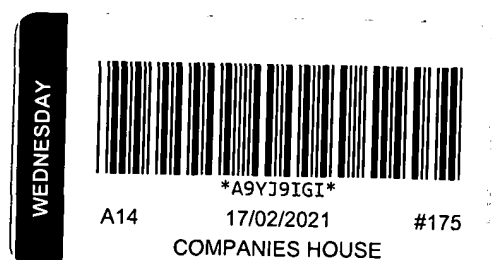


LONDON SCHOOL OF THEOLOGY
(A Company Limited by Guarantee)
REPORT AND FINANCIAL ACCOUNTS
YEAR ENDED 31 AUGUST 2020

Company Registered No: 381332
Registered Charity No: 312778



LONDON SCHOOL OF THEOLOGY

COMPANY INFORMATION

YEAR ENDED 31 AUGUST 2020

| | |
|--|---|
| Company Name | London School of Theology |
| Company Number | 381332 |
| Registered Charity Number | 312778 |
| Address of School and Registered Office | London School of Theology Green Lane Northwood HA6 2UW |
| Bankers | National Westminster Bank Plc 159 High Street Rickmansworth Herts WD3 1AR |
| Auditors | Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG |
| Solicitors | Pothecary Witham Weld 70 St George's Square London SW1V 3RD |

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT

YEAR ENDED 31 AUGUST 2020

Introduction

The Governors, who are the trustees and directors of the London School of Theology, have pleasure in presenting their report and the financial statements for the year ended 31 August 2020.

Statement of Governors' responsibilities in preparing the accounts

Company law requires the Governors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and of the surplus or deficit for that period. In preparing those financial statements, the Governors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business;
- Follow the methods and principles of the Charities SORP.

The Governors are responsible for maintaining proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the 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 prevention and detection of fraud and other irregularities.

Preparation of accounts

The accounts have been prepared in accordance with the Statement of Recommended Practice for Accounting and Reporting by Charities and the Companies Act 2006. The accounting policies are listed in Note 2 to the accounts.

GOVERNANCE AND MANAGEMENT OF THE CHARITY

Trustees

The following served as Governors of the charitable company for the whole of the period, and up to the approval of the accounts, unless otherwise stated:

| Name | Honorary Position | Note |
|------------------------|-------------------------|-------------|
| Mr Steve Hughes* | Chair of the Board | |
| Revd Dr Alex Irving | | Until 06/20 |
| Prof Hugh Williamson+ | Chair of the AAC | |
| Mrs Margaret Doyle+ | Vice-Chair of the Board | |
| Revd Johnny Douglas | | |
| Canon Yemi Adedeji | | |
| Mr Paul Smith* | | |
| Mr Ian Thompson* | Chair of the F&GP | |
| Rt Revd Graham Cray | | |
| Mrs Kate Meathrel | | From 01/20 |
| Mrs Susan Stapleford* | | From 01/20 |
| Revd Dr Jenni Williams | | From 06/20 |
| Prof Peter Oakes+ | | From 10/20 |

* Denotes membership of the Finance and General Purposes Committee (F&GP).

+ Denotes membership of the Academic Affairs Committee (AAC).

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2020

GOVERNANCE AND MANAGEMENT OF THE CHARITY (Continued)

Attendees and Representatives

The following attended meetings of the Board of Governors:

| Name | Position | Note |
|-----------------------------|--|-------------|
| Revd Prof Mark Cartledge | Principal | From 01/20 |
| Prof Graham Twelftree *+ | Academic Dean | |
| | Acting Principal | Until 01/20 |
| Mrs Kate Douglas*+ | Academic Secretary, Director of Academic Support | |
| Mr Jonathan Mead* | Director of Finance and Administration | |
| | Company Secretary | |
| Dr John Dennis+ | Faculty Representative | |
| Dr Graham McFarlane+ | Faculty Representative | |
| Mr Mark Allen | Staff Representative | Until 10/19 |
| Mrs Nisha Panicker | Staff Representative | Until 10/20 |
| Mr Adam Freeth Wright | Staff Representative | From 10/20 |
| Ms Clare Miller | Staff Representative | From 10/19 |
| Miss Lydia Lee | Student Body President | Until 04/20 |
| Mr Zac Lambert | Student Body Male Vice-President | Until 04/20 |
| Miss Sophie La Bouchardiere | Student Body President | From 04/20 |
| Mr Philip Hyde | Student Body Male Vice-President | From 04/20 |

* Denotes membership of the Finance and General Purposes Committee (F&GP).

+ Denotes membership of the Academic Affairs Committee (AAC).

Company Secretary: Mr Jonathan Mead

Methods of Recruitment of Trustees

The Charity draws on its wide range of supporters and former students, from whom trustee candidates with the required experience and skills are sought. It is the Charity's aim always to maintain a broad representation among its trustees, in terms of their academic, financial, interpersonal, cultural, business skills and religious commitments.

Methods of Appointment

Once potential trustees have been identified and following a discussion at a meeting of the Board of Governors, the candidates are asked to submit a CV for consideration at the next Board meeting. Once candidates have been accepted by the Board and have confirmed their agreement to the Charity's Doctrinal Basis statement, they are usually co-opted onto the Board. Subsequently, at the next AGM they formally stand for election as a Company Member (if required) then stand for election as a Governor for a three year term.

Training and induction provided for trustees

Our trustees will already be familiar with the ethos and working practices of the Charity, but each new trustee is personally briefed about their role. In the past the Charity has arranged professional outside training for all trustees. Trustees are also asked to access the Charity Commission's website on a regular basis. Trustees are encouraged to attend and to be involved in the Charity's activities throughout the year.

Senior Employees

Serving as the School's Executive Team during the year 2019/20:

| | |
|--------------------------|--|
| Revd Prof Mark Cartledge | Principal (from 01/20) |
| Prof Graham Twelftree | Academic Dean and Acting Principal (to 01/20) |
| Mr Jonathan Mead | Director of Finance and Administration |
| Mrs Kate Douglas | Academic Secretary, Director of Academic Support |

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2020

GOVERNANCE AND MANAGEMENT OF THE CHARITY (Continued)

Statement of Corporate Governance

The Governors confirm that the financial Statements comply with the current statutory requirements and with the requirements of the charity's governing document.

The Board of Governors meets three or four times a year to consider all matters pertaining to the governance of the Charity. The Board of Governors is complimented by both Students, staff and faculty representatives of the School. The main operating sub-committees of the Board also meet three or four times a year and are the Finance & General Purposes Committee (F&GP), which is chaired by Ian Thompson and manages the Charity's fiscal and business affairs under its devolved responsibility from the Board and the Academic Affairs Committee (ACC) chaired by Prof. Hugh Williamson. In addition, there is a Scholarships and Bursaries Committee and a Pensions Committee, the former being chaired by the Director of Finance and Administration and the latter by a Pensions Trustee. The School reviews the terms of reference for all sub-committees of the Board of Governors every two years to ensure the School's governance is to the levels required by the School's status as a HEI.

The School has posted all its policies on matters of public, students and staff interest on the School's website. Please see: <https://lst.ac.uk/our-policies/>

A full review of the governance of the charity was undertaken during the year with the assistance of an experienced external facilitator. No major concerns were identified, some specific process improvements have been put in place, and a further discussion will take place on outstanding items at a future meeting.

How the Charity is managed

The Executive Team (ExT) is the day-to-day decision-making body of the Charity, covering its full life and operations. The ExT meets regularly and is accountable to the Board of Governors.

Salaries of key staff are reviewed from time to time taking into account pay in comparable organisations and the finances of the Charity.

On academic matters arising from the Charity's work in providing higher education courses, the Charity has the Academic Affairs Committee mentioned above and an Academic Board that is chaired by the Academic Dean and to which various academic sub-committees report.

Internal Control

The governors are responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the members of the Board in the terms and conditions of funding with the OfS.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks and to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically.

