



## Report and Consolidated Financial Statements for the year ended 31 July 2019

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Fashion Retail Academy, a company limited by guarantee, registered in England and Wales  
Registered Number: 05507547  
Registered Charity Number: 1119540

FRA Enterprises Limited, a company limited by shares, registered in England and Wales  
Registered Number: 6793904



## **Report and Consolidated Financial Statements for the year ended 31 July 2019**

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## **Report and Consolidated Financial Statements for the year ended 31 July 2019**

### **SENIOR POSTHOLDERS, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS**

#### **Senior postholders**

Senior postholders are defined as members of the Academy Leadership Team and were represented by the following in 2018/19:

Lee Lucas, Principal and CEO; Accounting officer  
Deepti Arora, Director of Finance & Resources (appointed from 1 November 2018)  
Françoise Harris, Director of Finance & Resources (resigned with effect on 28 November 2018)  
Chris Amadeo, Director of Strategy & Funding  
Amanda Colvin, Director of Marketing and Sales  
Francesca Notaro, Director of Industry Development

#### **Board of Governors**

A full list of Governors is given on page 15 and 16 of these financial statements.

Mr G Cooper acted as Clerk to the Company throughout the period.

#### **Professional advisers**

##### **Financial statements auditors and reporting accountants:**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

##### **Internal auditors:**

MHA MacIntyre Hudson  
30-34 New Bridge Street  
London EC4V 6BJ

##### **Bankers:**

Bank of Scotland  
The Mound  
Edinburgh  
EH1 1YZ

HSBC  
2<sup>nd</sup> floor, 16 King Street,  
Covent Garden  
London WC2E 8JF

##### **Solicitors:**

Bates Wells Braithwaite  
10 Queen Street Place  
London EC4R 1BE



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNORS' REPORT (INCLUDING STRATEGIC REPORT)

The members present their report and the audited financial statements for the year ended 31 July 2019.

#### Nature, Objectives and Strategies

##### Legal status

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

##### Mission

The Academy's mission statement is:

***"To develop and inspire talent for a specialist career in fashion retail"***

##### Public Benefit

In setting and reviewing the Academy's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the Academy provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems and financial bursaries
- Exceptional links with employers, industry and commerce which future proof students careers

##### Strategic management

Year 2018/19 continued our successful implantation of the Strategic Growth Plan:

- In 2018/19 we had met the student population growth targets (double 13/14)
- 22% increase in total learner numbers (1638 in 18/19 versus 1347 in 17/18). Of the increase in learner numbers:
  - 12% like for like growth (FE) (1176 in 18/19 versus 1047 in 17/18)
  - Continued success in innovation and roll out of HE provision and exceeding enrolment achieved in 2018/19
  - Successful in winning Apprenticeship contracts and exceeding target 2018/19
    - 1677% growth in our diversification strands from pre innovation period 16/17 (HE and Apprenticeships) (462 in 18/19 versus 300 in 17/18)
  - 40% of 2018/19 student population derived from innovation in product or delivery model (Fast tracks, Apprenticeships and HE)
- continued increase to our student positive destination rate (into employment or higher education) now at a record high of 95.6% (94.9% in 17/18).
- 3% increase in operating surplus outturn versus budget.

The Academy's performance in terms of learner numbers, achievement and success is shown overleaf.

## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNORS' REPORT (INCLUDING STRATEGIC REPORT) CONTINUED

#### Strategic management (continued)

- To achieve enrolment targets of 1510 full time students funded by the Education Skills Funding Agency (ESFA), the Apprenticeship Levy, Higher Education Student Loans Company, and self-funded during the 2018/19 Academic Year:
  - 1638 such learners were enrolled
- To continue the achievement of outstanding student retention, achievement and success rates:
  - Retention 88% (17/18: 88%) versus target 92%
  - Pass (formerly Achievement) 96% (17/18: 98%) versus target 99%
  - Achievement (formerly Success) 85% (17/18: 86%) versus target 90%

It is noted that our Quality KPIs have declined, particularly at level 3. Overall achievement rates are down by 4% from 2017-18 rates. This was a further drop from the smaller decline the previous year. Leadership has taken decisive action to stem the decline by recruiting new senior leadership and restructuring key roles in quality assurance, including the increased rigour and focus of governance and the impact of these actions is starting to be felt.

- To further diversify the course portfolio:
  - We continued to work with industry to innovate programmes to solve the skills pipeline issues specifically in relation to Buying and Merchandising.
    - Trailblazer for Level 4 and Level 6 Buying & Merchandising Apprenticeships has been completed and the roll out of these will commence in the 19/20 academic year.

Table A

	2014/15 Achieved	2015/16 Achieved	2016/17 Achieved	2017/18 Achieved	2018/19 Achieved	2019/20 Forecast
Total enrolments (accredited provision)	739	817	981	1347	1638	1869
% annual increase	8%	11%	20%	37%	22%	14%

Table B

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20 Forecast
Traditional	683	694	784	890	980	1088
Fast Track	42	80	171	157	196	152
Intensive	13	41	-	-	-	-
HE	-	-	-	106	211	347
Apprenticeships	1	2	26	194	251	282
	<b>739</b>	<b>817</b>	<b>981</b>	<b>1347</b>	<b>1638</b>	<b>1869</b>

As the above data shows, the diversification and growth strategies as part of our core Strategic Growth plan are effective. Diversification of Apprenticeships and HE are now genuinely additive to the overall provision and account for 462 learners (28%).

The recent growth in student numbers have been accommodated in our existing single site in London. This has been possible through continued innovations to our delivery model and refurbishment projects which have increased teaching spaces. This forms a part of our Efficiency Programme. Utilisation of the building stood at 97% in 2018/19 (90% in 2017/18), even with a 22% increase in daily capacity being created with the introduction of new classroom spaces in our 'HE Wing' (accommodating an additional 128 students per day). A new strategic plan is being created



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNORS' REPORT (INCLUDING STRATEGIC REPORT) CONTINUED Strategic management (continued)

with broad stakeholder engagement to commence 2020/21. Upon completion a new Property Strategy will be completed to support the consideration of the next best step for the FRA.

Year	14/15	15/16	16/17	17/18	18/19	2019/20 Forecast
Utilisation of rooms	34%	54%	70%	90%	94%	97%
Spaces (seats)	436	547	547	577	705	705

- We continue to raise the profile of the Academy as a centre of excellence:
  - Increase brand recognition through wider, targeted outdoor campaigns and digital campaigns.
  - Increasing PR presence and the continued use of a PR agency.
  - Continued work with 161 retail brands through curriculum components (such as work placements) and innovations (through our Industry Working Groups, Industry Advisory Committee and Trailblazers).

### Financial objectives

The Academy's financial objectives are to:

- Diversify income streams and secure additional income to develop future business base
- Develop new operational models
- Focus on efficiency
- Develop complimentary marketable services
- Maintain and continue to strengthen our financial health

The strategic growth plan continues to support these financial objectives:

- 8% reduction in reliance on mainstream FE funding (ESFA contracts) which now represents 56% of revenue income (64% in 17/18)
- Higher Education diversification now accounts for 23% of revenue income (11% in 17/18)
- Fee income now accounts for 12% of revenue income (17% in 17/18)
- Apprenticeship diversification now accounts for 5% of revenue income (4% in 17/18)
- A new subsidiary, Fashion and Retail Awards has been set up as the end point assessment organisation, a new regulatory model.
- The current efficiency model is based on the Business Plan which highlights FRA is to continue to invest in the physical environment, increase enrolment and achieve financial efficiencies.
- The Academy's liquidity position remains strong; a current ratio of 1.30 (1.21 in 17/18 restated).

