Henley Business School Limited

Company Number 07019049

Annual Report and Financial Statements

Year Ended 31 July 2022

Henley Business School Limited

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Company information
Year ended 31 July 2022

Directors
Professor R A L Van de Noort
Professor J L G Board
Ms S Foley (up to 14 November 2022)
Mrs E J Ashley (from 13 January 2023)

Registered office
University of Reading
G11 Whiteknights House
PO Box 217
Whiteknights
Reading
Berkshire
RG6 6AH

Company number
07019049

Country of incorporation
United Kingdom

Banker
Barclays Bank plc
90-93 Broad Street
Reading
RG1 2AP

Auditor
Mazars LLP
90 Victoria Street,
Bristol, BS1 6DP,
United Kingdom

Henley Business School Limited

Strategic report

Strategy and objectives

Henley Business School Limited (the company) is a private company, limited by shares, registered in England and Wales and incorporated in the United Kingdom under the Companies Act 2006. It is a wholly owned subsidiary of the University of Reading ('the University') and operates mainly from campuses in the UK and South Africa. The company operates within the Henley Business School of the University and includes non-qualification activities run from the UK campus such as open short courses (attended by individuals) and customised development programmes for public and private sector organisations. The company also includes the School's Centre for Customer Management, Centre for Coaching & Behavioural Change, the Madejski Centre for Reputation, and the Henley Forum. The programme activities of its branch in South Africa cover some non-qualification Executive Education but is dominated by the provision of qualification programmes such as MBA, and certificates and diplomas.

The company aims to provide high quality programmes of education to its clients. In furtherance of this objective the company:

- constantly monitors programme participants' satisfaction and addresses areas which do not meet their needs.
- develops close relationships with the Henley Business School and external experts and designs programmes to offer latest thinking and best practice.
- strives to increase the scale of activity with non-UK based companies in order to ensure that it is at the forefront of management development internationally.
- focuses on the School's and the University's areas of knowledge and expertise in order to build an international reputation of excellence.
- leverages technology in support of learning.
- regularly participates in the accrediting bodies' (AMBA, EQUIS and AACSB) reviews of the School's offerings and competes in the global ranking of Executive Education by the Financial Times so that the company remains aware of (and responds to) best practice in the sector

The success of the above strategies is measured by financial KPIs (such as revenue and surplus generation), client / participant satisfaction ratings and league table rankings.

Key performance indicators:	2022	2021	Growth
	£m	£m	£m
Income - UK	4.2	2.2	2.0
Income – South Africa	10.0	9.7	0.3
Total income	14.2	11.9	2.3
Profit (Loss) for the year – UK	0.1	(0.2)	0.3
Profit for the year – South Africa	0.2	0.3	(0.1)
Total gain for the year	0.3	0.1	0.2

	2022	2021	Growth
Financial Times Global Executive Education combined ranking (out of 50 entrants)	19	24	0

Henley Business School Limited

Strategic report (continued)

Review of the business

In the year to 31 July 2022, turnover was approximately £14.2m (2021: £11.9m) of which £4.2m was generated by the non-qualification activities of the company in the UK and £10.0m through the branch in South Africa. Overall, the company made a profit for the year of £0.3m (2021: profit £0.1m).

The significant increase in turnover was due to Open programmes getting back to pre-covid levels with face-to-face programmes being delivered. Custom also delivered face to face (as well as some online) and is also now back to pre-covid levels.

Moving forward the company is now in a strong position to offer face to face, online and blended (online and face to face) programmes. The reputation of the business in the UK continues to be strong which is reflected in our significantly improved position of 19 in the financial Times Global Executive Education combined ranking.

For the financial year ended 31 July 2022, the South Africa branch grew its turnover from £9.7m to £10.0m. Growth was mainly attributable to the MBA programme which had 6 intakes commencing in October 2021. This was offset by client delays in Executive Education Programmes. Due to the strong pipeline of signed business, the positive impact of this will be experienced in the new year. The campus delivered programmes on the hybrid model for the last half of the financial year this attributed to the savings on direct costs and operational costs.

Investment in marketing continues to be a priority in order to strengthen the brand in the market especially as there is a drive to deliver programmes in the Cape Town campus. The drive is likely to increase enrolment across the suite of programmes with emphasis being on the undergraduate programmes. The branch recorded a net profit after tax of £0.2m (2021: £0.3m).