The key elements of the School's system of internal control are as follows:

- Clear definitions of the responsibilities of, and the authority delegated to, the executive team, programme leaders and administrative heads of department;
- Regular reviews of key performance indicators and financial results involving variance analysis reporting and updates to forecasts;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed approval according to levels set by the Board as contained within the expenditure policy;
- The maintenance of a risk register which highlights the key risks facing the School in achieving its objectives;
- The Finance & General Purposes Committee oversees the risk management process and considers changes in the major risks assessed for the School; and
- The Board receives regular reports from the Finance & General Purposes Committee on the effective operation of the system of internal control.

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2020

GOVERNANCE AND MANAGEMENT OF THE CHARITY (Continued)

The Board's view of the effectiveness of the system of internal control is informed by the work of the Finance & General Purposes Committee and management who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditor in their management letter and other reports.

Fundraising approach and performance

The School undertakes fundraising activity to its supporters via direct mail, email, telephone and fundraising events. Our fundraising promise is:

When you support us, you can be sure of the following:

- We will never share your contact details with any other fundraisers
- We will only contact you if you are an alumnus, have expressed an interest in our work or are known to support similar organisations to ourselves.
- If we phone you, we will always check you are happy to take the call
- If you ask us to change how we communicate with you, or to stop, we will respect that
- We do not engage in cold calling
- We try hard to ensure no one ever feels pressurised to support our work
- All our activities are open, fair, honest and legal.

The charity does not work with any other organisation to deliver its fundraising activity. We have a training programme for all our fundraising staff to regularly reinforce our fundraising ethics.

During the year we received a very small number of complaints about our fundraising activities, typically around the stated preferences of our recipients.

THE PURPOSE OF THE CHARITY

Summary of the Objects of the Charity

The principal activity and objectives of the charitable company, as set out in the Articles of Association, is the advancement of the Christian religion, by such means as the Company may determine, including but not limited to:

- a. The conduct of the School and establishment and conduct of Colleges (in all cases) for the study and teaching of the Bible, Christian doctrine and related subjects;
- b. The training of ministers of religion, Christian teachers, missionaries and other Christian workers;
- c. The support of the School, its students and its former students.

All such activities are carried on in strict accordance with the School's Doctrinal Basis of Faith.

Public Benefit of the Charity

Trustees are aware of the guidance on Public Benefit as described by the Charity Commission, have taken it into account in operating the Charity, and have sought to ensure that any decisions taken are in furtherance of the Charity's benefit to the public. Trustees consider that the Charity's aims, objectives and activities as described below demonstrate proof of public benefit in the advancement of religion and in the advancement of education. In addition, through the operation of the Charity, associated benefits to the public arising from the operation of the Charity include:

- Access to the grounds by the wider community (e.g. schools and other organisations) consistent with the ethos of the School
- Provision of theological education to the wider community via our Theology within reach programme
- Access to means-tested bursaries
- Access to Counselling through the REMA Counselling Service
- The provision of subsidised access to the theological library facilities for academics, students and members of the local Christian Community

STRATEGIC REPORT

Aims, objectives and activities

Aims

To serve the Church of Jesus Christ throughout the world by educating individuals, equipping local Churches and engaging in leading research.

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2020

STRATEGIC REPORT (continued)

To achieve this end, LST does not simply seek to *serve* the Church but it also seeks to be *part of* the Church. Our ways of working must be marked by faithfulness to God, commitment to the way of Christ and ongoing transformation by the Spirit.

Our Strategic Plan is an outworking of a deeper set of virtues by which its implementation is to be measured. Shaped by our understanding of what it means to be a community of disciples, we seek to embody virtues which reflect the Christ who calls us to follow him and the Spirit who empowers our work.

Our conviction is that these virtues are to infuse our community and that for all who work or study at LST they will be deeply experienced, internalised and expressed.

Gentleness (Galatians 5:22) and Humility (Romans 12:3)

Compassion (Galatians 5:22) and Forgiveness (Ephesians 4:32)

Excellence (Philippians 4:8) and Integrity (John 8:32)

Hospitality (Hebrews 13:1-2) and Service (Matthew 22:37-39)

Hope (Romans 4:3-4) and Joy (Galatians 5:22)

We achieve these aims

By:

- Developing Biblical, theological thinking and practice to the highest levels
- Nurturing Christian faith, spiritual gifts, vocational skills and personal formation
- Encouraging creative integration of biblical learning with other disciplines
- Supporting dynamic innovation in Christian research and practice
- Pursuing Christian excellence in all aspects of School life

Through:

- Academic discipline
- Practical training
- Worship
- Community life
- Pastoral care
- Personal example

In the power of the Holy Spirit, for the furthering of Christ's Kingdom and to the glory of God.

Objectives

- To deliver world class theological education for the 21st Century
- To build a strong and vibrant Christian community
- To operate as a sustainable and efficient business
- To build strong and effective relationships across a range of networks

Activities

All activities undertaken are in support of the aims and objectives of the Charity. Our primary activity is the provision of high-quality academic education that will equip our students for Christian service and leadership. All our other activities support that primary activity and help ensure that the School operates in a financially viable manner. Full details of our courses and other resources can be found on our website (www.lst.ac.uk).

Key Objectives and Activities for 2019/20

- New Principal recruited and in post by the end of the year
- The Restoring Foundation targets met for the year
- Student recruitment levels maintained at their current levels and retention percentages improved for all programs and forms of delivery
- Student Information System fully implemented for all LST courses and integrated with the School's VLE platform
- The Financial target of breakeven before depreciation met

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2020

STRATEGIC REPORT (continued)

Measures of Success and Outcomes in 2019/20

- Revd Prof Mark Cartledge started as principal on 1st January 2020
- Whilst many of the targets were met, due to the Covid pandemic a number were not and have either been rescheduled or deferred for further consideration as part of the new five year strategy to be developed in 2021
- Undergraduate recruitment improved along with some of the Masters programmes
- Rather than press ahead with further SIS development / integration it was decided to pause this and spend time ensuring the full functionality of the current system was fully understood and used
- With the onset of Covid efforts were made to preserve income and cut costs. With income not being impacted as much as had been expected and costs savings successfully made the College ended with an operating surplus before and after depreciation

Future Objectives and Activities for 2020/21

- Manage our way through the Covid season
- Develop and agree a five-year strategy
- Continue to meet or exceed the financial target of breaking even before depreciation
- Meet student recruitment targets
- Improve retention for all programmes
- Measure organisational health and make any necessary changes. Further develop our Christian community

THE OPERATION OF THE CHARITY RELATIONSHIPS AND AFFILIATIONS

The partnership with Middlesex University as the School's validating authority continues and remains a positive relationship.

The School is a member of the Evangelical Alliance, Global Connections (the Evangelical Missionary Alliance), the Association of Bible College Principals, the Association of Bible College Bursars and the European Evangelical Accrediting Agency.

Risk Management Statement

The Charity's risk management strategy continues to be reviewed to identify the potential risks that could materially impact the Charity. The F&GP Committee reviews and monitors risk on a regular basis, taking direction from the risk evaluation undertaken by the school's departments during the year through a risk matrix. It seeks to mitigate identified risks on an on-going basis. The key risks facing the School are currently seen as compliance - failure to meet all of the third-party requirements (Educational, GDPR and Health and Safety related), financial, a failure to recruit or retain sufficient students or raise adequate 3rd party funding or investment returns, all combining in a failure to meet the budgeted income targets for the year. Actions to address these risks include for compliance, ensuring the Student Information System is fully implemented across all programmes, for retention the engagement of the Academic Board to understand the issues impacting this so they can be addressed and for recruitment the appointment of an admissions officer to ensure all applicants are promptly followed through the recruitment process. Regarding the investments, the F&GP Committee reviews the investments and their performance on a quarterly basis, the portfolio is actively monitored by its investment fund managers who are invited to attend the F&GP meeting once a year to discuss the market outlook and their investment approach for the year ahead to ensure they are on track to reach the required returns.