### Business environment

Education in the UK is not without its challenges, an ever-changing landscape and years of sustained funding cuts combined with increasing expectations and delivery burdens, have taken their toll on the sector. Around 14% of colleges (around 1 in 7) are thought to be unable to meet their current financial obligations and to be able to respond to future adverse circumstances. This is up from last year when the figure stood at around 12%, adding to concerns about the financial viability of many colleges. College financial health gradings are determined by the ESFA.

Several reviews, most notably the Augar Review have shone a light onto the post 16 education system in the UK and made a broad range of recommendations for the DFE and Government to consider. At the current time it is not clear that these will either be accepted on face value or implemented at all.



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNORS' REPORT (INCLUDING STRATEGIC REPORT) CONTINUED

#### Business environment (continued)

The FRA maintains a key interest in government policy, especially in relation to its impact on the educational landscape in which we operate. At the present time with the introduction of T Levels and a range of other funding changes, the FE landscape is changing. Provisional statistics for 2019 (covering around 80% of final results) shows that more than 246,000 students completed a Level 3 BTEC qualification in 2019, which is around 5,000 more than in 2018. The increase comes at a time when the DfE's review of post-16 qualifications has resulted in a decision to cease to fund many post-16 qualifications in support of the government's apparent objective to have just three post-16 study routes (A-Levels, T-Levels and Apprenticeships). Meanwhile, around 78,000 of the BTECs completed this year were the new reformed version which include external examinations, a massive increase of 77.3% on 2018. Meanwhile, data made available by Universities UK (UUK) shows that in the period between 2008 and 2018, the number of higher education entrants with BTEC qualifications more than doubled.

Further Education funding has been raised often by political parties in recent times and has resulted in the first increase to the ESFA base rate of funding for 16-17-year olds for a decade. Whilst the 4.7% increase is less than the sums called for by a number of Further Education bodies, it is welcome.

There are also concerns about the capacity of the FE system to deliver government reforms in the absence of additional funding. FRA has however performed extremely well in the same period with the same financial framework as other providers. This has largely been achieved through our efficiency programme, innovations to our delivery model and diversification of our course portfolio.

FRA remains well placed to capitalise on both our track record and the enormous array of opportunities available to us domestically and internationally. In our specialism, we have collective strength and the support of more than 161 retail brands, which demonstrates our relevance and ability to support the talent pipeline of retailers across the nation and indeed the globe.

The Office for National Statistics (ONS) projections demonstrate that the number of young people in FE and school sixth forms is likely to grow by around 6% between 2019 and 2022 and another £300 million is needed on top of current spending plans to avoid cuts in per-student funding. The report adds that as a result of recent re-organisations and mergers it is unclear whether colleges and sixth forms are well placed to accommodate these rising student numbers.

For Higher Education provision, the latest UCAS figures for the 2019 application cycle, which analyses acceptance numbers as of 28 days after A-Level results day, show 33.8% of all UK 18-year olds had been placed on university courses. This is a new record for this point in the cycle and exceeds the final end of cycle figure (33.0%) from 2018. The number of UK 18-year olds accepted is 239,460. This represents a 1% increase on 2018.

Unconditional offers: Almost 2 in 5 students (38%) received at least one unconditional offer this year, compared to a third (34%) last year and just 1% six years ago. The total number of unconditional offers made to 18-year-olds in England, Wales and Northern Ireland this year was 75,845, almost 8% of all offers. This is up on last year's 67,915 (7.1% of all offers) and considerably higher than the 2,985 (0.4% of all offers) made in 2013. The new regulator for universities, the Office for Students (OfS) has been tasked by the DfE with investigating this and taking appropriate action.

The past 14 years have brought enormous value to both our students and the industry as a whole. Almost 9,000 graduates now work in industry and that number is increasing by more than a thousand per year. In fact, there are very few retail companies where you will not find an FRA graduate in meaningful sustained employment throughout London and the UK. As the industry continues to evolve at a pace, so too will the FRA curriculum to ensure that this rate of employment not only continues, but meets the future skills needs of a highly competitive and fast changing industry.



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNORS' REPORT (INCLUDING STRATEGIC REPORT) CONTINUED

#### Business environment (continued)

The FRA continue to future forecast both the skills requirements of our industry and navigate the funding and educational landscapes to provide the right courses for our students.

#### Physical environment

The area around the eastern end of Oxford Street is affected by redevelopment including the building of Crossrail, the refurbishment of the local underground station and the redevelopment of the 2.3 acres around Rathbone place into offices and residential apartments.

The Academy continues to invest in the physical resources of the premises and facilities to ensure that the students are offered an excellent environment and up to date IT and teaching and learning resources.

Our 45,000 sqft building offers a unique learning environment which is highly praised by staff and students alike.

#### Competitive environment

There is no direct competitor currently as a specialist education provider in fashion retail. This specialisation in vocational education is most valuable when accompanied by an identified need for specialist skills by an employer. Other providers offer some of the same courses to those run at the Academy although the increase to our Level 3 Fashion Retail Diploma course continues to rise and take market share from other providers. In the HE space, our courses have multiple similar competitors, however our accelerated 2-year programmes, guaranteed interviews upon completion and industry mentorship scheme, along with our wider unique selling points, (strong and increasing contact and relationships with industry and high destination and employment rates) sets us above competitor provision.

Marketing of the Academy's courses remains strong and continues to drive application volume increases through targeted, data driven campaigns and outdoor advertising. PR efforts during the year have also ramped up to increase wider awareness of the FRA. Student demand is healthy and outstrips available places, given our current capacity, we also have limited abilities to respond to market demand in ways that has seen us exceed enrolment targets in previous years. With demand from a wide geographic area, more students are coming to the Academy over local general Further Education Colleges. This provides the Academy with a necessity to support travel and study costs for learners most at need. This is being managed by the maximum distribution of formal Government bursary monies and the supplementing of this by other funds from the FRA's own reserves.

During 2018/19, the Academy received:

- 2375 (2017/18: 2490) applications for its Further Education courses, which was a ratio of 2.0 for the 1147 new learner intake (ie. learners who joined a new programme, as opposed to continuing on an existing programme).
- 338 applications for its Higher Education courses, which was a ratio of 2.2 for the new learner intake.
- Applications for Apprenticeship provision have no comparable statistic as applications go directly via our retail partners. We are seeing our numbers rise steadily in partnership with our retail partners.

