**Charity Registration No. 1092321**

**Company Registration No. 03005603**

# HULT INTERNATIONAL BUSINESS SCHOOL LTD

**(a company limited by guarantee)**

**Report and Financial Statements**

**For the year ended**

**30 September 2020**

**HULT INTERNATIONAL BUSINESS SCHOOL LTD**
**(a company limited by guarantee)**

**REPORT AND FINANCIAL STATEMENTS 2020**

## CONTENTS

## HULT INTERNATIONAL BUSINESS SCHOOL LTD
**(a company limited by guarantee)**

## REPORT AND FINANCIAL STATEMENTS 2020

## OFFICERS AND PROFESSIONAL ADVISERS

**CHARITY REGISTRATION NUMBER: 1092321**

**COMPANY REGISTRATION NUMBER: 03005603**

**REGISTERED OFFICE**

33-35 Commercial Road
London
E1 1LD

**WEBSITE ADDRESS**

www.hult.edu

**TRUSTEES**

D Bennett
R Goonesena
F Henriksson
R Beltzer

**DEANS**

Samineh Shaheem
Ronan Gruenbaum

**SECRETARY**

Emilie McCarthy

**BANKERS**

Lloyds TSB Bank Plc
2nd Floor, 39 Threadneedle Street
London
EC2R 8AU

**AUDITOR**

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
LS1 2AL
United Kingdom

## OBJECTIVES AND ACTIVITIES

The principal charitable objective of Hult International Business School Ltd ("the School") is the provision of higher educational courses, services and facilities at university level. In particular, it aims to provide and promote:

- undergraduate major programs;
- masters degree programs;
- scholarships for exceptionally well-qualified students from all over the world to study at the School, thus raising academic quality and expectations; and
- a caring environment for the pursuit of academic and experiential learning and living in central London.

The provision of higher educational courses is conducted through the School.

The long term objective is to build a renowned university.

## PLANS FOR FUTURE DEVELOPMENT

Student numbers showed a deterioration compared to FY2019. The School expects a slight decrease in student numbers in FY2021 due to COVID-19.

We will continue to work on increasing student numbers and student satisfaction.

## FINANCIAL REVIEW

The final result of FY2020 was a surplus of £0.8m (FY2019: surplus of £17.6m) for Hult International Business School Ltd, which decreased the net liabilities to £11.6m in FY2020 from £12.4m in FY2019. The decrease in the surplus between the years is due to the legal structure change during FY19 where all costs are recharged to Hult US with a mark-up on arm's length basis.

During FY2020, dilapidation reserves were made to provision for the works required to return the leasehold properties to the state found at the commencement of the terms. Hence, this required the restatement of opening fund balances and net position for the fiscal year ended 30 September 2019. The dilapidation estimate was capitalized and is depreciated over the remainder of the lease and liabilities are credited with the full estimated amount adjusted by the annual inflation accretion.

The school received a donation under gift aid of £0.35m (FY2019: £1m) during the financial year.

## ACHIEVEMENT, PERFORMANCE AND KEY PERFORMANCES INDICATORS ("KPIs")

The COVID-19 pandemic has had an impact on higher-education globally. Hult UK closed its campuses in London in line with the government's social distancing policies for a period during which the education was maintained and carried out online leading to minimal disruption to the business. The student satisfaction remained high through the implementation and delivery of the virtual learning. For the September 2020 intake, the School proactively offered blended learning opportunity including discounts for the time that education is carried out. The offer has mitigated the risk of material decrease in enrolment.

The trustees consider student numbers (target of 5% sustainable long-term growth over a five-year cycle), student satisfaction, as per page 3, (target of 4.0 and above) and diversity (whilst there is no current stipulated target for diversity, the trustees consider current diversity of the student body to be excellent) to be key performance indicators. Student satisfaction is also tracked and all faculties are rated for every course they teach creating the Faculty Evaluation score which is tracked and analysed after every module. Targets are based on a scale of the level of student satisfaction in surveys carried out.