The purchase of appropriate insurance products is also used to protect the Charity's assets and operations.

None of this could have prepared us for the Covid-19 pandemic however which had a significant impact on the School during the year. Due to the first lockdown the campus had to be closed one week before the end of the spring term and all teaching moved online for the rest of the academic year. The summer saw the cancellation of all our booked conferences with the loss of all associated income. The School was determined to re-open for the Autumn term with much time and effort put in to making the campus as safe as possible to minimise the risk of any of our students contracting the virus or bringing it onto campus. A Covid Response team was formed, a Covid marshal employed and the housekeeping team boosted to minimise the potential risks.

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2020

THE OPERATION OF THE CHARITY RELATIONSHIPS AND AFFILIATIONS (continued)

Dependence on Volunteers

The Charity is reliant on the continuing voluntary commitment of the trustees, as well as other volunteers who have helped in a number of ways around the school. Students also volunteered in areas such as the library and helping run events.

Facilitating Access to Christian Theological Education

The Charity operates twelve separate restricted bursary funds. The Charity's policy is to award grants on the basis of demonstrable financial need, subject to any restrictions imposed by the original donors of the funds. Award decisions are made by the Charity's Scholarship and Bursary Committee.

THE FINANCES OF THE CHARITY

Covid-19 has impacted most areas of the School with the finances being just one of them. A quick assessment was made at the beginning of the first lockdown as to what the possible impact might be on income and actions taken to try and match this by reducing costs. With the campus closed a number of employees had no work to perform (mainly catering and housekeeping) and were put on furlough, costs associated with running the site were reduced to the minimum and other overhead costs were also carefully controlled to achieve maximum savings. Not only did we successfully reduce costs compared to the budget by £350k the income side was not as seriously impacted as had been anticipated with investment and donation income both bouncing back and finally coming in close to budget, which just left conferencing as the one major area where a significant deficit against the budget was recorded. The outcome of higher than expected income and significantly lower costs was that rather than just breaking even before depreciation as budgeted, we ended the year with a small surplus before investment and defined pension fund losses. Regrettably the shadow of Covid still hangs heavily over us all and so there is no room for complacency and the position is being carefully monitored to ensure we continue to protect our finances going forward from any major impact.

Effective September 2019 as a provider without a TEF award, we have to cap our undergraduate fees at or below the full-time limit of £9,000 and the part time limit of £6,750. For our students that are eligible to claim a student loan, they can borrow 100% of the fees we charge.

Many of our students however are ineligible to apply for a student loan, having already completed another degree or being from overseas and where they struggle to cover their fees or other costs and face financial pressures they are assisted and encouraged to seek support from potential external sources. The Charity also has limited bursary funds available to assist those students in financial difficulties to complete their studies. To enable certain postgraduate students to access the School's programmes, it operates a discount fee rate for UK, EU & EEA countries as well as for international students from low-income countries.

Reserves

The total Unrestricted Funds amount to £10.1m (2019: £9.917m) before accounting for the pensions reserve deficit of £1,012k (2019: £918k). Included in these funds are £6.38m of designated income investments and functional fixed assets valued at £2.07m. Free reserves thus stand in surplus by £637k (2019: £463k).

This level of free reserve falls below the 20% target of annual unrestricted Funds expenditure. In order to achieve this target, the School has developed and is implementing a strategy to return regular surpluses based on the introduction of new and streamlined programs and improved operational efficiency. Notwithstanding the level of free reserves, the current size of designated funds gives the trustees confidence that the School remains a going concern.

The value and purposes of the School's various restricted funds are set out in note 13.3. The Trustees make use of these funds as opportunities arise.

Investments

Over the year the value of the School's fixed asset investments decreased by £627k to £8,594k (2019: increase of £131k) with £522k being divested and held in cash at the year end to provide additional funding to reduce the pension deficit in September 2020. Of this investment total £6.953m was invested with JM Finn investment managers with the balance in BlackRock Charities UK Equities and Bond Funds.

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2020

THE FINANCES OF THE CHARITY (continued)

The School's investment objectives are to provide long-term growth of both capital and income. These objectives form part of the contract with the fund managers, BlackRock and JM Finn. The investments are reviewed quarterly by the F&GP Committee, who also meet with BlackRock and JM Finn as required.

The School's investments are held in managed funds. The school operates an Ethical investment policy which is based largely on the Church of England policy, to ensure that the school's investments are held in companies and sectors that demonstrate a proper regard for the environment and for the well-being of the created order.

Financial Results

Overall income increased from £3,359k to £3,628k (2019: decreased from £3,419k to £3,359k) mainly due to increased fee income resulting from higher student numbers. Expenditure in total decreased from £3,724k to £3,594k due to careful cost control measures put into place when the school had to move all its education online in March and it was felt that income might be materially impacted.

The result of income proving to be more resilient than expected and costs being successfully reduced, led to the SOFA showing an operational profit of £33k (2019: operational loss of £365k).

Investments were impacted leading to losses on investments of £57k (2019: gains £178k).

The continued decline in bond yields led to further actuarial losses of £80k (2019: losses of £604k). These combined resulted in a total net decrease in funds of £104k.

The School's funds have been applied for the purpose of the principal activity.

FUTURE PLANS

The delivery of a first class education to our students continues to be our principle aim. In the 2020 summer term all education had to be delivered online, in the Autumn term we successfully implemented all the measures necessary to re-open the campus and start the delivery of our classes back onsite. For those of our students and employees with underlying health conditions for whom it was not appropriate to return to campus, we introduced Hybrid teaching with the majority of classes jointly delivered in the classroom and on Zoom. Having successfully delivered classes fully online and now in a blended manner, we are confident that we can quickly adapt to whatever guidelines are imposed upon us for the rest of the year. We have to date had only a handful of Covid cases among our students and will shortly be opening a Lateral Flow Testing capacity on site which will enable us going forward to regularly test students and enhance our ability to minimise the cases of Covid in our students and employees and quickly isolate any outbreaks.

INDEPENDENT AUDITORS

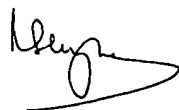
A resolution was made at the AGM in 2020 to reappoint Haysmacintyre LLP as auditors to the Charity. This appointment and the auditor's remuneration will be reviewed again at the AGM in 2021.

Statement of disclosure to Auditors

As far as the Trustees are aware:

- There is no relevant audit information of which the Charity's Auditors are unaware.
- Trustees have taken all steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the Charity's Auditors are aware of that information.

This Governors' Report, which incorporates the Strategic Report, was signed on behalf of the Board of Governors in their capacity as the Company Directors by:



Mr Steve Hughes
Chairman
27th January 2021

INDEPENDENT REPORT OF THE AUDITOR'S TO THE MEMBERS AND TRUSTEES OF LONDON SCHOOL OF THEOLOGY

Opinion

We have audited the financial statements of London School of Theology for the period ended 31 August 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2020 and of the charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 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.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 2, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the 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.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Governors' Report. 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.

INDEPENDENT REPORT OF THE AUDITOR'S TO THE MEMBERS AND TRUSTEES OF

LONDON SCHOOL OF THEOLOGY (continued)

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 this regard.

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 Governors' 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 which are included in the Governors' Report have been prepared in accordance with applicable legal requirements.

Opinion on other matters required by the Office for Students ("OfS")

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Where applicable, funds provided by the OfS, Research England, the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.
- The requirements of the OfS's accounts direction have been met.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' Report (which includes the strategic report and the directors' report).

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charitable company; or
- the charitable company 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.

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.