Future developments

A new Custom UK Executive Education strategy is being developed which adds new offerings 'Coaching as a Service', Consultancy alongside programme delivery. The 'One Henley' approach to clients is also continually being developed; this aim to integrate account management across the Custom, Open and Apprenticeship levy business development teams. We believe that these initiatives will help UK Executive Education maintain and build on its strong position moving forward.

In South Africa, demand for the Executive Education offering remains strong, with a large volume of confirmed business being carried forward to the new financial year. Henley Business School is becoming well recognised in the market. Repeat business is high but economic pressures and competitive tenders apply a downward pressure on pricing. Demand for the Postgraduate Diploma in Management Practice remains strong.

South Africa has a ladder of learning for different levels within the market further broadening its horizon. Continued marketing investments in the Higher Certificate in Management Practice and Advanced Certificate in Management Practice is likely to increase the level of interest. The accreditation of Advanced Diploma in Management Practice is likely to see an increase in the level of interest.

MBA enrolments in 2022 exceeded expectations with an intake of 271 in 2022 (2021: 240). As these intakes commenced in the latter half of the financial year, the positive impact of this will be experienced in the next financial year.

Henley Business School Limited

Strategic report (continued)

Principal risks and uncertainties

The directors give due consideration to the major risks to which the company is exposed, and the Henley Business School's risk register includes three items which relate specifically to the company's business:

- Movements into leadership development space by consultancies and private universities (such as BPP)
- An increase in the costs of Executive Education and / or a fall in prices
- Reputational risks and the risk of contracts being undertaken on poor terms arising from working with Executive Education custom clients.

Each item has a series of mitigating actions and controls, and these are monitored regularly.

Approved for issue by the Board of Directors

Professor R A L Van de Noort
Director
8 February 2023

The directors present their report and the audited financial statements of the company for the year ended 31 July 2022. The company operates in the UK and via its branch in South Africa. The financial statements have been prepared on the going concern basis as the company's sole shareholder, the University of Reading, has confirmed its intention to continue to support the company for a period of at least 12 months from the date that these financial statements were approved.

Directors and their interests

A list of the directors who served during or after the year until the date of approval of these financial statements is shown on page 3.

None of the directors held any disclosable interest in the company. The University has charged for the services it provides to the company on a commercial basis. Professional indemnity and directors' and officers' insurance are in place for all directors.

Dividend

The directors do not propose a dividend in respect of the year ended 31 July 2022 (2021: nil).

Events after the year-end date

There were no significant events after the year-end which require disclosure in order to aid understanding of the financial results and position reported in these financial statements.

Future developments

The strategic report gives details of plans for future development of the company.

Financial risks

The company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk

The company's activities expose it to a degree of risk from changes in foreign currency exchange rates. However, the large majority of its trade occurs in local currency in the UK and South Africa and there is a minimal flow of funds between these territories with each having its own banking facilities and treasury arrangements. The company is also exposed to fluctuations in interest rates due mainly to borrowings from the University.

Credit risk

The company's principal financial assets are bank balances, fixed term deposits and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company relies on borrowings from the University. The University has undertaken to provide continued financial support to the company for a period of at least 12 months from the date of approval of this report.

Statement of disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make him/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved for issue by the Board of Directors

Professor R A L Van de Noort
Director
8 February 2023

Henley Business School Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Henley Business School Limited
Independent auditor's report to the members of Henley Business School Limited

Opinion

We have audited the financial statements of Henley Business School Limited (the 'company') for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity, 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 FRS 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 company's affairs as at 31 July 2022 and of its 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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the company's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the company with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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 course of 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 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 has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 and proper 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Henley Business School Limited
Independent auditor's report to the members of Henley Business School Limited (continued)

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors 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 directors 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 directors are responsible for assessing the 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 directors either intend to liquidate the 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK tax legislation, pensions legislation, employment regulation, fraud and money laundering, health and safety regulation, anti-bribery and corruption.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

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Independent auditor's report to the members of Henley Business School Limited (continued)

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as: tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to the posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off assertion) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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.