## ACHIEVEMENT, PERFORMANCE AND KEY PERFORMANCES INDICATORS ("KPIs") (continued)

- **STUDENT NUMBERS**

In FY2020 there were 1,441 students (FY2019: 1,484), of which 710 started (FY2019: 788) and 731 (FY2019: 696) continued their studies at the School. In September 2020 the School welcomed Undergraduate, MBA, Executive MBA and Masters students.

| | New | Returners |
|---|---|---|
| UG | 266 | 678 |
| EMBA | 45 | 53 |
| MBA | 91 | - |
| MIB | 232 | - |
| MIM | 76 | - |
| **Total** | 710 | 731 |

- **STUDENT SATISFACTION**

The survey question was "Overall, how satisfied were you with your studies?" on a scale from 1 to 5.

| | 2020 | 2019 |
|---|---|---|
| UG | 3.66 | 3.83 |
| EMBA | 3.98 | 4.27 |
| MBA | 3.94 | 3.83 |
| MIB | 4.01 | 4.31 |
| MIM | 4.08 | 4.37 |

- **DIVERSITY**

FY2020 The School had 125 nationalities enrolled at the school and out of the total 1,441 students 44% were female and 56% male (FY2019: 1,484 students 44% were female and 56% were male).

## PRINCIPAL RISKS AND UNCERTAINTIES

The trustees have examined the major risks that the school faces and have documented these in a risk register, which is updated on a periodic basis. The School has developed systems to monitor and control these risks to mitigate any impact that they may have on the School in the future.

Prior to COVID-19, the primary identified risk was reduced student numbers due to Brexit, should the UK visa rules change in the future. The board continuously monitors the regulatory environment and does not see this risk as material. More recently, the COVID-19 virus has had an impact on higher-education globally. As a consequence, Hult UK closed its campuses in London in line with the government's social distancing policies. The board acknowledges the risk but deems the operational disruption to be limited as education is maintained and carried out online, in addition, the student satisfaction remained high through the implementation and delivery of the virtual learning. For the September 2020 intake, the School proactively offered blended learning opportunity including discounts for the time that education is carried out online in the event that travel restrictions are still in place. The offer has mitigated the risk of material decrease in enrolment. Moreover, Hult UK has the educational revenue guaranteed by Hult US as Hult UK is now operating on a cost-plus basis and Hult US has liquidity even a under revenue stressed scenario.

## GOING CONCERN

The School made a surplus of £0.8m (FY2019: surplus of £17.6m) for the year ended 30 September 2020 reducing negative reserves to £11.6m (from £12.4m in FY2019). The charity has £25.4m (FY2019 : £20.6m) of creditors. However, this includes £16.0m (FY2019: £16.3m) of creditors falling due after more than one year. The School has net current liabilities of £2.1m (FY2019: £2.9m) and loans due after one year of £14.8m (FY2019: £15m).

The 2015 loan agreement between Hult International Business School Ltd and Hult International Business School AG includes terms that if the annual amortisation payment or interest payments would endanger the solvency of Hult International Business School Ltd, the parties shall enter into discussions and agree on a reduced amortisation payment that may equal zero. The School services the loan with annual repayments of £250k and as of 30 September 2020 the remaining loan balance was £15m.

Also, Hult UK is now operating on cost-plus basis where all costs are recharged to Hult US with a mark-up on an arm's length basis, hence, there is no risk involved in no revenue.

The trustees have continued to prepare the financial statements on a going concern basis. Further details regarding the going concern basis can be found in the accounting policies (note 1 on page 14 to the financial statements).

Approved by the Board of Trustees
and signed on behalf of the Board

R Goonesena

Trustee

Date: 26.02.21

## HULT INTERNATIONAL BUSINESS SCHOOL LTD
**(a company limited by guarantee)**

## TRUSTEES' REPORT
**for the year ended 30 September 2020**

The trustees have chosen in accordance with section 414C (11) of the Companies Act 2006 to set out in the company's strategic report the following which the trustees believe to be of strategic importance.