Adam Halsey (Senior Statutory Auditor)
for and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place
London EC4R 1AG

29 January 2021

LONDON SCHOOL OF THEOLOGY

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31 AUGUST 2020

| | Notes | Unrestricted Funds £ | Restricted Funds £ | Endowment £ | Total 2020 £ | Total 2019 £ |
|---|-------|----------------------------|--------------------------|-----------------|--------------------|--------------------|
| INCOME FROM | | | | | | |
| Donations and legacies | | 225,802 | 93,447 | - | 319,249 | 378,286 |
| Charitable activities | | | | | | |
| Education | 3 | 2,887,241 | - | - | 2,887,241 | 2,539,674 |
| Conferences | | 3,530 | - | - | 3,530 | 13,102 |
| Investments | | 229,106 | 57,869 | | 286,975 | 304,286 |
| Trading income | | 24,863 | - | - | 24,863 | 49,447 |
| Other income | | 105,665 | - | - | 105,665 | 74,294 |
| Total Income | | 3,476,207 | 151,316 | - | 3,627,523 | 3,359,089 |
| EXPENDITURE ON | | | | | | |
| <i>Raising Funds</i> | | | | | | |
| Investment manager fee | | 39,939 | - | - | 39,939 | 39,589 |
| Trading expenses | | 45,906 | - | - | 45,906 | 49,151 |
| Fundraising costs | | 55,082 | - | - | 55,082 | 57,822 |
| Charitable activities | | | | | | |
| Education | | 3,259,779 | 158,665 | - | 3,418,444 | 3,539,268 |
| Conferences | | 34,950 | - | - | 34,950 | 38,565 |
| Total Expenditure | 4 | 3,435,656 | 158,665 | - | 3,594,321 | 3,724,395 |
| Net expenditure before transfers | | 40,551 | (7,349) | - | 33,202 | (365,306) |
| Investment gains/(losses) | | 128,982 | (158,062) | (27,905) | (56,985) | 177,847 |
| Net income / (expenditure) | | 169,533 | (165,411) | (27,905) | (23,783) | (187,459) |
| Defined benefit pension scheme (losses)/gains | | (80,000) | - | - | (80,000) | (604,000) |
| Net movement in funds | | 89,533 | (165,411) | (27,905) | (103,783) | (791,459) |
| Balance brought forward at 1 September 2019 | | 8,998,573 | 1,851,378 | 274,202 | 11,124,153 | 11,915,612 |
| Balance carried forward at 31 August 2020 | | 9,088,106 | 1,685,967 | 246,297 | 11,020,370 | 11,124,153 |

The School had no recognised gains and losses other than the result for the period. There were no movements on reserves other than those on the Statement of Financial Activities above.

LONDON SCHOOL OF THEOLOGY

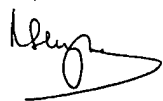
BALANCE SHEET

AS AT 31 AUGUST 2020

Company Registered No: 381332

| | Notes | £ | 2020 £ | £ | 2019 £ |
|---|-------|------------|-------------|-----------|------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 7 | 2,071,084 | | 2,284,528 | |
| Investments | 8 | 8,593,927 | | 9,220,839 | |
| | | | 10,665,011 | | 11,505,367 |
| CURRENT ASSETS | | | | | |
| Stocks | 9 | 14,772 | | 13,377 | |
| Debtors | 10 | 154,958 | | 245,384 | |
| Cash at bank and in hand | | 1,843,491 | | 908,730 | |
| | | 2,013,221 | | 1,167,491 | |
| CURRENT LIABILITIES | | | | | |
| Creditors: within one year | 11 | (641,883) | | (578,980) | |
| NET CURRENT ASSETS | | | | | |
| | | | 1,371,338 | | 588,511 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | | 12,036,349 | | 12,093,878 |
| Creditors: Amounts falling due after more than one year | 12 | | (3,979) | | (51,725) |
| Pension scheme liability | | | (1,012,000) | | (918,000) |
| NET ASSETS AFTER PENSION SCHEME LIABILITIES | | | | | |
| | | | 11,020,370 | | 11,124,153 |
| FUNDS | | | | | |
| Unrestricted | 13 | 10,100,106 | | 9,916,573 | |
| Restricted | 13 | 1,685,967 | | 1,851,378 | |
| Endowment | 13 | 246,297 | | 274,202 | |
| Funds (excluding pension scheme reserve) | | | | | |
| | | | 12,032,370 | | 12,042,153 |
| Unrestricted pension reserve (deficit) | | | | | |
| | | | (1,012,000) | | (918,000) |
| | | | 11,020,370 | | 11,124,153 |

The financial statements were approved and authorised for issue by the Board on 27th January 2021 and were signed on its behalf by:



Mr Steve Hughes
(Chairman)



Revd Prof Mark Cartledge
(Principal)

LONDON SCHOOL OF THEOLOGY

CASH FLOW STATEMENT

YEAR ENDED 31 AUGUST 2020

| | 2020 | | 2019 | |
|--|-------------|------------------|-------------|----------------|
| | £ | £ | £ | £ |
| Reconciliation of changes in resources to net cash inflow from operating activities | | | | |
| Net incoming / (outgoing) resources for the year | | 33,202 | | (365,306) |
| Depreciation charged | 236,217 | | 243,395 | |
| (Increase) in stocks | (1,395) | | (1,262) | |
| Decrease in debtors | 90,426 | | 48,678 | |
| Increase in creditors | 15,157 | | 49,112 | |
| Decrease in pension scheme deficit net of actuarial gains and losses | 14,000 | | 2,000 | |
| Less investment income | (286,975) | | (304,286) | |
| | | <u>67,430</u> | | <u>37,637</u> |
| Net cash flow from operating activities | | 100,632 | | (327,669) |
| Investing activities | | | | |
| Investment income | 286,975 | | 304,286 | |
| Additions to investments | (1,043,489) | | (1,029,994) | |
| Sale of investments | 1,613,416 | | 1,076,701 | |
| Purchase of tangible fixed assets | (22,773) | | (73,569) | |
| | | <u>834,129</u> | | <u>277,424</u> |
| Increase / (decrease) in cash in the year | | 934,761 | | (50,245) |
| Cash and cash equivalents at the beginning of the year | | 908,730 | | 958,975 |
| Cash and cash equivalents at the end of the year | | <u>1,843,491</u> | | <u>908,730</u> |
| Cash and cash equivalents comprise: | | | | |
| Cash at bank | | 1,843,491 | | 908,730 |
| | | <u>1,843,491</u> | | <u>908,730</u> |

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2020

1. COMPANY STATUS

London School of Theology is a charitable company incorporated in England and Wales. Further company information can be found on page 1.

London School of Theology is a company limited by guarantee and not having a share capital. The members have each undertaken to contribute such a sum as may be required, not exceeding £10, in the event of the company being wound up.

The London School of Theology is also a registered charity and as such is exempt from Corporation Tax on its charitable activities.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice for Charities (SORP 2015) (Second Edition, effective 1 January 2019), the Companies Act 2006 and FRS102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

London School of Theology meets the definition of a public benefit entity under FRS 102. The comparative figures in these financial statements relate to the year ended 31 August 2018.

Having reviewed the funding facilities available to the School together with the expected ongoing demand for places and the School's future projected cash flows, The Governors consider that there are no material uncertainties regarding the charity's ability to continue as a going concern. As part of this review specific consideration has been given to the possible impact Covid 19 might have on the School, its finances, cashflow as well as the potential risks and how these could be mitigated. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(a) *Basis of accounting*

The financial statements are prepared under the historical cost convention which has been modified to include the revaluation of fixed asset investments.

(b) *Fees and similar income*

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable include contributions received from Restricted Funds for scholarships, bursaries and other grants.

(c) *Legacies*

Legacies receivable are credited to the Statement of Financial Activities only to the extent that the 3 principles of entitlement, probability and measurability can be applied.

(d) *Donations and Fund accounting*

Donations under Gift Aid are included in the Statement of Financial Activities inclusive of any tax recoverable. Donations received for the general purposes of the charity are included as Unrestricted Funds. Donations whose application is restricted by the wishes of the donor are taken to Restricted Funds and donations that are required to be retained as capital in accordance with the donor's wishes are accounted for as Endowments. Designated funds are those funds set aside by the Trustees out of the Unrestricted Funds for a particular purpose.