#### Current and Future Development and Performance

##### ***Student numbers, achievement and success***

Student enrolments by level and age were as shown overleaf:



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNORS' REPORT (INCLUDING STRATEGIC REPORT) CONTINUED Business environment (continued)

Table C

Age	Year	Level 2	Level 3 including National Diplomas	Level 4	Higher Education	Apprenticeship	TOTAL
<b>16 to 18-year olds</b>	<b>2018/19</b>	<b>72</b>	<b>598</b>	<b>252</b>	<b>50</b>	<b>57</b>	<b>1029</b>
	2017/18	60	527	208	27	30	852
	2016/17	55	446	193	-	3	697
	2015/16	64	386	131	-	-	581
<b>19+ year olds</b>	<b>2018/19</b>	<b>-</b>	<b>40</b>	<b>214</b>	<b>161</b>	<b>194</b>	<b>609</b>
	2017/18	-	28	224	79	164	495
	2016/17	-	31	229	-	23	284
	2015/16	-	36	198	-	2	236
<b>All students</b>	<b>2018/19</b>	<b>72</b>	<b>638</b>	<b>466</b>	<b>211</b>	<b>251</b>	<b>1638</b>
	2017/18	60	555	432	106	194	1347
	2016/17	56	477	422	-	26	981
	2015/16	64	422	329	-	2	817

This is the Academy's 14<sup>th</sup> year of operations. Overall student numbers on mainstream programmes increased by 22% compared with 2017/18, with the number of 16 to 18-year olds increasing by 21% and the number of those aged 19 or over increasing by 23%.

In 2018/19 the Academy received £4,273,770 (17/18: £3,862,318) in funding from ESFA, plus £128,877 (17/18: £128,000) in Learner Support Funds.

Student achievement was as follows:

Achievement is defined as the number of students passing expressed as a percentage of those completing a course; success is defined as the number of students passing as a percentage of those starting a course. The table below shows the Academy's performance over the last three years:

	<b>16 to 18-year olds</b>			<b>19+ year olds</b>			<b>All students</b>		
	2018/19	2017/18	2016/17	2018/19	2017/18	2016/17	2018/19	2017/18	2016/17
Retention	86%	85%	92%	90%	95%	93%	87.1%	87.6%	92%
Pass (formerly Achievement)	98%	99%	97%	93%	99%	95%	96.4%	98.8%	96%
Achievement (formerly Success)	84%	84%	89%	89%	92%	89%	84%	86.5%	89%

In relation to Higher Education, our first graduating cohort obtained the following classification for their undergraduate degrees:



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNORS' REPORT (INCLUDING STRATEGIC REPORT) CONTINUED

#### Business environment (continued)

	1 <sup>st</sup> Class	2:1	2:2	3 <sup>rd</sup>
Business Management	8%	54%	23%	0%
Buying and Merchandising	10%	38%	31%	17%
Marketing and Communication	26%	45%	21%	0%

#### Stakeholder Relationships

In line with other colleges, the Academy has many stakeholders, these include:

- Students
- ESFA
- Sponsors & industry partners
- Staff
- Local employers
- Local Authorities
- The local community
- FE and HE institutions (in particular Falmouth University who validate our Degree programmes).
- Professional bodies
- Our Industry Advisory Committee and Industry Working Groups.

The Academy recognises the importance of these relationships and engages in regular communication with them through meetings and correspondence. In particular, the Academy continues to nurture our well-developed strong links with the sponsors and with other fashion retail employers. These enable the Academy to offer relevant and valuable substantial periods of work placement to all its students on Level 3 courses or above, ensure that the training and education provided remains relevant and up to date and also aids in staff development. In many cases these work placements lead directly to employment. In 2018/19 we further increased the frequency and effectiveness of industry touch points. These multiple, consistent interactions with industry enhanced learner's knowledge, skills and understanding and prepared them for the next step in their career. Outstanding touch points across programmes positively improve the learners experience and increase employability.

#### Employer relationships 2018/19

In total we have worked with 161 brands this academic year across several initiatives:

- Work Placements: 63 brands supporting over 800 students
- November Careers Day: 32 brands in attendance (including Arcadia, Browns, Christian Louboutin, Michael Kors, Ted Baker, TM Lewin)
- October Industry Week: 45 events and talks from 27 brands (including Net A Porter, Mulberry, Diesel, Lipsy, River Island, Bicester Village)
- May Careers Day: 31 brands in attendance (including Harrods, Next, Primark, The White Company, Urban Outfitters, White Stuff, Crew, Boden)
- May Industry Week: 30 events and talks from over 31 brands (including Harvey Nichols, Kurt Geiger, Moss Bros, Oasis, Jack Wills, Jimmy Choo, Alexander McQueen, F&F, John Lewis)
- Industry Projects: 16 projects across 10 brands (including ASOS, Converse, Zalando, M&S)
- Recruitment: 51 brands have been working with us for recruitment (including Hobbs, H&M, Miss Selfridge, Phase Eight, Whistles, Reiss, M&Co)
- Industry visits: 14 brands supported with 14 visits



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNOR'S REPORT (INCLUDING STRATEGIC REPORT) CONTINUED

#### Business environment (continued)

- Masterclasses: 19 brands (including Loewe, Me & Em, Fold, Andrew Jennings, Cath Kidson, Mercer 7, Idle Man, Finlay Fox)
- Focus groups: Converse have delivered 6 focus groups
- Exclusive opportunities: 14 opportunities including press shows etc (including Anthropologie, Aveda, Bumble & Bumble, Christian Dior, Topshop, Nasty Gal)
- Assessment Centres: 5 brands (including M&S, Arcadia, John Lewis)
- Higher Education FMP Panel: 8 brands (including Victoria Beckham, Aquascutum, Blood Brother, Chi Chi London, Amazon, Hush)
- HE Mentoring: 189 mentors from 72 brands.
- Staff only masterclasses: 5 brands (including Retail Week, British Retail Consortium, Drapers, Wallis)

#### Impact of stakeholder relationships

- Employer engagement is outstanding  
Genuine employer partnerships lead to unique relationships with industry, which result in outstanding student experiences and outcomes. Founded by industry for industry – curriculum aligned to industry.

#### Financial results

For 2018/19, the Academy generated a net surplus of £676,678 (17/18: £468,899 surplus).

Capital expenditure in 2018/19 amounted to £663,000 (17/18: £717,470).

#### Stakeholder Relationships

The majority of the Academy's activities do not qualify as a charge in the corporation tax computation with effect from 7 June 2007, when it became a registered charity.

A trading company, FRA Enterprises Limited (FRAEL) was established on 16 January 2009 through which the Academy's commercial activities consisting of commercial room hire, hospitality and short courses are conducted. Profits from FRAEL are gift aided to the Fashion Retail Academy and are not be subject to corporation tax. FRAEL has been made dormant from next year following a downturn in turnover.

Another subsidiary, Fashion and Retail Awards (F&RA) has been set up and it was incorporated on 8 July 2019. The company will trade as an end point assessment organisation.

#### Treasury policies and objectives

The Treasury Management Policy of the Academy regulates the banking, investment and cash holding of the group. The objective of the policy is to achieve a balance between optimising financial arrangements and the risks associated with those activities.

#### Cash flows

A net cash inflow from operating activities of £1,004,000 (17/18 inflow: £1,310,000), reflecting the operational cash generation during the year.



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNOR'S REPORT (INCLUDING STRATEGIC REPORT) CONTINUED

#### Business environment (continued)

##### Liquidity

The Academy continued to hold substantial cash at bank balances with £2,369,000 at the end of July 2019 (17/18 £2,032,000), hence gives a current ratio of 1.30 (17/18: 1.21 restated).

##### Going concern

The Academy holds sufficient cash to continue operating for the foreseeable future and is considered by Governors to be a going concern.

##### Future developments

Funding for the Academy in 2019/20 has been confirmed at £4,306,072 from the EFA (plus £127,559 of student and financial support) and another £914,719 of loan facility from the Advanced Loan company.