Hult International Business School Ltd is a company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association. The directors of the company (referred to as the school in this report), are its trustees for the purposes of charity law and throughout this report are collectively referred to as the trustees.

The trustees present their report and financial statements for the year ended 30 September 2020.

### STRUCTURE, GOVERNANCE AND MANAGEMENT

Due to the charity being limited by guarantee, each trustee undertakes to contribute such amount as may be required, not exceeding £1,000 each, to the charity's assets if it should be wound up while he or she is a trustee or within one year after he or she ceases to be a trustee. The trustees serve without remuneration.

The Articles of Association provide for rotation of trustees. The trustees who served during the year and subsequently are noted on page 1.

The board of trustees hold formal meetings as required each year to discuss the performance of the School, covering academic issues, student recruitment, student retention and satisfaction, financial performance, governance and other issues.

The key management personnel are the CEO and the Deans. Remuneration for management personnel is determined by current market conditions, experience and skills. These budgeting items are approved by the board of trustees.

### PLANS FOR FUTURE DEVELOPMENT

Details of the plans for future developments can be found in the Strategic Report on page 2.

### PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties can be found in the Strategic Report on page 3.

### TRUSTEE APPOINTMENT, INDUCTION AND TRAINING

The method of appointment and retirement by rotation of the trustees is set out in the charity's Articles of Association. Trustee appointments are made based on the expertise and skills brought by the individuals involved. The trustees receive further training in trustee meetings as required. No induction training was required as there were no new trustees appointed in the year.

### TRUSTEES' INDEMNITIES

The Charity has made qualifying third party indemnity provisions for the benefit of its trustees which were made during the year and remain in force at the date of this report.

### TRUSTEES' RESPONSIBILITIES STATEMENT

The trustees (who are also directors of Hult International Business School Ltd for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

**HULT INTERNATIONAL BUSINESS SCHOOL LTD**
**(a company limited by guarantee)**

**TRUSTEES' REPORT**
**for the year ended 30 September 2020**

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

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

**PUBLIC BENEFIT**

The trustees have complied with their duty in section 4 of the Charities Act 2011 to have due regard to Public Benefit guidance published by the Charity Commission.

The trustees provide a public benefit primarily by awarding scholarships to students who would otherwise not be in a position to fund their studies. This academic year Hult International Business School Ltd had 20 full scholars out of which 5 were through the local councils.

The ethos of awarding scholarships remains a high priority within the institution and is aimed at students with exceptional academic educational qualities and those in financial need.

**RESERVES POLICY**

The School currently has negative reserves of £11.6m (FY2019: £12.4m). The trustees believe that the net asset position will build up again and are confident that the School is on track to make surpluses in coming years which will restore and build reserves to an adequate level. The reserves policy is to reach a positive net assets level of reserves, with a longer-term objective of having reserves equal to at least one year's costs as an adequate reserves level.

The endowment fund was released during FY2019 towards charitable activities of the school.

**AUDITOR**

Each of the persons who is a trustee at the date of approval of this annual report confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the trustee has taken all the steps that he ought to have taken as a trustee to make himself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Trustees
and signed on their behalf

R Goonesena
Trustee

Date: 26. 02. 21

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HULT INTERNATIONAL BUSINESS SCHOOL LTD
## (a company limited by guarantee)

## INDEPENDENT AUDITORS REPORT

### For the year ended 30 September 2020

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

**Opinion**

In our opinion the financial statements of Hult International Business School Ltd (the 'charitable company'):

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2020 and of its incoming resources and application of resources, including the its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of financial activities (including income and expenditure account);
- the balance sheet;
- the cash flow statement;
- the notes to the cash flow statement; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HULT INTERNATIONAL BUSINESS SCHOOL LTD (a company limited by guarantee) (continued)

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which includes the strategic report and the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report included within the trustees' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

**Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Anderson

**Sarah Anderson FCCA (Senior Statutory Auditor)**
**For and on behalf of Deloitte LLP**
Statutory Auditor
Leeds, United Kingdom