(e) *Expenditure*

Resources Expended are accounted for on an accruals basis. Certain expenditure is apportioned to cost categories based on the estimated amount attributable to that activity in the year. These include some specific costs and the following larger cost areas:

The Administration Department activities cover supporting teaching and students as well as administering the charity. 5% of the Administration Department's staff costs are charged to the Governance of the charity.

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

2. ACCOUNTING POLICIES (continued)

The Communication Department activities cover the issue of information to prospective students as well as publicising the charity for fundraising purposes. 20% of the Communication Department's costs are charged to fundraising and publicity.

Catering & Housekeeping costs are apportioned between the following activities at the given percentages, based on the estimated use of these resources during the year.

Raising Funds

Fund-raising trading costs - 2%

Charitable activities

Education - 94%

Conferences - 4%

Other administration and IT costs and Property & Services costs are apportioned between the following activities at the given percentages:

Costs of generating funds

Costs of generating voluntary income - 2%

Fund-raising trading costs - 0%

Charitable activities

Education - 96%

Conferences - 2%

(f) *Recognition of liabilities*

Liabilities are recognised in the period to which they relate. Shortfalls in anticipated future pension scheme commitments are calculated on the basis of assumptions stated in Note 16. Constructive obligations under pension arrangements are also recognised as liabilities.

(g) *Grants and bursaries*

Grants and bursaries from Restricted Funds are included as expenditure in the period in which the award is given.

(h) *Investments and investment income*

Investments are stated at the middle market price at the balance sheet date. Realised increases or decreases in the value of these investments are shown as realised gains or losses in the statement of financial activities. Investment income is accounted for in the period in which the charity is entitled to receive it.

(i) *Interest receivable*

The cash holdings of the special funds are held in the general fund bank accounts. The interest receivable on these balances is based on each of the special funds' holdings at the balance sheet date and transferred to the individual special funds as income in that year.

(j) *Tangible fixed assets*

All assets are included at cost and capitalised only where the value is greater than £500.

Depreciation is calculated (except on freehold land) to write off the cost of buildings and tangible fixed assets on a straight-line basis over their estimated useful lives. Rates for fixed assets are applied as follows:

| | |
|----------------------|-----------|
| Land | 0% |
| Buildings | 2% |
| Fixture and fittings | 10% |
| Equipment | 20% - 25% |
| Computers | 33% |

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

2. ACCOUNTING POLICIES (continued)

A depreciation rate on the building element of the properties reflects the anticipated active life of the existing structures. The Governors are, nevertheless, of the opinion that the residual value of the School's freehold buildings is substantially in excess of the present book value.

Leasehold properties are depreciated over the remaining life of the lease.

(k) *Stock*

Stocks of catering and other supplies are valued at the lower of cost and net realisable value.

(i) *Exchange gains and losses*

Transactions designated in foreign currencies are translated at the rate prevailing on the date of the transaction. Balances denominated in foreign currencies are translated at the rate prevailing at the balance sheet date.

(m) *Operating leases*

Operating lease premiums are spread on a straight-line basis over the lease term.

(n) *Pension costs*

Defined Benefit Scheme

Contributions to the defined benefit scheme are charged to the statement of financial activities on the basis of the current service cost as reported by the scheme actuaries under FRS 102.

Defined Contribution Scheme

Contributions payable to the defined contribution pension scheme are charged to the statement of financial activities in the period to which they relate.

(o) *Critical sources of estimation uncertainty and accounting judgements*

The governors consider there to be the following key sources of estimation uncertainty and have therefore applied judgement:

Useful lives of fixed assets

The useful lives over which fixed assets are depreciated are estimated by reference to historical experience of the times assets are retained and utilised by the school.

3. GRANT AND FEE INCOME

| | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Grant income from the Office for Students | 63,644 | - |
| Fee income from taught awards | 2,258,557 | 1,902,008 |
| Fee income from non-qualifying courses | 52,102 | 60,284 |
| Other Educational and related income | 512,938 | 577,382 |
| | <u>2,887,241</u> | <u>2,539,674</u> |

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

| 4. EXPENDITURE | Raising funds £ | Charitable Activities £ | Total £ |
|---|----------------------------|------------------------------------|--------------------|
| Year Ended 31st August 2020 | | | |
| Direct costs | 46,973 | 596,256 | 643,229 |
| Staff costs | 81,027 | 1,978,282 | 2,059,309 |
| Depreciation | 4,725 | 231,492 | 236,217 |
| Bursaries and prizes | - | 158,665 | 158,665 |
| Support and governance costs | 8,202 | 488,699 | 496,901 |
| | <u>140,927</u> | <u>3,453,394</u> | <u>3,594,321</u> |
| Year Ended 31st August 2019 | | | |
| Direct costs | 51,312 | 561,625 | 612,937 |
| Staff costs | 79,987 | 1,955,034 | 2,035,021 |
| Depreciation | 4,868 | 238,527 | 243,395 |
| Bursaries and prizes | - | 247,561 | 247,561 |
| Support and governance costs | 10,395 | 575,086 | 585,481 |
| | <u>146,562</u> | <u>3,577,833</u> | <u>3,724,395</u> |

Included in expenditure are the following:

The auditor's remuneration during the year amounted to £11,650 for audit services (2019: £10,200) and £nil for other services (2019: £nil).

Hire of plant (operating leases) which amounted to £20,624 (2019: £29,755).

| 5. STAFF COSTS | 2020 £ | 2019 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 1,730,790 | 1,700,468 |
| Social security costs | 152,138 | 146,005 |
| Pension contributions | 103,224 | 88,804 |
| Other pension costs | 61,907 | 79,094 |
| Termination payments | 11,250 | 20,650 |
| | <u>2,059,309</u> | <u>2,035,021</u> |

One member of the London School of Theology, who is a trustee and director for the purposes of the Companies Act, Alex Irving received £6,910 for writing lecture materials during the year. Two trustees received reimbursement of their travel expenses during the year. There were no other related party transactions during the year.

| | 2020 No. | 2019 No. |
|--|---------------------|---------------------|
| The average number of employees by function was: | | |
| Education | 62 | 61 |
| Fund-raising and publicity | 3 | 2 |
| Ancillary to main function of education | 1 | 1 |
| | <u>66</u> | <u>64</u> |

One employee earned between £60,000 and £70,000 during the year, no other employees earned more than £60,000 (2019: one employee earned between £60,000 and £70,000). Key management personnel remuneration for the period totalled £258,000 (2019: £257,811).

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

5. STAFF COSTS (continued)

Graham Twelftree filled the role of acting principal for 4 months and Mark Cartledge the role of principal for 8 months. Both were paid the standard principal's salary during this period of £75k p.a. plus pension contributions. Graham received £25,000 base salary plus £1,250 pension contributions and Mark £50,000 plus £1,562 respectively. Both the principal's base salary and gross salary including pension contributions are 2.5 times the median pay of all other employees (on a FTE basis).

In 2019 Calvin Samuel filled the role of principal for just over 6 months and Graham Twelftree the role of acting principal for 6 months. Both were paid the standard principal's salary during this period of £75k p.a. plus pension contributions. Graham received £37,500 base salary plus £1,125 pension contributions and Calvin £40,000 plus £1,125 respectively. Calvin also received a payment in lieu of notice for an additional 3 months of £18,750 plus £562 of pension contributions. Both the principal's base salary and gross salary including pension contributions were 2.6 times the median pay of all other employees (on a FTE basis).