The Academy will continue to expand the provision of facilities for event hire and associated catering and hospitality in 2018/19.

The Academy has re-newed a three-year agreement with the City Literary Institute, with a 5% increase in rent, for the hire of some of its rooms for the provision of education to City Literary Institute students until the end of 2021/22.

##### Resources

Tangible resources include the main Academy site for which a commercial level of rent is paid but which is largely offset by a Gift Aid donation from the landlord Gresse Street Ltd.

The Academy has generated a net operating cash inflow which supports the Academy's further development and sustainability.

The Academy employs 85.7 full time equivalent staff (17/18: 63) of whom 25 (17/18: 20) are teaching related staff.

##### Principal Risks and Uncertainties

The Academy continues to further develop its systems of internal control.

MHA MacIntyre Hudson were the Academy's Internal Auditors during the year and conducted reviews of the Academy's internal controls. These reviews were reported to the Audit Committee and actions reviewed by the Audit Committee to establish progress.

The Audit Committee reviewed the Academy's risk management strategy and Risk register at all three meetings in 2018/19 and an updated Risk Register was agreed.

The following are the principal risk factors that may affect the Academy with the mitigation actions agreed:

- Review our practices and policies to ensure full compliance to the vast arrange of legal and regulatory requirements placed upon the FRA including Safeguarding, Prevent, GDPR and those set by the awarding bodies and DFE.
- Ensure the quality of teaching and learning remains outstanding.



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### GOVERNOR'S REPORT (INCLUDING STRATEGIC REPORT) CONTINUED

#### Business environment (continued)

- Review our Human Resources and ensure that succession planning is in place to secure funding returns to governing bodies;
- Monitor local estate developments to ensure the Academy's interest are considered and maintained.
- Reliance on the gift aid from Gresse street at the current time.

The strategic risk register outlines these and other risks deemed applicable. The register outlines the assurance, controls and mitigating actions on how we manage and minimise these risks.

#### Government funding

The Academy places considerable reliance on continued government funding through the EFA and the SFA. In 2018/19, 58% (17/18: 66%) of the Academy's revenue was publicly funded. The remainder of our income comes via tuition fees for both further education adult learners and from Higher Education fee income.

#### Business continuity

The Academy is at risk from external influences beyond its control which interrupt the smooth operations of the business. To meet these challenges, the Academy has an operational business continuity plan to enable it to continue provision in the short to medium term. This is reviewed regularly and fully tested in August 2019. In addition, the Academy has a business continuity insurance in place. The next review is planned in 2019/20.

#### Liquidity

The Academy's cashflows are healthy, the unrestricted funds have grown by 25% and are now at £3,392,000 versus £2,716,000 in 2017/18. Student numbers increased in 2018/19 in comparison to 2017/18 and the Academy benefitted from in year lagged funding payments as well as a boost to our Higher Education numbers in comparison to the previous year.

The Academy is debt free which provides a significant degree of comfort.

#### **Equal opportunities and employment of disabled persons**

The Academy is committed to ensuring equality of opportunity for all who learn and work here. It respects and values positively differences in race, gender, sexual orientation, able-bodiedness and age. It strives vigorously to remove conditions, which place people at disadvantage. This policy is 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 Equality Act 2010.

- 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.



## **Report and Consolidated Financial Statements for the year ended 31 July 2019**

### **GOVERNORS' REPORT (INCLUDING STRATEGIC REPORT) CONTINUED**

- b) The admissions policy for all students is available from the Registry Office. 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.

The Board of the Academy are the Trustees for the charity and in undertaking their duties have complied with the guidance issued by the Charity Commission regarding the provision of public benefit in developing the Academy's plans and strategies.

#### **Disclosure of information to auditors**

The Governors 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 Governor 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 5<sup>th</sup> December 2019, and signed on its behalf by:**

**Kim Longman**  
Chair

**Registered Address:**  
Fashion Retail Academy, 15 Gresse Street, London W1T 1QL



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the Academy to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

The Academy endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

### The Board

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

Academy Board Members during 2018/19

	Date of Appointment	Term of office (years)	Date of resignation	Committees Served	Board meetings attended/ possible
Kim Longman Chair	13 July 2005 Reappointed 13 July 2008, 12 July 2011 and 11 June 2014 and 9 March 2017	3	n/a	Finance Quality	4/4
James Barron	2 December 2018	3	n/a	Audit	2/2
Laura Charles	27 June 2017	3	n/a	Quality	3/4
Fiona Gaughan	2 December 2018	3	n/a	Finance	2/2
Martin Gibson	4 December 2008 Reappointed 7 December 2011, 28 January 2015 and 30 November 2017	3	n/a	Audit (Chair)	2/4
David Kaye	7 December 2011. Reappointed 28 January 2015 and 30 November 2017	3	n/a	Audit	4/4
Lee Lucas (Principal)	6 October 2014	n/a	n/a	n/a	4/4
Jonathan Richens	3 July 2008 Reappointed 12 July 2011 and 11 June 2014 and 9 March 2017	3	n/a	Finance (Chair)	1/4
Elizabeth Rouse Vice Chair	3 July 2008 Reappointed 12 July 2011, 13 March 2013, 28 January 2016 and 27 March 2019	3	n/a	Quality	4/4
Anne Secunda	1 September 2019	3	n/a	Quality	n/a
David Shepherd	09 July 2009 Reappointed 20 June 2012, 12 May 2015 and 14 March 2018	3	31 August 2019	Quality	¾



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

#### The Board (continued)

Elaine Smith	11 June 2014. Reappointed 9 March 2017	3	n/a	Quality (Chair)	4/4
Vanessa Spence	2 December 2018	3	n/a	Quality	2/2
Caryn Swart	7 April 2011 Reappointed 26 March 2014 and 9 March 2017	3	20 March 2019	Quality	2/3

The Clerk to the Board and Company Secretary is Graham Cooper

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 a minimum of each term.

All governance business is conducted through the Board. The Audit Committee, the Finance Committee and the Quality Committee provided an additional level of scrutiny in accordance with their terms of reference.

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 Chair and Principal are separate.

#### Appointments to the Board

Articles 12 of the Articles of Association of the Academy stipulates that each of the Principal Sponsors (Arcadia Group Ltd and ASOS plc) shall each appoint up to 3 governors. All other governors are appointed by the Board except that the Principal of the Academy is an ex-officio governor.

Any new appointments to the Board are a matter for the consideration of the Board as a whole. 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, following which members are eligible for re-appointment.





## **Report and Consolidated Financial Statements for the year ended 31 July 2019**

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

#### **Audit Committee**

The Audit Committee comprises three members of the Board. The Committee operates in accordance with written terms of reference approved by the Board.

The Audit Committee meets a minimum of three times a year and provides a forum for reporting by the Academy's Internal Auditors and External 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 funding bodies 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 Academy's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

#### **Finance Committee**

The Committee is responsible for advising and supporting the Board on matters relating to the strategic oversight of the Academy's financial management, financial strategy and financial policies and the use and safeguarding of its resources and assets, and ensuring that the Academy operates within the law and regulatory environment in relation to its finances. The Committee comprises three members of the Board and meets a minimum of three times a year.

#### **Quality Committee**

The Committee is responsible for advising and supporting the Board on matters relating to the strategic oversight of the quality of teaching, learning and assessment and student progression. The Committee comprises a minimum of three members of the Board and meets at least three times a year.