4 March 2021

## HULT INTERNATIONAL BUSINESS SCHOOL LTD
## (a company limited by guarantee)

## STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)
### For the year ended 30 September 2020

| | Note | 2020 £ | 2019 (as restated – Note 19) £ |
|---|---|---|---|
| **INCOME FROM:** | | | |
| Donations | 1 | 350,000 | 1,000,000 |
| Charitable activities | 3 | 12,778,116 | 38,882,427 |
| **TOTAL INCOME** | | 13,128,116 | 39,882,427 |
| **EXPENDITURE ON:** | | | |
| **Charitable activities** | 5 | 12,335,650 | 22,282,805 |
| **TOTAL EXPENDITURE** | | 12,335,650 | 22,282,805 |
| **NET INCOME FOR THE YEAR** | 8 | 792,466 | 17,599,622 |
| **NET MOVEMENT IN FUNDS** | | 792,466 | 17,599,622 |
| **TOTAL UNRESTRICTED FUNDS BROUGHT FORWARD** | | (12,350,508) | (29,950,130) |
| **TOTAL UNRESTRICTED FUNDS CARRIED FORWARD** | | (11,558,042) | (12,350,508) |
| Endowment fund brought forward | | - | 20,000 |
| Charitable activities | | - | (20,000) |
| **Endowment fund carried forward** | 14 | - | - |
| **RECONCILIATION OF FUNDS:** | | | |
| Total funds brought forward as previously reported | | (12,350,508) | (29,426,743) |
| Prior year adjustment (Note 19) | | - | (503,387) |
| Total funds brought forward as restated | | - | (29,930,130) |
| Endowment fund | | - | (20,000) |
| Net movement in funds for the year | | 792,466 | 17,599,622 |
| Total funds carried forward | | (11,558,042) | (12,350,508) |

All income and expenditure derive from continuing operations.

There are no other recognised gains or losses other than as stated above.

**HULT INTERNATIONAL BUSINESS SCHOOL LTD**
**(a company limited by guarantee)**

## BALANCE SHEET
**As at 30 September 2020**

| | Note | 2020 £ | 2019 (as restated – Note 19) £ |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Tangible assets | 9 | 6,576,562 | 6,774,030 |
| **CURRENT ASSETS** | | | |
| Debtors | 10 | 897,725 | 1,056,367 |
| Cash at bank and in hand | | 6,345,480 | 444,559 |
| | | 7,243,205 | 1,500,926 |
| **CREDITORS: amounts falling due within one year** | | | |
| Creditors | 11 | (5,773,589) | (4,362,599) |
| Deferred income | 4 | (3,565,865) | - |
| | | (9,339,454) | (4,362,599) |
| **NET CURRENT LIABILITIES** | | (2,096,249) | (2,861,673) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 4,480,313 | 3,912,357 |
| **CREDITORS: amounts falling due after more than one year** | 12 | (14,750,000) | (15,000,000) |
| **Provisions for liabilities** | 13 | (1,288,355) | (1,262,865) |
| **NET LIABILITIES** | | (11,558,042) | (12,350,508) |
| **Endowment fund** | 14 | - | - |
| **Deficit on unrestricted funds** | | (11,558,042) | (12,350,508) |
| | | (11,558,042) | (12,350,508) |

The financial statements of Hult International Business School Ltd, registered number No. 03005603, were approved by the Board of Trustees and authorised for issue on 26 February 2021.