Use of the audit report

This report is made solely to the 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 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Richard Bott

Richard Bott (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria Street, Bristol, BS1 6DP,
Date: 15 February 2023

Henley Business School Limited

Statement of comprehensive income

Year ended 31 July 2022

	Note	2022 £	2021 £
Turnover	1	14,190,989	11,885,875
Administrative expenses		(13,832,874)	(11,821,155)
Operating profit	2	358,115	64,720
Interest receivable	4	144,449	129,882
Interest and other finance costs	5	(47,222)	(7,990)
Disposal gain/(loss)		(8,386)	(5,653)
Gain before tax		446,956	180,959
Tax charge for the year	6	(153,116)	(142,763)
Gain for the financial year		293,840	38,196
Exchange differences arising on overseas branches		2,055	37,732
Total comprehensive income		295,895	75,928

All activities relate to continuing operations.

The accompanying accounting policies and notes form part of these financial statements.

Henley Business School Limited

Company Number 07019049

Statement of financial position as at 31 July 2022

	Note	2022	2021
		£	£
Non-current assets			
Property, plant, and equipment	7	791,481	529,611
Non-current investments	8	193,738	185,264
		985,219	714,875
Current assets			
Stock		-	11,770
Trade and other receivables	9	3,313,555	2,593,729
Cash and cash equivalents		3,685,337	4,679,250
		6,998,892	7,284,749
Creditors:			
Amounts falling due within one year	10	(17,945,523)	(18,532,338)
Net current liabilities		(10,946,631)	(11,247,590)
Total assets less current liabilities, being net liabilities		(9,961,412)	(10,532,715)
Amounts falling due after more than one year	11	(1,059,567)	(784,160)
Net liabilities		(11,020,979)	(11,316,876)
Equity			
Called up share capital	14	1	1
Profit and loss account		(11,020,980)	(11,316,877)
		(11,020,979)	(11,316,876)

The accompanying accounting policies and notes form part of these financial statements.

The financial statements on pages 14 to 26 were approved by the board of directors and signed on its behalf by:

Professor R A L Van de Noort
Director
8 February 2023

Henley Business School Limited

Statement of changes in equity

Year ended 31 July 2022

	Called up share capital	Profit and loss account	Total
	£	£	£
At 1 August 2020	1	(11,392,805)	(11,392,805)
Profit for the financial year	-	38,196	38,196
Other comprehensive expense			
Exchange differences arising on overseas branches	-	37,732	37,732
Total comprehensive income for the year	-	75,928	75,928
At 31 July 2021	1	(11,316,876)	(11,316,876)
Profit for the financial year	-	293,841	293,841
Other comprehensive income:			
Exchange differences arising on overseas branches	-	2,055	2,055
Total comprehensive income for the year	-	295,896	295,896
At 31 July 2022	1	(11,020,979)	(11,020,979)

The accompanying accounting policies and notes form part of these financial statements.

Accounting policies

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The company is limited by shares and registered in England and Wales under the Companies Act 2006.

In preparing financial statements, judgements have to be made in determining the most appropriate methods of applying the company's accounting policies to the economic transactions which arise during the year. It is also necessary to make assumptions about the future in determining the values of assets and liabilities at the year-end date. The directors believe there are no areas where critical accounting judgements are required and there are no areas of estimation uncertainty.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The company meets its day to day working capital requirements through facilities provided by the University. The University confirmed to the directors its intention to continue to support the company for a period of at least 12 months from the date that these financial statements were approved.

A summary of the primary accounting policies is set out below:

a. **Turnover**

Turnover represents the invoiced value of goods and services supplied by the company, net of Value Added Tax. Income from the sale of goods or services is credited to the statement of comprehensive income when the goods or services are supplied, or the terms of the contract have been satisfied.

Fee income is credited to the statement of comprehensive income over the period in which students are studying. Fees received in respect of tuition not yet provided are deferred, after adjustment for estimated student withdrawals. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount.

b. **Staff costs and benefits**

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

The University supplies staff to the company, recharging their salaries and associated costs. The company employs staff directly in overseas branches. Contributions to defined contribution pension schemes in respect of these employees are charged to the statement of comprehensive income as they fall due.

c. **Operating leases**

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

d. **Foreign currency**

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end date are retranslated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income in the period in which they arise.

The assets and liabilities of foreign operations are translated into sterling at foreign exchange rates ruling at the year end date. Income and expenditure of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are reported in other comprehensive income.

e. **Taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided in full in respect of all timing differences that have originated but not reversed at the year end date where transactions or events that result in an obligation to pay more tax in the future or less tax in the future have occurred at the year end date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the year end date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted.

f. **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. Costs incurred in relation to property, plant and equipment after the initial purchase or production are capitalised to the extent that they increase the expected future benefits to the company from the existing item beyond its previously assessed standard of performance. The costs of any such enhancements are added to the carrying amount of the item concerned.