The Principal's remuneration is set by the chair and vice chair of trustees taking in to account his or her performance in meeting the goals set as part of the annual appraisal process. Consideration is also given to annual financial performance of the school and its ability to pay the amount agreed. The current salary has remained unchanged for a number of years, but with the change of principals during the year and therefore the limited timeframe in which to meet any goals set, no change was considered appropriate during the year. The current level of remuneration at 2.5 times the medium salary of all other staff is considered relatively low, for the level of responsibility held by the post holder, the breadth of courses offered by the School and the significant changes he has had to manage in recent years, including most recently successfully registering with the OFS and increasing the annual number of students recruited.

| 6. ACCESS AND PARTICIPATION | 2020 £ | Per Plan £ |
|---------------------------------|----------------|----------------|
| Access investment | 49,219 | 27,500 |
| Success investment | 63,634 | 76,250 |
| Progression investment | 32,115 | 11,250 |
| Investment in financial support | 199,277 | 235,000 |
| | <u>344,245</u> | <u>350,000</u> |

Staff costs included in the above £126,454

The College's Access and Participation Plan can be found at:

<https://www.officeforstudents.org.uk/advice-and-guidance/the-register/search-for-access-and-participation-plans/#!/AccessPlans/accessplans/10004075>

Note: There are no prior year comparisons as 2019/20 was the first year LST was required to produce an APP.

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

| 7. FIXED ASSETS | Freehold and leasehold property £ | Motor Vehicles £ | Fixtures, fittings & equipment £ | Total £ |
|------------------------|--|---------------------------------|---|--------------------|
| Cost | | | | |
| At 1 September 2019 | 1,287,768 | 3,676 | 2,282,938 | 3,574,382 |
| Additions | - | - | 22,773 | 22,773 |
| Disposals | - | - | - | - |
| At 31 August 2020 | 1,287,768 | 3,676 | 2,305,711 | 3,597,155 |
| Depreciation | | | | |
| At 1 September 2019 | 371,184 | 3,676 | 914,994 | 1,289,854 |
| Charge for the year | 20,719 | - | 215,498 | 236,217 |
| Disposals | - | - | - | - |
| At 31 August 2020 | 391,903 | 3,676 | 1,130,492 | 1,526,071 |
| Net Book Value | | | | |
| At 31 August 2020 | 895,865 | - | 1,175,219 | 2,071,084 |
| At 31 August 2019 | 916,584 | - | 1,367,944 | 2,284,528 |

| 8. FIXED ASSETS INVESTMENTS | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Market value at 1 September 2019 | 9,220,839 | 9,089,699 |
| New funds placed and invested in year | - | - |
| Additional investments purchased | 1,043,489 | 1,029,994 |
| Disposals at market value | (1,613,416) | (1,076,701) |
| Investment income reinvested in the period / movement in cash balances | - | - |
| Revaluation in the year | (56,985) | 177,847 |
| Market value at 31 August 2020 | 8,593,927 | 9,220,839 |
| Cost of investments | 7,276,421 | 7,276,421 |

The School's investments comprise historical holdings of BlackRock Charities UK Equity and Bond units, managed by BlackRock Life Limited, with a total value as at 31 August 2020 of £1,641,402 and mixed portfolio of listed investments managed by JM Finn & Co., with a total value as at 31 August 2020 of £6,952,526.

| 9. STOCKS | 2020 £ | 2019 £ |
|----------------------------------|-------------------|-------------------|
| Catering and other sundry stocks | 14,772 | 13,377 |

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

| 10. DEBTORS | 2020 £ | 2019 £ |
|--------------------|-------------------|-------------------|
| Fee debtors | 65,632 | 110,579 |
| Other debtors | 3,978 | 10,688 |
| Prepayments | 85,348 | 124,117 |
| | <u>154,958</u> | <u>245,384</u> |

| 11. CREDITORS: amounts falling due within one year | 2020 £ | 2019 £ |
|---|-------------------|-------------------|
| Trade creditors | 184,076 | 69,690 |
| Deferred income – payments received on account | 168,152 | 180,372 |
| Social security costs | 36,511 | 37,487 |
| Pension scheme contributions | 14,176 | 12,061 |
| Other creditors | 80,732 | 88,943 |
| Accruals | 158,236 | 190,427 |
| | <u>641,883</u> | <u>578,980</u> |

Deferred income comprises:

| | Balance at 1 September 2019 | Receipts in the year | Credited to income in the year | Balance at 31 August 2020 |
|--------------------|-----------------------------------|-------------------------|--------------------------------------|---------------------------------|
| Fees in advance | 112,187 | 167,320 | (132,692) | 146,815 |
| Open learning fees | <u>68,185</u> | <u>21,371</u> | <u>(68,219)</u> | <u>21,337</u> |
| | <u>180,372</u> | <u>188,691</u> | <u>(200,911)</u> | <u>168,152</u> |

| 12. CREDITORS: amounts falling due after one year | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Finance lease falling due 1-2 years | 3,979 | 51,725 |
| | <u>3,979</u> | <u>51,725</u> |

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

| 13. GENERAL AND SPECIAL FUNDS | Balance at 1 September 2019 £ | Income £ | Gains/ (Losses) £ | Balance at 31 August 2020 £ |
|--------------------------------------|--|---------------------|----------------------------------|--|
| 13.1 Endowment Funds | | | | |
| Montague Goodman Bursary | 111,166 | - | (11,313) | 99,853 |
| Jomac Hennell Bursary | 35,718 | - | (3,635) | 32,083 |
| Sir John Laing Memorial | 111,582 | - | (11,356) | 100,226 |
| Sir John Laing Lecture | 15,736 | - | (1,601) | 14,135 |
| | <u>274,202</u> | <u>-</u> | <u>(27,905)</u> | <u>246,297</u> |
| | Balance at 1 September 2018 £ | Income £ | Gains/ (Losses) £ | Balance at 31 August 2019 £ |
| Montague Goodman Bursary | 110,144 | - | 1,022 | 111,166 |
| Jomac Hennell Bursary | 35,389 | - | 329 | 35,718 |
| Sir John Laing Memorial | 110,556 | - | 1,026 | 111,582 |
| Sir John Laing Lecture | 15,591 | - | 145 | 15,736 |
| | <u>271,680</u> | <u>-</u> | <u>2,522</u> | <u>274,202</u> |

The Montague Goodman, Jomac Hennell and Sir John Laing Memorial funds were established for the provision of bursaries to students attending the School. The Sir John Laing Lecture fund was established to finance the organisation of the annual memorial lecture. The capital of these funds are to be kept in perpetuity.

| | Balance at 1 September 2019 £ | Income £ | Expenditure/ Fund transfers £ | Gains/ (Losses) £ | Balance at 31 August 2020 £ |
|--------------------------------|--|---------------------|--|----------------------------------|--|
| 13.2 Unrestricted Funds | | | | | |
| General fund | 3,665,733 | 3,476,207 | (3,421,656) | - | 3,720,284 |
| Designated fund | 6,250,840 | - | - | 128,982 | 6,379,822 |
| Pensions reserve | (918,000) | - | (14,000) | (80,000) | (1,012,000) |
| | <u>8,998,573</u> | <u>3,476,207</u> | <u>(3,435,656)</u> | <u>48,982</u> | <u>9,088,106</u> |
| | Balance at 1 September 2018 £ | Income £ | Expenditure/ Fund transfers £ | Gains/ (Losses) £ | Balance at 31 August 2019 £ |
| Unrestricted Funds | | | | | |
| General fund | 3,988,217 | 3,152,350 | (3,474,834) | - | 3,665,733 |
| Designated fund | 6,089,798 | - | - | 161,042 | 6,250,840 |
| Pensions reserve | (312,000) | - | (2,000) | (604,000) | (918,000) |
| | <u>9,766,015</u> | <u>3,152,350</u> | <u>(3,476,834)</u> | <u>(442,958)</u> | <u>8,998,573</u> |

The designated fund was established in 2017 from the proceeds of a land sale and invested with JM Finn to generate long term investment income for the School.