Signed on behalf of the Board of Trustees

R Goonesena
Trustee

## CASH FLOW STATEMENT
**For the year ended 30 September 2020**

| | Note | 2020<br>£ | 2019<br>(as restated – Note 19)<br>£ |
|---|---|---|---|
| **Net cash inflow/(outflow) from operating activities** | 1 | 6,945,369 | (993,436) |
| **Cash flows from investing activities** | | | |
| Purchase of tangible fixed assets | | (794,448) | (356,255) |
| **Net cash outflow from investing activities** | | (794,448) | (356,255) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (250,000) | (3,750,000) |
| **Net cash outflow from financing activities** | | (250,000) | (3,750,000) |
| **Net increase/(decrease) in cash and cash equivalents** | | 5,900,921 | (5,099,691) |
| **Cash at beginning of year** | | 444,559 | 5,544,250 |
| **Cash at end of year** | | 6,345,480 | 444,559 |

Cash and cash equivalents comprise of cash at bank and in hand. Cash equivalents for the year ended 30 September 2020 were £nil (2019 : £nil.)

HULT INTERNATIONAL BUSINESS SCHOOL LTD
(a company limited by guarantee)

## NOTES TO THE CASH FLOW STATEMENT
**For the year ended 30 September 2020**

### 1. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

| | 2020 £ | 2019 (as restated – Note 19) £ |
|---|---|---|
| Net surplus for the year | 792,466 | 17,599,622 |
| Endowment Funds | - | (20,000) |
| Depreciation of tangible fixed assets | 991,916 | 1,070,790 |
| Decrease in debtors | 158,642 | 265,458 |
| Increase/(decrease) in creditors | 5,002,345 | (19,909,306) |
| **Cash generated from/(used by) operating activities** | 6,945,369 | (993,436) |

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 30 September 2020

### 1. ACCOUNTING POLICIES

**Basis of accounting**

Hult International Business School Ltd, a public benefit entity, is incorporated in England and Wales as a company limited by guarantee not having a share capital. There are four Trustees. Each trustee has undertaken to contribute to the assets in the event of a winding up a sum not exceeding £1,000. The Charity is a registered charity. The registered office is listed on page 1.

The financial statements are prepared under the historical cost convention, in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities (SORP 2019)" applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective 1 January 2019; and the Companies Act 2006.

The principal accounting policies of the charity are set out below.

**Going concern**

At 30 September 2020, the School has negative reserves of £11.6m. The School made a surplus of £0.8m for the year ended 30 September 2020.

The School received a loan in FY2015 of £20m from Hult International Business School AG to enable it to make the payments required by the Strategic Alliance Agreement. The loan agreement between Hult International Business School Ltd and Hult International Business School AG includes terms that if the annual amortisation payment (repayments of £250k per annum) or interest payments would endanger the solvency of Hult International Business School Ltd, the parties shall enter into discussions and agree on a reduced amortisation payment that may equal zero.

The long term loan from Hult International Business School AG matures in 2035. Considering the improved results that the School has had in the last few years, the expectation is that Hult International Business School Ltd during the coming 18 years will be able to make positive results and service the loan. During the year Hult International Business School Ltd has amortised £0.25m of the loan. The School has net current liabilities of £2.1m. Forecasts have been prepared and show that liabilities can be settled as they fall due over at least the next 12 months.

Also, Hult UK is now operating on cost-plus basis where all costs are recharged to Hult US with a mark-up on an arm's length basis.

The outbreak of COVID-19 virus has had an impact on higher-education globally. The board acknowledges the risk but deems the operational disruption to be limited as education is maintained and carried out online until the campuses are opened. Subsequently educational revenue is continued.

Having considered the above, the trustees believe it is reasonable to continue to adopt the going concern basis.

**Provisions**

Dilapidation reserves are made to provision for the works required to return the leasehold properties to the state found at the commencement of the terms. The dilapidation estimate is capitalized and is depreciated over the remainder of the lease and liabilities are credited with the full estimated amount adjusted by the annual inflation accretion.

**Reserves**

The charity maintains restricted and unrestricted reserves as follows:

*Unrestricted reserves*

Unrestricted reserves represent income which is expendable at the discretion of the trustees in the furtherance of the objectives of the charity. Such funds may be held in order to finance both working capital and capital investment.

*Restricted Endowment fund*

The Restricted Endowment Fund for the previous financial year represented amounts received which were donated by the donor for specific purposes.