#### **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 Principal, 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 he is personally responsible, in accordance with the responsibilities assigned to him in the funding agreements between the Academy and the ESFA. He is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

##### *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 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



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

system of internal control has been in place in the Academy for the period ended 31 July 2019 and up to the date of approval of the financial statements.

#### *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 on-going process for identifying, evaluating and managing the Academy's significant risks that has been in place for the period ended 31 July 2019 and up to the date of approval of the financial statements. 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; and
- the adoption of formal project management disciplines, where appropriate.

#### *Review of effectiveness*

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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; and
- comments made by the Academy's financial statement auditors and the internal auditors in their management letters and other reports.

Overall, the reports have indicated very complimentary and effective governance and risk management processes to manage the achievement of the Academy's objectives.

#### **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.

Kim Longman  
Chair  
5<sup>th</sup> December 2019

Lee Lucas  
Principal, CEO & Accounting Officer  
5<sup>th</sup> December 2019



## **Report and Consolidated Financial Statements for the year ended 31 July 2019**

### **GOVERNING BODY'S STATEMENT ON THE ACADEMY'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING**

The Academy has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreements in place between the Academy and the ESFA. As part of our consideration we have had due regard to the requirements of the funding agreements.

We confirm, on behalf of the Academy, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the Academy, or material non-compliance with the ESFA's terms and conditions of funding under the Academy's funding agreements.

We 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 ESFA.

**Kim Longman**  
Chair  
5<sup>th</sup> December 2019

**Lee Lucas**  
Principal, CEO & Accounting Officer  
5<sup>th</sup> December 2019



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### 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 funding agreements agreed between the ESFA and the Board of the Academy, the Board, through its Principal, 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; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Academy will continue in operation.

Members of the Board 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 2006 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 ESFA are used only in accordance with the funding agreements with the ESFA and any other conditions that the ESFA 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 ESFA 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.

### Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have confirmed their willingness to continue in office and the Board has approved their reappointment.

### Signed on behalf of the Board

Kim Longman  
Chair

5<sup>th</sup> December 2019



## **Report and Consolidated Financial Statements for the year ended 31 July 2019**

### ***Independent auditors' report to the members of Fashion Retail Academy***

#### **Report on the audit of the financial statements**

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##### **Opinion**

In our opinion, Fashion Retail Academy's Group financial statements and parent charitable company (the "Academy") financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Academy's affairs as at 31 July 2019 and of the Group's incoming resources and application of resources, including its income and expenditure, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Balance Sheets as at 31 July 2019; the Consolidated Statement of Comprehensive Income, the Consolidated and Academy Statement of Changes in Reserves, the Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements.

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##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the Academy in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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##### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Academy's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Academy's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Academy's activities, students, suppliers and the wider economy.

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## **FASHION RETAIL ACADEMY**

### **Report and Consolidated Financial Statements for the year ended 31 July 2019**

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#### ***Independent auditors' report to the members of Fashion Retail Academy (Continued)***

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

##### ***Governor's Report including Strategic Report***

In our opinion, based on the work undertaken in the course of the audit the information given in the Governors' Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Governor's Report, including the Strategic Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and Academy and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Governor's Report, including the Strategic Report. We have nothing to report in this respect.

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#### **Responsibilities for the financial statements and the audit**

##### ***Responsibilities of the governors for the financial statements***

As explained more fully in the Statement of Responsibilities of the Members of the Board set out on page 20, the governors (who are also the directors of the Academy for the purposes of company law) are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The governors are also responsible for 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.

In preparing the financial statements, the governors are responsible for assessing the Group's and Academy's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the governors either intend to liquidate the Group and Academy or to cease operations, or have no realistic alternative but to do so.

##### ***Auditors' responsibilities for the audit of the financial statements***

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



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### ***Independent auditors' report to the members of Fashion Retail Academy (Continued)***

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

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the Academy's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of governors' remuneration specified by law are not made; or
- the Academy's financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

David Wildey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
5 December 2019



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Consolidated Statement of Comprehensive Income For the year ended 31 July 2019

		Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
<b>Income</b>	Note		
Funding Body Grants	2	5,182	4,722
Tuition fees and Educational contracts	3	2,823	1,760
Other income	4	173	207
Donations	5	1,952	1,995
Endowment and investment income	6	3	4
<b>Total income</b>		<b>10,133</b>	<b>8,688</b>
<b>Expenditure</b>			
Staff costs	8	3,769	2,901
Other operating expenses	10	4,992	4,543
Depreciation and amortisation	11	689	719
Interest & other finance costs		7	9
<b>Total expenditure</b>		<b>9,457</b>	<b>8,172</b>
<b>Surplus before other gains/losses</b>		<b>676</b>	<b>516</b>
(Loss) on disposal of assets		-	(47)
<b>Surplus for the year</b>	15	<b>676</b>	<b>469</b>
<b>Total comprehensive income for the year</b>			
Unrestricted comprehensive income		676	469
		<b>676</b>	<b>469</b>





## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Consolidated and Academy Statement of Changes in Reserves

For the year ended 31 July 2019

	Income and Expenditure account – unrestricted £'000	Restricted reserves £'000	Deferred capital grants £'000	Total £'000
<b>Group &amp; Academy Balance at 1st August 2017</b>	1,272	975	3,092	5,339
Transfers	975	(975)	(3,092)	(3,092)
*Restated balance as at 1 <sup>st</sup> August 2017	2,247	-	-	2,247
Surplus from the income and expenditure account	469	-	-	469
Total comprehensive income for the year	2,716	-	-	2,716
<b>*Restated balance at 31st July 2018</b>	2,716	-	-	2,716
Surplus from the income and expenditure account	676	-	-	676
<b>Total comprehensive income for the year</b>	676	-	-	676
<b>Balance at 31st July 2019</b>	3,392	-	-	3,392

\*for details of restatement, see note  
24



## Report and Consolidated Financial Statements for the year ended 31 July 2019


### Balance Sheets At 31 July 2019

	Note	Group 31 July 2019 £000	Academy 31 July 2019 £000	Group 31 July 2018 £000 Restated*	Academy 31 July 2018 £000 Restated*
<b>Fixed assets</b>					
Intangible Assets	11	29	29	38	38
Tangible Assets	11	<u>4,279</u>	<u>4,279</u>	<u>4,287</u>	<u>4,287</u>
<b>Total fixed assets</b>		<u>4,308</u>	<u>4,308</u>	<u>4,325</u>	<u>4,325</u>
<b>Current assets</b>					
Debtors	12	2,534	2,506	2,536	2,591
Investments		1,180	1,180	978	978
Cash at bank and in hand		<u>1,189</u>	<u>1,183</u>	<u>1,054</u>	<u>996</u>
<b>Total current assets</b>		<u>4,903</u>	<u>4,869</u>	<u>4,568</u>	<u>4,565</u>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	13	(3,771)	(3,737)	(3,787)	(3,784)
<b>Net current assets</b>		<u>1,132</u>	<u>1,132</u>	<u>781</u>	<u>781</u>
<b>Total assets less current liabilities</b>		<u>5,440</u>	<u>5,440</u>	<u>5,106</u>	<u>5,106</u>
<b>Non current liabilities</b>					
Creditors: amounts falling due after more than one year	14	(2,048)	(2,048)	(2,390)	(2,390)
<b>Net assets</b>		<u>3,392</u>	<u>3,392</u>	<u>2,716</u>	<u>2,716</u>
<i>Unrestricted reserves</i>					
<b>Income and expenditure reserve – unrestricted</b>	15	3,392	3,392	2,716	2,716
		<u>3,392</u>	<u>3,392</u>	<u>2,716</u>	<u>2,716</u>