Assets under construction are not depreciated until they are brought into use.

Where material, the anticipated useful economic life of an item of property, plant and equipment is reviewed annually, and the accumulated and future depreciation adjusted.

Expenditure to ensure that items of property, plant and equipment maintain their standard of performance is recognised in the statement of comprehensive income when it is incurred.

The useful lives of items of property, plant and equipment have been assessed as follows:

Motor vehicles	5 years
Furniture and fixtures	4 years
Office equipment	5 years
IT equipment	3 years
Library	10 years
Audio visual equipment	5 years
Leasehold improvements	10 years

g. **Stock**

Stock is stated at the lower of cost and net realisable value after making a due provision for obsolete and slow-moving items.

h. **Financial instruments**

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade receivables. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments (continued)

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits.

i. **Impairments**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The carrying amounts of the entity's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j. **Non-current investments**

Non- current investments represent cash held in a fixed term deposit account in order to honour guarantees issued by the bank on its behalf. There is no access to these deposits until the underlying guarantees expire and these investments are valued at cost.

1. Turnover

Turnover, which is stated net of Value Added Tax, arose from the provision of management education as follows:

	2022	2021
	£	£
United Kingdom	4,221,581	2,201,699
South Africa	9,969,408	9,684,176
	14,190,989	11,885,875

2. Operating profit

Operating profit is stated after:

	2022	2021
Staff costs	£	£
Salaries and wages	3,705,503	3,271,092
Social security costs	126,940	48,017
Pension contributions	325,489	183,129
Other Staff Cost (Redundancy)	2,238	155,520
	4,160,170	3,657,758

The company is recharged the salary and associated costs incurred by the University on its behalf in respect of employees based in the UK. These members of staff are employed by the University. The company employs staff directly through its branch in South Africa.

Staff numbers	2022 Monthly Average	2021 Monthly Average
Academic	4	2
Professional and managerial	35	25
Administration	75	62
	114	89

	2022	2021
	£	£
Auditor's remuneration:		
- Audit of these financial statements	57,496	50,179
- Tax advisory services	4,518	3,630
- Other non-audit services	0	0
Depreciation – owned assets	196,255	155,025
Operating lease rentals:		
- Land and buildings	467,606	465,670
Management charge from the University	1,025,038	505,431

Henley Business School Limited

Notes to the financial statements (continued)

3. Directors' remuneration

No emoluments were paid to the directors who served during the year by the company. These costs were borne by the University. It is not possible to allocate a fair apportionment of these costs as services are provided to multiple entities. The company has applied the exemptions available in respect of the disclosure of key management personnel compensation.

4. Interest receivable

	2022	2021
	£	£
Bank interest	144,449	129,882
	144,449	129,882

5. Interest and other finance costs

	2022	2021
	£	£
Interest paid to the University	23,223	7,890
Exchange differences	424	100
Other	23,575	5,653
	47,222	13,643

The company pays interest on the inter-company loan made by the University to the company. The interest rate charged is based on a market rate.

6. Tax charge for the year

	2022	2021
	£	£
Overseas – current tax	52,687	318,040
Overseas – deferred tax	100,429	(175,277)
	153,116	142,763
Profit/(loss) per financial statements	446,956	180,959
Corporation tax based on current rate of 19%	84,922	34,382
Permanent items	6,080	4,180
Deferred tax	(91,002)	(38,565)
Overseas – current tax	52,687	318,040
Overseas – deferred tax	100,429	(175,277)
	153,116	142,763

Current and deferred tax arise wholly within the company's branch in South Africa. The company recorded a small profit on its UK activities during the current, which will be covered by losses brought forward on which deferred tax asset has previously been recognised, and a small loss in the previous year and no provision for corporation tax is required. No deferred tax asset has been recognised in respect of these results due to uncertainties around when there will be sufficient taxable profits against which to allocate the losses. The brought forward losses as at 1 August 2021 amounted to £10.4 and the carry forward tax losses as at 31 July 2022 amount to £9.8m. The rate of UK corporation tax will increase to 25% from 1 April 2023.