1. **ACCOUNTING POLICIES (continued)**

**Income**

Turnover is recognised on fees in respect of those services that are delivered within the financial year being reported on a cost-plus basis at an arm's length. Fees received in advance for future services are credited to deferred income.

**Donations**

Monetary donations are included in full in the Statement of Financial Activities when receivable, provided there are no donor-imposed restrictions as to the timing of the related expenditure, in which case recognition is deferred until the specific conditions have been met.

**Expenditure**

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

Expenditure is charged on an accruals basis.

Costs are allocated to activities based on what they are directly attributable to.

Expenditure is analysed by category between a number of separate headings as per note 5.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal instalments over their expected useful lives. The rates generally applicable are:

| | |
|---|---|
| Leasehold improvements | Over the shorter of the life of the asset or the period of the lease |
| Fixtures and fittings | 3-5 years |
| Office equipment | 3-5 years |
| Computers | 3-5 years |

**Foreign currencies**

The reporting and functional currency is sterling (GBP). Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate at the balance sheet date.

## 1. ACCOUNTING POLICIES (continued)

**Employee benefits contributions to pension funds**

The charity contributes to a defined contribution scheme for the benefit of the employees and the pension costs charged to the SOFA in the year represent the contributions payable to the scheme in respect of the accounting year.

**Leased assets**

Leases are regarded as operating leases and the payments made under them are charged to the SOFA on a straight-line basis over the lease term.

**Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs).

The company only have financial assets and financial liabilities of a kind that qualifies as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

**Concessionary loans**

Concessionary loans are initially measured at the amount received or paid. In subsequent years, the carrying amount of concessionary loans is adjusted to reflect any accrued interest payable or receivable, less any impairment loss.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Trustees do not consider there are any critical judgements or sources of estimation uncertainty requiring disclosure.

## 3. INCOME FROM CHARITABLE ACTIVITIES

| | Net income from charitable activities 2020 £ | Net income from charitable activities 2019 £ |
|---|---|---|
| **Income** | | |
| Education | 12,778,116 | 38,882,427 |

## 4. DEFERRED INCOME

| | 2020 £ | 2019 £ |
|---|---|---|
| Educational services | 3,565,865 | - |

| | 2020 £ | 2019 £ |
|---|---|---|
| Balance as at 1 October | - | 17,979,618 |
| Amount released to income | - | (17,979,618) |
| Amount deferred in the year | (3,565,865) | - |
| Balance at 30 September | (3,565,865) | - |

## 5. COSTS OF CHARITABLE ACTIVITIES

| **2020** | Direct costs £ | Support costs £ | Total 2020 £ |
|---|---|---|---|
| Education | 4,328,782 | 8,006,868 | 12,335,650 |

| **2019 (as restated – Note 19)** | Direct costs £ | Support costs £ | Total 2019 £ |
|---|---|---|---|
| Education | 13,534,678 | 8,748,127 | 22,282,805 |

## 5. COSTS OF CHARITABLE ACTIVITIES (continued)

| | 2020 £ | 2019 (as restated – Note 19) £ |
|---|---|---|
| **Analysis of support costs** | | |
| Establishment costs | 4,801,823 | 5,149,563 |
| School administration costs | 2,700,404 | 2,835,051 |
| Staff costs | 296,011 | 591,908 |
| Professional | 183,430 | 147,225 |
| Governance costs | 25,200 | 24,380 |
| | 8,006,868 | 8,748,127 |

## 6. GOVERNANCE COSTS

| | 2020 £ | 2019 £ |
|---|---|---|
| Audit fees | 25,200 | 24,380 |

## 7. INFORMATION REGARDING EMPLOYEES

| | 2020 No | 2019 No |
|---|---|---|
| **The average number of employees in year was** | 83 | 93 |
| | £ | £ |
| **Staff costs during the year were:** | | |
| Wages and salaries | 4,214,287 | 4,537,340 |
| Social security costs | 448,530 | 506,977 |
| Pension contribution | 125,619 | 118,061 |
| | 4,788,436 | 5,162,378 |