\*see note 24 for details of restatement

The financial statements on pages 24 to 42 were approved by the Board on 5th December 2019 and were signed on its behalf by:

  
Kim Longman  
Chair

  
Lee Lucas  
Principal and Chief Executive

Fashion Retail Academy, a private company limited by guarantee, registered in England and Wales  
Registered Number: 05507547



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Consolidated Cash Flow Statement

For the year ended 31 July 2019

	Note	2019 £'000	2018 £'000
<b>Cash inflow from operating activities</b>			
Surplus for the year		676	469
<b>Adjustment for non cash items</b>			
Depreciation and amortisation		689	719
Impact from disposal of fixed assets		-	47
Decrease in debtors		2	212
(Decrease)/ Increase in creditors due within one year		(25)	218
Release from Capital grants		(342)	(360)
<b>Adjustment for investing or financing activities</b>			
Investment income		(3)	(4)
Interest payable		7	9
<b>Net cash inflow from operating activities</b>		<u>1,004</u>	<u>1,310</u>
<b>Cash flows from investing activities</b>			
Investment income	6	3	4
Payments made to acquire fixed assets		(663)	(718)
<b>Net cash outflow from investing activities</b>		<u>(660)</u>	<u>(714)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(7)	(9)
<b>Net cash outflow from financing activities</b>		<u>(7)</u>	<u>(9)</u>
<b>Increase in cash and cash equivalents in the year</b>		<u>337</u>	<u>586</u>
Cash and cash equivalents at beginning of the year		2,032	1,446
Cash and cash equivalents at end of the year		2,369	2,032



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements

#### 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 2015* (the 2015 FE HE SORP) and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS102). The Academy is a public benefit entity and has therefore applied the relevant benefit requirements of FRS 102.

##### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

The Fashion Retail Academy has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The surplus for the financial year dealt with in the accounts of the Fashion Retail Academy is £676,678 (17/18 surplus £468,111).

##### Basis of consolidation

The consolidated financial statements include the Academy and its subsidiary, FRA Enterprises Limited. The results of the subsidiary during the year are included in the consolidated income and expenditure account. Uniform accounting policies have been adopted in both entities and any profits or losses on intra group transactions have been eliminated. All financial statements are made up to 31 July 2019.

FRA Enterprises Limited is a private company limited by guarantee, and its principal activities are the provision of training courses and the letting of facilities at Fashion Retail Academy. It has an authorised share capital of 10,000 shares of £1 each, and has an allotted share capital of £1 held by Fashion Retail Academy. From 1<sup>st</sup> August 2019, FRA Enterprises Ltd has been made dormant because of the downturn in turnover and all its activities will pass through the Academy's books.

Following Board approval, the Academy has set up a new subsidiary, Fashion & Retail Awards, incorporated on 8<sup>th</sup> July 2019, whose principal activity is to be an End Point Assessment Organisation for the Academy.

##### Going concern

The activities of the Academy, together with the factors likely to affect its future development and performance are set out in the Governors Report. The financial position of the Academy, its cashflow and liquidity are presented in the Financial Statements and accompanying Notes.

Accordingly the members of the Board of the Academy have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements. The Academy can meet their short term liabilities as they fall due and have sufficient cash reserves for operational purposes for the next 12 months.

##### Recognition of income

Government revenue grants from EFA and SFA include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant



## **Report and Consolidated Financial Statements for the year ended 31 July 2019**

### **Notes to the financial statements (continued)**

#### **1. Accounting policies (continued)**

##### **Recognition of income (continued)**

recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Bursaries are accounted for gross as expenditure and not deducted from income.

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102.

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.

##### **Donations**

Donations received by the Academy are recognised in the income and expenditure account in the period in which they are receivable.

The building in which the Academy operates is owned by Gresse Street Limited, and leased back till 2025 to the Academy. The commercial rent of the building is donated back to the Academy net of the freeholder rent payment, mortgage interest, legal and professional fee charges. This is recognised in the account as a donation.

##### **Accounting for post-employment benefits**

The Academy operates two schemes, both of which are defined contribution. Most people are included in the People's Pension scheme unless they opt out. The employers contribution was 2% last year and increased to 3% in April 2019. The Arcadia Stakeholder Pension Scheme is administered by Prudential plc. The assets of the scheme are held separately from those of the company in an independently administered fund. The total amount paid into the scheme by the Academy in the year to 31 July 2019 was £38,546 (17/18 £37,551). The scheme is open to all staff employed at the Academy. The employer's contribution to the scheme is a maximum of 5%.

##### **Short term Employment benefits**

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

##### **Intangible fixed assets**

The intangible assets which represent the development and writing of the new HE degrees that are being delivered at the Fashion Retail Academy from September 2017, have been capitalised at cost of development and are being amortised over 5 years (being the terms of the contract agreed with Falmouth University).



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 1. Accounting policies (continued)

##### **Tangible fixed assets**

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

##### *Leasehold improvements*

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

##### *Fixtures and fittings and computer equipment*

Fixtures and fittings and computer equipment costing less than £1,000 per individual item are written off to the statement of comprehensive income 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 and Fittings 5 years
- Computer Equipment 3 years

##### *Assets in Construction*

These are capitalised as assets in construction until the assets are brought into use. Once brought into use, they are depreciated in accordance with the useful economic life of the asset class to which it is transferred

##### **Leased assets**

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

##### **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 467 of the Corporation Tax Act 1988 (CTA 2010). Accordingly, the Academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 466 to 493 of CTA 2010 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 subsidiary, FRA Enterprises Limited is a wholly owned subsidiary and pays as gift aid, any surpluses generated in the year to the Academy in this year. From next year, FRA Enterprises Limited's activities have ceased and it is intended to become dormant going forward.

##### **Fund Accounting**

Unrestricted reserves represent those resources which may be used towards meeting any of the charitable objects of the Academy at the discretion of the board.

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.

##### **Current Asset Investments**

Current asset investments include sums on short-term deposit with Bank of Scotland.

## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 1. Accounting policies (continued)

##### Subsidiaries

Fashion Retail Academy has an investment in its subsidiary, FRA Enterprises Limited of £1, limited by shares, and this is held in these financial statements at cost. In July 2019, Fashion Retail Academy incorporated a new subsidiary, Fashion & Retail Awards, which is limited by guarantee.

##### 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 EFA/SFA and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 19, 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.

##### Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determined whether leases entered into by the Academy either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis. All leases have been identified as operating.
- Determined whether there are indicators of impairment of the group's fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

##### Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions; the remaining life of the asset and projected disposal values.

- *Accruals, and provision for bad debts*

At the year end an estimate is made to accrue expected costs relating to current year expenses for which invoices have not yet been received.

Provision of bad debts is based on likelihood of receiving the debt following communication with the students, Registry and other departments.