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

13. GENERAL AND SPECIAL FUNDS (continued)

| 13.3 | Restricted funds | Balance at 1 September 2019 £ | Income £ | Expenditure £ | Losses £ | Balance at 31 August 2020 £ | Purpose of fund |
|------|----------------------------------|--|----------------|------------------|------------------|--------------------------------------|--|
| | Henman Memorial Bursary | 509,848 | 16,114 | - | (49,383) | 476,579 | For student bursaries |
| | Student Grant Bursary | 884,083 | 25,570 | - | (85,630) | 824,023 | For student bursaries |
| | Graham Scholarship | 145,690 | 4,601 | - | (14,111) | 136,180 | For student bursaries |
| | Mary Fisher Memorial | 35,595 | 1,123 | - | (3,448) | 33,270 | For student bursaries |
| | Laing Scholarship | - | 12,000 | (12,000) | - | - | For research student scholarship |
| | Jerusalem Trust | - | 1,500 | (1,500) | - | - | For online education |
| | Student Wives Bursary | 53,644 | 1,693 | (6,988) | (5,196) | 43,153 | For study support for Students' spouses |
| | Music and Worship Bursary | 10,785 | 1,254 | (11,835) | - | 204 | For bursaries to music and worship students |
| | Students in Need Fund | 23,981 | 42,912 | (38,190) | - | 28,703 | For students in need |
| | Reading Prize Fund | 184 | - | - | - | 184 | For annual prizes |
| | Sir Eric Richardson Prize | 394 | 17 | - | (38) | 373 | For annual prizes |
| | Griffiths Prize | 2,646 | 83 | - | (256) | 2,473 | For annual prizes |
| | Faculty Hardship Fund | 958 | - | - | - | 958 | For faculty members |
| | Children Workers Course | 1,759 | - | - | - | 1,759 | For the development of Children's ministry |
| | David Wheaton bursary | 450 | 500 | (399) | - | 551 | For the purchase of books |
| | Maranatha Trust Scholarship | 40,000 | - | (18,000) | - | 22,000 | For overseas students to study for 1 year on site |
| | Student Information System grant | 6,912 | - | (6,912) | - | - | To help cover the cost of implementing new SIS |
| | Beacon Trust | 6,000 | 4,000 | (4,898) | - | 5,102 | To help support a student from Latin America |
| | Henman Internet Fund | 4,013 | - | - | - | 4,013 | For the development of IT projects by LST research students. |
| | Tom Rees Evangelist in residence | 7,968 | - | (1,280) | - | 6,688 | For funding an evangelist in residence |
| | Vaux sur Seine | 5,224 | - | (3,000) | - | 2,224 | For the translation of open learning resources into French |
| | Building Development Fund | - | 1,310 | (1,310) | - | - | For School development projects |
| | Alumni Fund | 22,645 | 344 | (813) | - | 22,176 | For LST alumni events |
| | Alumni Bursary Fund | 25,581 | - | (21,163) | - | 4,418 | For student bursaries |
| | Hebrew Prize | 520 | - | - | - | 520 | For high attainment in Hebrew language studies |
| | Other restricted funds | 24,427 | 29,627 | (30,377) | - | 23,677 | For various restricted purposes |
| | Endowment Income Accounts | | | | | | |
| | Montague Goodman Bursary | 16,181 | 3,514 | - | - | 19,695 | For student bursaries |
| | Jomac Hennell Bursary | 7,159 | 1,130 | - | - | 8,289 | For student bursaries |
| | Sir John Laing Memorial | 17,522 | 3,527 | - | - | 21,049 | For student bursaries |
| | Sir John Laing Lecture | (2,791) | 497 | - | - | (2,294) | For the annual memorial lecture |
| | Total | 1,851,378 | 151,316 | (158,665) | (158,062) | 1,685,967 | |

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

| Restricted funds | Balance at 1 September 2018 £ | Income £ | Expenditure £ | Gains £ | Balance at 31 August 2019 £ | Purpose of fund |
|----------------------------------|--|----------------|------------------|---------------|--------------------------------------|--|
| Henman Memorial Bursary | 562,954 | 15,526 | (73,425) | 4,793 | 509,848 | For student bursaries |
| Student Grant Bursary | 823,341 | 24,554 | 29,178 | 7,010 | 884,083 | For student bursaries |
| Graham Scholarship | 175,254 | 4,433 | (35,489) | 1,492 | 145,690 | For student bursaries |
| Mary Fisher Memorial | 45,557 | 1,082 | (11,432) | 388 | 35,595 | For student bursaries |
| Laing Scholarship | 7,075 | 12,000 | (19,075) | - | - | For research student scholarship |
| Jerusalem Trust | - | 21,500 | (21,500) | - | - | For online education |
| Student Wives Bursary | 66,781 | 1,631 | (15,337) | 569 | 53,644 | For study support for Students' spouses |
| Music and Worship Bursary | 19,365 | 1,570 | (10,150) | - | 10,785 | For bursaries to music and worship students |
| Students in Need Fund | 40,926 | 8,990 | (25,935) | - | 23,981 | For students in need |
| Reading Prize Fund | 184 | - | - | - | 184 | For annual prizes |
| Sir Eric Richardson Prize | 121 | 17 | 255 | 1 | 394 | For annual prizes |
| Griffiths Prize | 3,554 | 80 | (1,018) | 30 | 2,646 | For annual prizes |
| Faculty Hardship Fund | 958 | - | - | - | 958 | For faculty members |
| Children Workers Course | 1,759 | - | - | - | 1,759 | For the development of Children's ministry |
| David Wheaton bursary | - | 500 | (50) | - | 450 | For the purchase of books |
| Maranatha Trust Scholarship | - | 40,000 | - | - | 40,000 | For overseas students to study for 1 year on site |
| Student Information System grant | - | 30,000 | (23,088) | - | 6,912 | To help cover the cost of implementing new SIS |
| Beacon Trust | - | 6,000 | - | - | 6,000 | To help support a student from Latin America |
| Henman Internet Fund | 4,013 | - | - | - | 4,013 | For the development of IT projects by LST research students. |
| Tom Rees Evangelist in residence | 9,248 | - | (1,280) | - | 7,968 | For funding an evangelist in residence |
| Vaux sur Seine | 5,224 | - | - | - | 5,224 | For the translation of open learning resources into French |
| Building Development Fund | - | 1,392 | (1,392) | - | - | For School development projects |
| Alumni Fund | 22,609 | 36 | - | - | 22,645 | For LST alumni events |
| Alumni Bursary Fund | 32,798 | - | (7,217) | - | 25,581 | For student bursaries |
| Hebrew Prize | 620 | - | (100) | - | 520 | For high attainment in Hebrew language studies |
| Other restricted funds | 25,163 | 28,951 | (29,687) | - | 24,427 | For various restricted purposes |
| Endowment Accounts | | | | | | |
| Montague Goodman Bursary | 12,795 | 3,386 | - | - | 16,181 | For student bursaries |
| Jomac Hennell Bursary | 6,071 | 1,088 | - | - | 7,159 | For student bursaries |
| Sir John Laing Memorial | 14,123 | 3,399 | - | - | 17,522 | For student bursaries |
| Sir John Laing Lecture | (2,576) | 604 | (819) | - | (2,791) | For the annual memorial lecture |
| Total | 1,877,917 | 206,739 | (247,561) | 14,283 | 1,851,378 | |

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | General Funds £ | Restricted Funds £ | Endowment Funds £ | Total Funds £ |
|--|--------------------------------|-----------------------------------|----------------------------------|------------------------------|
| Fund balances at 31 August 2020 | | | | |
| Represented by: | | | | |
| Tangible fixed assets | 2,071,084 | - | - | 2,071,084 |
| Investments | 6,952,526 | 1,395,104 | 246,297 | 8,593,927 |
| Current assets | 1,722,358 | 290,863 | - | 2,013,221 |
| Current liabilities | (641,883) | - | - | (641,883) |
| | <u>10,104,085</u> | <u>1,685,967</u> | <u>246,297</u> | <u>12,036,349</u> |
| Creditors due after more than 1 year | (3,979) | - | - | (3,979) |
| Pension Scheme liabilities | (1,012,000) | - | - | (1,012,000) |
| | <u>9,088,106</u> | <u>1,685,967</u> | <u>246,297</u> | <u>11,020,370</u> |

15. CORPORATION TAX

The company is exempt from Corporation Tax on its charitable activities.