The number of employees whose emoluments, excluding pension contributions and employer's national insurance, but including benefits in kind, were in excess of £60,000 were:

| | 2020 No. | 2019 No. |
|---|---|---|
| £60,000 - £69,999 | 6 | 5 |
| £70,000 - £79,999 | 3 | 5 |
| £80,000 - £89,999 | 1 | - |
| £90,000 - £99,999 | - | 1 |
| £100,000 - £199,999 | 6 | 6 |
| £200,000 - £299,999 | 1 | 1 |

## 7. INFORMATION REGARDING EMPLOYEES (continued)

In FY2020 seven (FY2019: six) employees earning over £60,000 had contributions to a defined contribution pension scheme paid on their behalf totalling £85,823 (FY2019: £46,410).

The key management personnel of the Charity are shown on page 5. The total remuneration (including pension contributions and social security costs) of the key management personnel of the charity totalled £520,467.

## 8. NET INCOME FOR THE YEAR

Net income is stated after charging:

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Auditor's remuneration | | |
| Fees payable to the charity's auditor for the audit of the charity's financial statements | 25,200 | 24,380 |
| Rental under operating leases | | |
| Land and buildings | 2,366,748 | 2,486,049 |
| Other | 2,531 | 12,911 |
| Depreciation of tangible fixed assets (as restated – Note 19) | | |
| Owned | 991,916 | 1,070,790 |

## 9. TANGIBLE FIXED ASSETS

| | Leasehold improvements<br>£ | Office equipment<br>£ | Fixtures and fittings<br>£ | Computer equipment<br>£ | Total<br>£ |
|---|---|---|---|---|---|
| **Cost (as restated – Note 19)** | | | | | |
| At 1 October 2019 | 11,367,650 | 1,508,044 | 15,317 | 1,101,450 | 13,992,461 |
| Additions | 68,995 | 725,453 | - | - | 794,448 |
| Disposals | (8,139) | (1,145,985) | (9,797) | (1,101,450) | (2,265,371) |
| At 30 September 2020 | 11,428,506 | 1,087,512 | 5,520 | - | 12,521,538 |
| **Depreciation (as restated – Note 19)** | | | | | |
| At 1 October 2019 | 4,843,207 | 1,261,063 | 12,711 | 1,101,450 | 7,218,431 |
| Charge for the year | 846,236 | 143,840 | 1,840 | - | 991,916 |
| Disposals | (8,139) | (1,145,985) | (9,797) | (1,101,450) | (2,265,371) |
| At 30 September 2020 | 5,681,304 | 258,918 | 4,754 | - | 5,944,976 |
| **Net book value (as restated – Note 19)** | | | | | |
| At 30 September 2020 | 6,524,443 | 246,981 | 2,606 | - | 6,774,030 |
| At 30 September 2020 | 5,747,202 | 828,594 | 766 | - | 6,576,562 |

## 10. DEBTORS

| | 2020 £ | 2019 £ |
|---|---|---|
| Trade debtors | 1,639 | 108,155 |
| Other debtors | 4,667 | 25,642 |
| Prepayments | 891,419 | 922,570 |
| | 897,725 | 1,056,367 |

All debtors are due within one year.

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2020 £ | 2019 £ |
|---|---|---|
| Trade creditors | 936,605 | 459,425 |
| Loans owed to other Hult undertakings | 250,000 | 250,000 |
| Amounts owed to other Hult undertakings | 2,822,741 | 2,466,427 |
| Other creditors | 96,247 | 56,122 |
| Accruals | 1,667,996 | 1,130,625 |
| | 5,773,589 | 4,362,599 |

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2020<br>£ | 2019<br>(as restated – Note 19)<br>£ |
|---|---|---|
| Loans owed to other Hult undertakings | 14,750,000 | 15,000,000 |

Included within the above are amounts due as follows:

| | 2020<br>£ | 2019<br>(as restated – Note 19)<br>£ |
|---|---|---|
| Between 1 and 2 years | 250,000 | 250,000 |
| Between 2 and 5 years | 750,000 | 750,000 |
| More than 5 years | 13,750,000 | 14,000,000 |
| | 14,750,000 | 15,000,000 |

£14.5m of the loan owed to other Hult undertakings is payable annually in instalments and bears interest at 1.5%. The loan is repayable by 29 January 2035.