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 2. Funding Body Grants

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Education Funding Agency	4,276	3,862
Skills Funding Agency	565	500
Release of deferred LSC capital grant	310	312
Release of deferred GLA capital grant	31	48
	<u>5,182</u>	<u>4,722</u>

#### 3. Tuition Fees and educational contracts

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
UK Further Education students	975	1,048
HE degrees income	<u>1,848</u>	<u>712</u>
	<u>2,823</u>	<u>1,760</u>

#### 4. Other Income

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Venue hire and conferences	124	102
Short courses	44	62
Consultancy income	-	30
Sundry other income	<u>5</u>	<u>13</u>
	<u>173</u>	<u>207</u>





## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 5. Donations

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Gift aid from Gresse St.	1,947	1,995
Other donations (ICON for FE Graduation)	5	-
	<u>1,952</u>	<u>1,995</u>

#### 6. Endowment and Investment Income

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Investment income	<u>3</u>	<u>4</u>

#### 7. Staff numbers

The monthly 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 2019 FTE's	Year to 31 July 2018 FTE's
Teaching staff	25	20
Student support and Curriculum Services Staff	22	13
Academy support staff	38	30
	<u>85</u>	<u>63</u>



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 8. Staff costs

	Year ended 31 July 2019	Year ended 31 July 2018
	Group £'000	Group £'000
Staff costs for the persons listed in Note 7.		
Wages and salaries	3,159	2,394
Agency staff	188	185
Social security costs	300	222
Other pension costs	80	48
Movement in staff annual entitlement	42	52
	<u>3,769</u>	<u>2,901</u>
	Year ended 31 July 2019	Year ended 31 July 2018
	Group £'000	Group £'000
Teaching departments - teaching staff	1,041	1,005
Student support and Curriculum Services staff	1,193	500
Academy support staff	1,535	1,396
	<u>3,769</u>	<u>2,901</u>

Teaching costs comprise staff primarily employed as teachers and tutors. Student Support and Curriculum Services Staff comprise study support, curriculum planning, library and work placement staff. There are also Apprenticeships and Commercial staff. Academy support staff comprises all other staff, including Finance, HR, IT and Marketing.

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

	Senior post-holders 2019 Number	2018 Number Restated*
£60,001 to £70,000	-	2
£70,001 to £80,000	4	2
£80,001 to £90,000	1	-
£90,001 to £100,000	-	1
£170,001 to £180,000	-	1
£180,001 to £190,000	1	-
	<u>6</u>	<u>6</u>

\*This has been restated to include all remuneration and pension benefits that senior post holders received during the year.  
The above emoluments include payments to the Head of the Academy (Accounting Officer).



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### 9. Senior postholders' emoluments

Senior postholders are defined as the Principal, 4 directors and Clerk to the company.

	Year to 31 July 2019 Number	Year to 31 July 2018 Number (Restated)
The number of senior postholders:	<u>6</u>	<u>6</u>

Senior post-holders' emoluments are made up as follows:

	Year to 31 July 2019 £000	Year to 31 July 2018 £000
Wages and salaries	410	410
Social security costs	49	51
Pension contributions	<u>23</u>	<u>20</u>
	<u>482</u>	<u>481</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior Post-holder) of:

	Year to 31 July 2019 £000	Year to 31 July 2018 £000
Wages and salaries	149	142
Social security costs	19	17
Pension contributions	<u>15</u>	<u>14</u>
	<u>183</u>	<u>173</u>

## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 10. Other operating expenses

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Teaching support services	488	348
Other support services	104	65
Administration and central services	1,265	1,089
Rent	2,356	2,354
Premises costs	684	612
Catering and conference costs	95	75
	<u>4,992</u>	<u>4,543</u>
	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
<b>Other operating expenses include:</b>		
Auditors' remuneration:		
Audit of Financial Statements*	38	36
Internal Audit	21	20
Operating leases:		
Hire of other assets	<u>2,356</u>	<u>2,356</u>

Hire of other assets includes £2,355,500 rent payable to Gresse Street Limited. The Academy has a 20 year lease relating to its premises granted by Gresse Street Limited.

\* includes £29,000 excluding vat, in respect of the Academy and £3,000 excluding vat, in respect of FRA Enterprises Ltd (2017/18: £24,000 excluding vat, in respect of the Academy and £2,500 excluding vat, in respect of FRA Enterprises Ltd plus £4,000 of expenses)

## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 11. Fixed assets (Group & Academy)

##### TANGIBLE ASSETS

	Leasehold Improvements	Computer Equipment	Fixtures & Fittings	Assets under Construction	Total
Cost:	£000	£000	£000	£000	£000
At 1 August 2018	7,317	878	976	450	9,621
Additions	333	184	146	-	663
Transfers	334	-	-	(334)	-
Disposals	-	-	-	-	-
<b>At 31 July 2019</b>	<b>7,984</b>	<b>1,062</b>	<b>1,122</b>	<b>116</b>	<b>10,284</b>
<b>Accumulated depreciation:</b>					
At 1 August 2018	3,909	713	703	-	5,325
Charge for year	404	147	129	-	680
Disposals	-	-	-	-	-
<b>At 31 July 2019</b>	<b>4,313</b>	<b>860</b>	<b>832</b>	<b>-</b>	<b>6,005</b>
<b>Net Book value</b>					
<b>At 31 July 2019</b>	<b>3,671</b>	<b>202</b>	<b>290</b>	<b>116</b>	<b>4,279</b>
Financed by capital grant	2,558	-	11	-	2,569
Finance by other	1,113	202	279	116	1,710
<i>At 31 July 2018</i>	<i>3,399</i>	<i>165</i>	<i>273</i>	<i>450</i>	<i>4,287</i>

##### INTANGIBLE ASSETS

<b>Cost:</b>	£000
At 1 August 2018	47
Disposals	-
<b>At 31 July 2019</b>	<b>47</b>
<b>Accumulated amortisation:</b>	
At 1 August 2018	9
Charge for year	9
Disposals	-
<b>At 31 July 2019</b>	<b>18</b>
<b>Net Book value</b>	
<b>At 31 July 2019</b>	<b>29</b>
<i>At 31 July 2018</i>	<i>38</i>

## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 12. Debtors

	Group Year to 31 July 2019 £000	Academy Year to 31 July 2019 £000	Group Year to 31 July 2018 £000	Academy Year to 31 July 2018 £000
Amounts falling due within one year:				
Trade debtors	401	377	441	441
Other debtors	4	-	-	-
Amounts owing from EFA / SFA	24	24	40	40
Amount owing from subsidiary	-	-	-	55
Prepayments and accrued income*	2,105	2,105	2,055	2,055
	<u>2,534</u>	<u>2,506</u>	<u>2,536</u>	<u>2,591</u>

\*Within this is the gift in kind due but not yet received from Gresse Street for the building.

#### 13. Creditors: amounts falling due within one year

	Group Year to 31 July 2019 £000	Academy Year to 31 July 2019 £000	Group Year to 31 July 2018 Restated* £000	Academy Year to 31 July 2018 Restated* £000
Trade creditors**	2,188	2,178	2,495	2,495
Accruals	490	483	258	256
Amount owing to subsidiary	-	25	-	1
Other creditors including taxation and social security	326	303	209	209
Staff annual leave entitlement	94	94	52	52
Deferred income	331	312	431	429
Deferred capital grant*	342	342	342	342
	<u>3,771</u>	<u>3,737</u>	<u>3,787</u>	<u>3,784</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

\*for details of restatement, see note 24

\*\* Within this is the rent due but not yet paid to Gresse Street for the building.