7. Property, plant and equipment

	Land and buildings	Other assets	Total
	£	£	£
Cost			
At 1 August 2021	404,784	855,260	1,260,044
Additions	9,678	460,574	470,252
Disposals	(5,149)	(32,821)	(37,970)
Exchange differences	997	3,063	4,060
At 31 July 2022	410,310	1,286,076	1,696,386
Depreciation			
At 1 August 2021	196,839	533,594	730,433
Charge for year	31,352	164,903	196,255
Transfers	-	-	-
Disposals		(23,957)	(23,957)
Exchange differences	551	1,623	2,174
At 31 July 2022	228,742	676,163	904,905
Net book value			
At 31 July 2022	181,568	609,913	791,481
At 31 July 2021	207,945	321,666	529,611

8. Non-current investments

	£
At 1 August 2021	185,264
Additions	8,474
At 31 July 2022	193,738

The company's branch in South Africa holds cash in a fixed term deposit account in order to honour guarantees issued by the bank on its behalf. There is no access to these deposits until the underlying guarantees expire.

9. Trade and other receivables

	2022	2021
	£	£
Trade receivables	1,699,180	1,229,778
Other receivables	107,422	163,290
Deferred tax asset	602,684	701,634
Prepayments and accrued income	904,269	499,027
	3,313,555	2,593,729

All receivables are due within one year.

10. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Trade payables	261,378	120,039
Amounts due to the University	12,349,675	12,807,843
Other payables including taxation and social security	(53,624)	274,305
Accrued expenditure	842,034	717,035
Deferred income	4,545,559	4,596,708
Overdraft	500	16,408
	17,945,522	18,532,338

Deferred income relates mainly to tuition fee income received in advance of courses. Fee income is credited to the statement of comprehensive income over the period in which students are studying.
Cash relates to the overdraft in the Henley Business School bank only (not South Africa).

11. Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Amount due to the University	(1,059,567)	(784,160)
	(1,059,567)	(784,160)

The amount relates to the University management fee and recharges to South Africa for markers, workshop, and indirect costs.

12. Contingent Liability

As part of an executive education contract with the government of the United Arab Emirates, a performance guarantee was put in place, provided by Barclays in Dubai. This was for 10% of the overall contract value and was payable if the customer was dissatisfied with the educational provision. The contract has been completed a number of years and negotiations are ongoing with the customer and Barclays in Dubai to release the guarantee. There is a very remote possibility of the guarantee being exercised as the contract was completed successfully a number of years ago, and therefore this is recorded within contingent liabilities only. The potential value should the guarantee be exercised is £36,500.

13. Operating lease commitments

The total future minimum lease payments due under non-cancellable operating leases are as follows:

	Land and buildings	Total 2022	Land and buildings	Total 2021
	£	£	£	£
Minimum lease payments due:				
- Not later than 1 year	469,218	469,218	468,077	468,077
- Between 1 and 5 years	593,207	593,207	591,764	591,764
- In greater than 5 years	-	-	-	-
	1,062,425	1,062,425	1,059,841	1,059,841

14. Called up share capital

	2022	2021	2022	2021
	No.	No.	£	£
Issued but not fully paid:				
- Ordinary shares of £1 each	1	1	1	1

15. Ultimate parent undertaking

These financial statements have been presented in respect of an individual company, Henley Business School Limited, a wholly owned subsidiary undertaking of the University of Reading. The smallest and largest group to consolidate these results is the University of Reading. The consolidated financial statements of the University of Reading can be obtained from the University of Reading, PO Box 217, Whiteknights, Reading, RG6 6AH, which is the registered office address, or on the University's website.

Since the company meets the definition of a qualifying entity under FRS 102 and is included in the consolidated financial statements of the University, the company has taken certain disclosure exemptions available under FRS 102 including:

- Exemption from presenting a statement of cash flows.
- Exemption from disclosing key management personnel compensation.
- Exemption from disclosing transactions entered into with the University and its wholly owned subsidiaries.
- Exemptions from financial instrument disclosures.

16. Related party transactions

The company has taken advantage of the exemption available under paragraph 33.1a of the provisions of FRS 102 Related Party Disclosures, on the grounds that it is a wholly-owned subsidiary of a group headed by the University of Reading, whose financial statements are publicly available.

17. Post balance sheet events

There have been no significant post balance sheet events.