## 13. PROVISIONS FOR LIABILITIES: FALLING MORE THAN ONE YEAR

| | 2020<br>£ | 2019<br>(as restated – Note 19)<br>£ |
|---|---|---|
| Balance as at 1 October | 1,262,866 | 1,237,880 |
| Charged to SOFA | 25,489 | 24,986 |
| Balance as at 30 September | 1,288,355 | 1,262,866 |

Provisions consists of dilapidations on leasehold improvements which will be realised at the end of the lease term.

## 14. ENDOWMENT FUND

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Endowment fund brought forward | - | 20,000 |
| Charitable activities | - | (20,000) |
| **Endowment fund carried forward** | - | - |

## 15. TAXATION

The company is a registered Charity and does not trade for tax purposes. It is not liable to tax on any surplus derived from charitable activities.

## 16. OPERATING LEASE COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| **Leases which fall due:** | | | | |
| In one year or less | 2,614,674 | 2,404,839 | 4,380 | 8,074 |
| Between one and two years | 1,320,000 | 2,401,867 | - | 4,402 |
| Between two and five years | 4,119,500 | 1,041,534 | - | - |
| In more than five years | 2,598,034 | - | - | - |
| | 10,652,208 | 5,848,240 | 4,380 | 12,476 |

## 17. CONTROLLING PARTY

The ultimate controlling party is the Board of Trustees. The charity is a company limited by guarantee, so has no owner and it has an independent Board of Trustees.

In FY2020 £Nil (FY2019: £3,612) was paid to a trustee for professional services and two trustees received reimbursement of travel expenses of £2,854 (FY2019: two trustees received reimbursement of travel expenses of £12,379) from the charity.

## 18. COVID-19

The outbreak of COVID-19 virus has had an impact on higher-education globally. As a consequence, Hult International Business School Ltd had to close its campuses in London in line with the government's social distancing policies. The board acknowledges the risk but deems the operational disruption to be limited as education is maintained and carried out online. The student satisfaction remained high through the implementation and delivery of the virtual learning. For September 2020 intake, the School proactively offered blended learning opportunity including discounts for the time that education is carried out online if travel restrictions are still in place. The offer has mitigated the risk of material decrease in enrolment.

## 19. EXPLANATION OF PRIOR PERIOD ADJUSTMENT

During FY2020, dilapidation reserves were made to provision for the works required to return the leasehold properties to the state found at the commencement of the terms. Hence, this required the restatement of opening fund balances and net position for the fiscal year ended 30 September 2019.

The dilapidation estimate was capitalized and is depreciated over the remainder of the lease and liabilities are credited with the full estimated amount adjusted by the annual inflation accretion.

Charitable support costs have also been restated in the prior year financial statements.

| | Previously Reported | Prior Period Adjustment | Restated |
|---|---|---|---|
| Fixed Assets | 6,111,024 | 663,006 | 6,774,030 |
| Total Assets Less Current Liabilities | 3,249,351 | 663,006 | 3,912,357 |
| Provisions | - | (1,262,866) | (1,262,866) |
| Net Liabilities | (11,750,649) | 599,860 | (12,350,508) |
| Deficit on unrestricted funds | (11,750,649) | 599,860 | (12,350,508) |
| Charitable activities expenditure | (22,186,333) | (96,472) | (22,282,805) |
| Net income for the year | (17,696,094) | 96,472 | (17,599,622) |
| Net movements in funds for the year | (17,696,094) | 96,472 | (17,599,622) |
| Total funds carried forward | (11,750,649) | (599,860) | (12,350,508) |