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 14. Creditors: amounts falling due after more than one year

	Group 31 July 2019 £'000	Academy 31 July 2019 £'000	Group 31 July 2018 Restated* £'000	Academy 31 July 2018 Restated* £'000
Creditors: amounts falling due after more than one year:				
Deferred capital grant*	2,048	2,048	2,390	2,390
	<u>2,048</u>	<u>2,048</u>	<u>2,390</u>	<u>2,390</u>

\*Restatement relates to an adjustment to reclassify deferred capital grants to creditors. Further details can be found in note 24.

#### 15. Reserves (Group & Academy)

##### Unrestricted reserves

	Group and Academy Year to 31 July 2019 £'000 Restated*	Group and Academy Year to 31 July 2018 £'000 Restated*
At 1 August 2018*	2,716	2,247
Surplus for the year	676	469
At 31 July 2019	<u>3,392</u>	<u>2,716</u>

\*See note 24 for details on restatement.

#### 16. Analysis of changes in net funds (Group)

	At 1 August 2018 £000	Cash flows £000	At 31 July 2019 £000
Investments	978	202	1,180
Cash at bank and in hand	1,054	135	1,189
	<u>2,032</u>	<u>337</u>	<u>2,369</u>

Investments comprise cash deposits held on short term maturities.



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 17. Related Party Transactions

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

During the year, the company paid Gresse Street Limited rent amounting to £2,355,500 (17/18: £2,353,867) and received a gift aid receipt from Gresse Street Limited of £1,947,023 (17/18: £1,995,000).

The Chair of Governors via Longman Consultancy was paid £32,400 during the year 2018/19 (17/18: £32,400) to oversee the relations with the sponsor organisations and other fashion retailers. Longman Consultancy is a related party as it employs the Chair of Governors.

Arcadia provide some utility services for the Academy which are reimbursed at cost. Arcadia group is a related party and have a 50% interest in Fashion Retail Academy.

University of Arts London (UAL) had a 50% interest in Fashion Retail Academy until December 2018.

ASOS replaced UAL and became a member of Fashion Retail Academy in December 2018 with a 50% interest in Fashion Retail Academy.

#### Related Party Transactions (continued)

For the Group	31 July 2019	31 July 2018
	£000	£000
Total expenditure incurred with UAL for 12 months ending	123	116
Creditors balance with UAL at	-	9
Total expenditure incurred with Longman Consultancy for 12 months ending	32	32
Creditors balance with Longman Consultancy at	3	3
Total income received from Arcadia for 12 months ending	-	3
Total expenditure incurred with Arcadia for 12 months ending	121	95
Creditors balance with Arcadia at	8	-
Total income received from Gresse Street for 12 months ending	1,947	1,995
Total expenditure incurred with Gresse Street for 12 months ending	2,356	2,354
Creditor and debtor balance with Gresse Street at	1,947	1,995

FRA Enterprises Limited was set up to conduct trading activity with the intention of generating profits that can be donated as gift aid to the Fashion Retail Academy.





## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 18. Operating lease commitments

The Academy's premises are leased from Gresse Street Limited. The Academy has an annual rental commitment of £2,355,500 under an agreement which commenced on 8 September 2005 for a period of 20 years (excluding recharges to FRA Enterprises Ltd incorporated on 16 January 2019).

Operating Lease Commitments:

	Year to 31 July 2019 £000	Year to 31 July 2018 £000
Within one year	2,356	2,356
Within two to five years	9,424	9,424
After more than five years	-	2,356

#### 19. Learner Support Funds

	Year to 31 July 2019 £000	Year to 31 July 2018 £000
<b>Monies received in respect of each year</b>		
EFA - carried over from previous year	27	20
EFA - Student Financial Support Funding	137	128
SFA - Hardship funds	6	-
	<u>170</u>	<u>148</u>
<b>Used as follows:</b>		
Disbursed to students	(170)	(115)
Administration costs	-	(6)
Total disbursed	<u>(170)</u>	<u>(121)</u>
<b>Balance at 31 July</b>	<u>-</u>	<u>27</u>

#### 20. Contingent Asset/ Liabilities

The Academy is not aware of any contingent liabilities or assets.

#### 21. Share Capital

No share capital (17/18 no share capital)



## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### 22. Limitation on governors' liability

The Academy has purchased an insurance to cover the governors' liability up to £2.5 million.

#### 23. Related party undertakings

Fashion Retail Academy has a subsidiary undertaking controlled at 100% incorporated in the UK named FRA Enterprises Limited. The subsidiary is expected to be made dormant from next year.

FRA Enterprises Limited is included in the group consolidation. FRA Enterprises Limited aggregate capital and reserves are nil and the operating profit for the year ending 31 July 2019 is Nil (17/18 nil).

FRA Enterprises Limited has an authorised share capital of 10,000 shares of £1 each, and has an allotted share capital of £1 held by Fashion Retail Academy.

Fashion Retail Academy has set up a new subsidiary, Fashion and Retail Awards, which was incorporated on 8<sup>th</sup> July 2019, whose principal activity is to be an End Point Assessment Organisation for the Academy.

The registered address for both subsidiaries is the same as disclosed on page 14 for Fashion Retail Academy.

#### 24. Restatement

The reserves have been restated for the prior year to reflect an adjustment to reclassify deferred capital grants as creditors and reclassify restricted reserves as unrestricted reserves. A reconciliation of the impact has been shown below:

##### *Restricted reserves*

	Group 31 July 2018 £'000	Academy 31 July 2018 £'000
Restricted reserves as previously presented	975	975
Reclassification of reserves as unrestricted	(975)	(975)
<b>Restated restricted reserves balance at 31 July 2018</b>	<b>-</b>	<b>-</b>

This adjustment reflects the movement of a cash balance to unrestricted reserves from restricted reserves as there are no restrictions attached to the use of the reserves.

## Report and Consolidated Financial Statements for the year ended 31 July 2019

### Notes to the financial statements (continued)

#### *Unrestricted reserves*

	Group 31 July 2018 £'000	Academy 31 July 2018 £'000
Unrestricted reserves as previously presented	4,473	4,473
Deferred capital grant reclassification to creditors	(2,732)	(2,732)
Reclassification of reserves from restricted reserves	975	975
<b>Restated unrestricted reserves balance at 31 July 2018</b>	<b>2,716</b>	<b>2,716</b>

These adjustments reflect the movement of deferred capital grants from reserves to creditors, and the movement of a cash balance to unrestricted reserves.

#### *Creditors: amounts falling due within one year*

	Group 31 July 2018 £'000	Academy 31 July 2018 £'000
Deferred capital grants as previously presented	-	-
Reclassification from reserves	342	342
<b>Restated creditors falling due within one year balance at 31 July 2018</b>	<b>342</b>	<b>342</b>

#### *Creditors: amounts falling due in more than one year*

	Group 31 July 2018 £,000	Academy 31 July 2018 £,000
Deferred capital grant as previously presented	-	-
Reclassification from reserves	2,390	2,390
<b>Restated creditors falling due in more than one year balance at 31 July 2018</b>	<b>2,390</b>	<b>2,390</b>

These adjustments reflect the reclassification of deferred capital grants from reserves to creditors.