16. PENSION COMMITMENTS

The School operates two pension schemes for its employees; the London School of Theology Pension and Assurance Scheme ("the Defined Benefit Scheme"), which is a defined benefit occupational pension scheme and a Group Personal Pension (GPP) which is a defined contribution arrangement.

The Defined Benefit Scheme is closed to new members. Employees who joined the School after 1 April 2000 are offered membership of the Group Personal Pension (GPP). The assets of the Defined Benefit Scheme are held separately from the assets of the School and are administered by Trustees and managed professionally. The assets of the Group Personal Pension are held separately from the assets of the School and are managed professionally.

Under the Group Personal Pension (GPP) the School pays contributions to personal pension policies for pensionable employees who joined the School after 1 April 2000. The pension cost charge represents contributions payable by the School to the personal pension policies and amounted to £103,224 (2019: £89,220). At 31st August there were £14,176 of outstanding contributions (2019: £12,061) payable to the personal pension policies.

The remainder of this note relates to the pension costs for the Defined Benefit Scheme determined in accordance with the accounting standard FRS 102 as amended by Accounting Standards Board December 2006, amendment. The contributions to the GPP are accounted for on a cash accruals basis in addition to the costs shown below.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least every three years to determine whether the Statutory Funding Objective is met. As part of the process the school must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The Defined Benefit Scheme is administered by Barnett Waddingham LLP in accordance with the rules and valuations of that fund. Before the scheme closed to future accruals in the year, contribution rates for employees were 6% of pensionable salary. Employer contributions were 14.1% of pensionable salary. Barnett Waddingham LLP have provided actuarial advice to the Governors.

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

16. PENSION COMMITMENTS (continued)

Non Scheme Pension Provision

In addition to the Scheme liabilities there is a potential liability of £36,000 (2019: £38,000) for discretionary pension benefits, if such payments continued to be made over the lives of the beneficiaries at the present rate. These beneficiaries may include retired members of staff who are not members of the Scheme. These benefits are paid from the School's general fund and not from the Scheme itself.

The Scheme's net liability of £976,000 plus the non-scheme provision of £36,000 results in a reserve deficit of £1,012,000.

The amounts in the balance sheet, excluding the discretionary pension benefit amounts, are as follows:

| | 2020 | 2019 |
|--|----------------|----------------|
| | £000's | £000's |
| Scheme assets at year end | 5,411 | 5,447 |
| Present value of funded obligations obligation | (6,387) | (6,327) |
| | <u>(976)</u> | <u>(880)</u> |
| Actuarial gains/losses comprise: | | |
| (Gain) on scheme assets in excess of interest | (89) | (341) |
| Loss from change in assumptions | 169 | 945 |
| Experience losses/(gains) on liabilities | - | - |
| | <u>80</u> | <u>604</u> |
| Analysis of amounts charged to activity costs categories: | | |
| | 2020 | 2019 |
| | £000's | £000's |
| Bank and other interest/ (other finance charges) | | |
| Interest on scheme assets | (85) | (142) |
| Interest cost | 100 | 150 |
| | <u>15</u> | <u>8</u> |
| Change in scheme liabilities | | |
| Beginning balance | (6,327) | (5,459) |
| Interest cost | (112) | (150) |
| (Losses) from changes in actuarial assumptions | (169) | (945) |
| Experience losses/(gains) on liabilities | - | - |
| Benefits paid | 221 | 227 |
| Closing balance | <u>(6,387)</u> | <u>(6,327)</u> |
| Change in scheme assets | | |
| Beginning balance | 5,447 | 5,191 |
| Interest on scheme assets | 96 | 142 |
| Return on assets less interest | 89 | 341 |
| Contributions by employer | - | - |
| Benefits paid | (221) | (227) |
| Closing balance | <u>5,411</u> | <u>5,447</u> |

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

16. PENSION COMMITMENTS (continued)

The major categories of the scheme assets are as follows:

| | 31 August 2020 | | 31 August 2019 | |
|----------------------------------|----------------|---------------------|----------------|---------------------|
| | % of assets | Fund value £000s | % of assets | Fund value £000s |
| Equities and other growth assets | 44% | 2,357 | 43% | 2,344 |
| Bonds and cash | 56% | 3,054 | 57% | 3,103 |
| Total assets at end of year | | <u>5,411</u> | | <u>5,447</u> |
| | | | 2020 | 2019 |
| | | | £000s | £000s |
| Actual return on scheme assets | | | <u>185</u> | <u>483</u> |

The value of the Scheme's liabilities has been determined by a qualified actuary based on the results of the actuarial valuation as at 5 April 2018, updated to the review date allowing for cashflows in and out of the scheme and using the following assumptions:

| Actual assumptions used: | 2020 % | 2019 % |
|---|---|---|
| Discount rate | 1.6% | 1.80% |
| Rate of increase in pensions in payment | 3.35% | 3.35% |
| Rate of RPI price inflation | 3.4% | 3.40% |
| Rate of CPI price inflation | 2.4% | 2.40% |
| Post – retirement mortality | 110% S2PA/ 105% S2PFA CMI 2017 [1%] | 110% S2PA/ 105% S2PFA CMI 2017 [1%] |

Commutation: Members are assumed to take 20% of their pension as tax free cash.

Sensitivity analysis

Impact on the value of liabilities of:

| | |
|--|----------------|
| Reduction of 0.1% in the Discount Rate | £87k increase |
| Increase of 0.1% in inflation assumption | £31k increase |
| Increase in long-term mortality projection of 1.5% | £133k increase |

17. LEASING COMMITMENTS

At 31 August 2020, the School was committed to making the minimum lease payments in respect of hire of machinery:

| Operating leases which expire: | 2020 £ | 2019 £ |
|--------------------------------|---------------|---------------|
| Within 1 year | 9,452 | 15,968 |
| Within 2 to 5 years | 25,396 | 1,638 |
| | <u>34,848</u> | <u>17,606</u> |

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2020

18. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

| | Unrestricted Funds £ | Restricted Funds £ | Endowment £ | Total 2019 £ |
|---|----------------------------|--------------------------|----------------|--------------------|
| INCOME FROM | | | | |
| Donations and legacies | 227,347 | 150,939 | - | 378,286 |
| Charitable activities | | | | |
| Education | 2,539,674 | - | - | 2,539,674 |
| Conferences | 13,102 | - | - | 13,102 |
| Investments | 248,486 | 55,800 | | 304,286 |
| Trading income | 49,447 | - | - | 49,447 |
| Other income | 74,294 | - | - | 74,294 |
| Total Income | 3,152,350 | 206,739 | - | 3,359,089 |
| EXPENDITURE ON | | | | |
| <i>Raising Funds</i> | | | | |
| Investment manager fee | 39,589 | - | - | 39,589 |
| Trading expenses | 49,151 | - | - | 49,151 |
| Fundraising costs | 57,822 | - | - | 57,822 |
| Charitable activities | | | | |
| Education | 3,291,707 | 247,561 | - | 3,539,268 |
| Conferences | 38,565 | - | - | 38,565 |
| Total Expenditure | 3,476,834 | 247,561 | - | 3,724,395 |
| Net expenditure before transfers | (324,484) | (40,822) | - | (365,306) |
| Investment gains | 161,042 | 14,283 | 2,522 | 177,847 |
| Net (expenditure)/income | (163,442) | (26,539) | 2,522 | (187,459) |
| Defined benefit pension scheme (losses) | (604,000) | - | - | (604,000) |
| Net movement in funds | (767,442) | (26,539) | 2,522 | (791,459) |
| Balance brought forward at 1 September 2018 | 9,766,015 | 1,877,917 | 271,680 | 11,915,612 |
| Balance carried forward at 31 August 2019 | 8,998,573 | 1,851,378 | 274,202 | 11,124,153 |