>
<i>At 31 July 2006</i>	<i>5,736</i>	<i>424</i>	<i>505</i>	<i>6,665</i>

<b>11. Debtors</b>	<b>Year to 31 July 2007 £000</b>	<i>Period to 31 July 2006 Restated £000</i>
Amounts falling due within one year		
Trade debtors	37	249
VAT debtor	9	-
Other debtors	356	-
Prepayments and accrued income	161	113
	<b>563</b>	<b>362</b>

The prior period debtors have been restated due to uncertainty relating to the amount and timing of a reclaim of VAT from HM Revenue and Customs

<b>12. Creditors</b>	<b>Year to 31 July 2007 £000</b>	<i>Period to 31 July 2006 Restated £000</i>
Amounts falling due within one year		
Trade creditors	339	688
Accruals	144	714
Corporation tax	26	-
Other taxation and social security	16	-
Deferred income	326	352
	<b>851</b>	<b>1,754</b>

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Notes to the accounts (continued)

<b>13. Deferred capital grants</b>	<b>LSC Grants £000</b>	<b>Other Grants £000</b>	<b>Total £000</b>
At 1 August 2006 - restated	7,790	1,000	<b>8,790</b>
Cash received	107	-	<b>107</b>
Released to Income & Expenditure Account	(643)	-	<b>(643)</b>
<b>At 31 July 2007</b>	<b>7,254</b>	<b>1,000</b>	<b>8,254</b>

  

<b>14. Reconciliation of operating results to net cash inflow from operating activities</b>	<b>Year to 31 July 2007 £000</b>	<b>Period to 31 July 2006 Restated £000</b>
(Deficit)/Surplus on continuing operations	-	-
Depreciation	643	-
Release of deferred capital grant	(643)	-
Receipt of deferred LSC start-up grant	(936)	(802)
(Increase)/decrease in debtors	(201)	(362)
Increase/(decrease) in creditors	(903)	1,754
Interest receivable	(112)	(92)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(2,152)</b>	<b>498</b>

  

<b>15. Returns on investment and servicing finance</b>	<b>Year to 31 July 2007 £000</b>	<b>Period to 31 July 2006 £000</b>
Interest received	112	92

  

<b>16 Returns on investment and servicing finance</b>	<b>Year to 31 July 2007 £000</b>	<b>Period to 31 July 2006 Restated £000</b>
Purchase of tangible fixed assets	(980)	(6,665)
Deferred grants received	1,043	9,592
	<b>63</b>	<b>2,927</b>

  

<b>17. Analysis of changes in net funds</b>	<b>At 1 August 2006 £000</b>	<b>Cash flows £000</b>	<b>At 31 July 2007 £000</b>
Cash at bank and in hand	3,517	(1,977)	1,540

# THE FASHION RETAIL ACADEMY

## Financial Statements for the year ended 31 July 2007

### Notes to the accounts (continued)

#### 18. Related parties

The Members of the Board regard Gresse Street Limited, a company established by the Academy's sponsors, to be a related party. Gresse Street Limited owns the Academy's premises.

During the year, the company paid Gresse Street Limited rent amounting to £1,050,000 and received a gift aid receipt from Gresse Street Limited of £777,962.

Arcadia plc provides a number of utility services, which are paid for by the Academy.

#### 19. Operating lease commitments

The Academy's premises are leased from Gresse Street Limited. The Academy has an annual rental commitment of £1,050,000 which commenced on 8 September 2005 for a period of 20 years.

#### 20. Learner Support Funds

	Year to 31 July 2007 £000	Period to 31 July 2006 £000
<b>Access funds</b>		
LSC Grants received - hardship funds	50	-
<b>Used as follows:</b>		
Disbursed to students	(43)	-
Staffing	(3)	-
Administration costs	(3)	-
Audit fees	(1)	-
Total disbursed	(50)	-
<b>Balance at 31 July</b>	-	-

#### 21. Post Balance Sheet Date event

The Academy is having discussions with HM Revenue & Customs regarding a substantial VAT reclaim relating to the VAT incurred on major refurbishments to the Academy's premises. This has now been agreed in principle. Due to timing and uncertainty as to actual amounts, the reclaim has been excluded from these financial statements.