

Registered number:
03087911

INSTITUTE OF ART - LONDON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022

INSTITUTE OF ART - LONDON LIMITED

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INSTITUTE OF ART - LONDON LIMITED

COMPANY INFORMATION

Directors	Matthew Brehm Larisa Avner Trainor
Company secretary	Amanda Marie-Frances Bakale
Registered number	03087911
Registered office	30 Bedford Square London WC1B 3EE
Independent auditors	MarcumRBK RBK House Irishtown Athlone Co. Westmeath Ireland
Bankers	HSBC 129 New Bond Street London England W1S 1EA
Solicitors	Hewitsons LLP Elgin House Billing Road Northampton NN1 5AU Mills & Reeve Botanic House 98-100 Hills Road Cambridge CB2 1PH

INSTITUTE OF ART - LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2022

The directors present their annual report together with the financial statements and auditors report for the company for the year ended 31 August 2022.

Principal activity

The principal activity of the company is the provision of education for those seeking careers in the art world and related fields such as luxury and the creative industries.

Directors

The directors who served during the year were:

Matthew Brehm
Larisa Avner Trainor

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, MarcumRBK, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on Dec 15, 2022 and signed on its behalf.

Secretary Amanda Bakale *Amanda Bakale*

Date: Dec 15, 2022

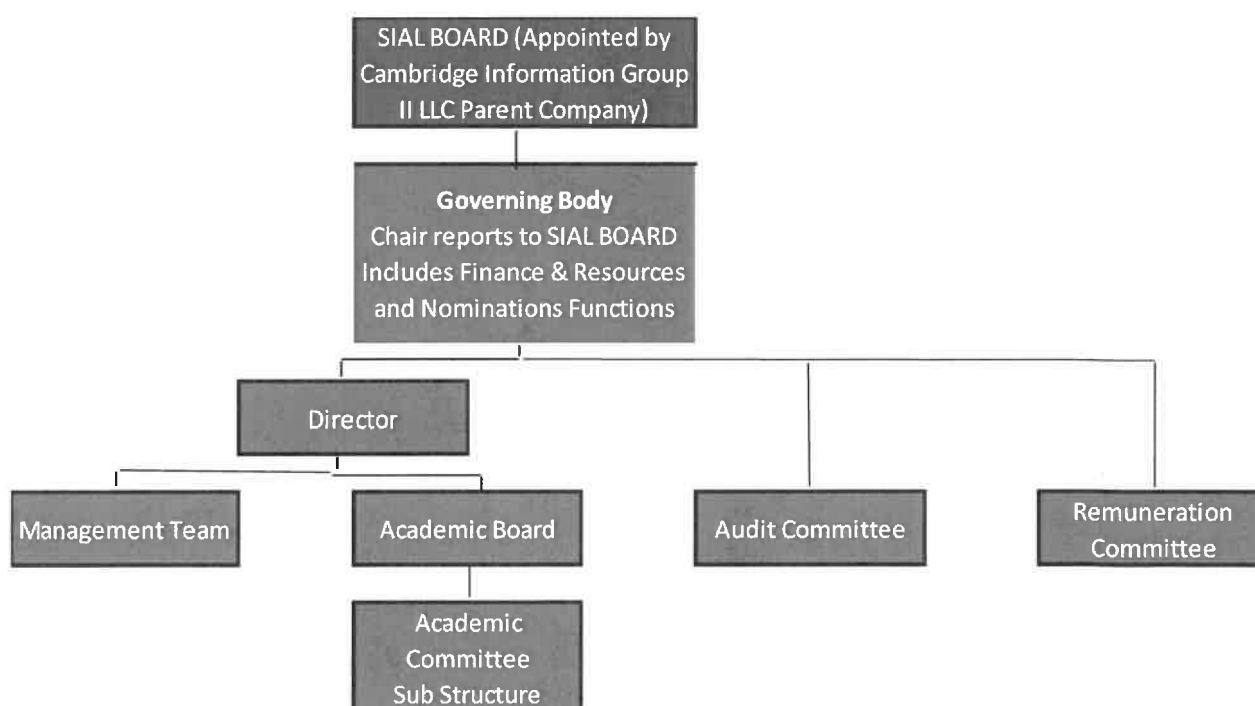
INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 AUGUST 2022

Introduction

SIAL is incorporated in England and Wales since 1995, company number 03087911 under the name Institute of Art – London Ltd. The registered office is 30 Bedford Square, London WC1B 3EE. SIAL is a wholly owned subsidiary of Institute Of Art Holdings LLC, registered in the state of Delaware, USA, and company number 3708619. SIAL is a subsidiary of BrandEd Holdings LLC, registered in the state of Delaware, USA, company number 202361032. BrandEd is a member of the Cambridge Information Group (CIG) group of companies, Cambridge Information Group II LLC, registered in the state of Maryland, USA, company number W11714003.

The SIA-L's governance structure may be illustrated as follows:



INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

The body with the ultimate decision making powers is the SIAL Board whose members are the directors of SIAL appointed by the shareholder, the Institute of Art Holdings LLC.

The Governing Body was set up as a 'local board' of the board of directors (in accordance with the article 13 of the company's articles of association) and it holds delegated powers from the SIAL Board in some areas. It is also responsible for advising the SIAL Board in other areas in order to ensure that the directors exercise their own functions in a well-informed manner.

The terms of reference of the Governing Body explain in detail its various functions. Sections L, O, P and Q of the terms of reference (which are shown on page 8) govern the relationship between the Governing body and the SIAL Board of Directors.

The SIAL Governing Body incorporates the Finance and Resources and the Nominations functions. The SIAL Audit Committee takes responsibility for the audit functions, reporting to the SIAL Governing Body. The SIAL Remunerations Committee takes responsibility for the remuneration function, reporting to the SIAL Governing Body. The SIAL Governing Body delegates responsibility for management of the Institute and for academic affairs via the Director to the SIAL Management Team and the SIAL Academic Board. The Chair of the Management Team and of the Academic Board is the Director. Students are represented on the SIAL Academic Board and other committees. There is currently Alumni representation on the SIAL Governing Body.

The terms of reference of the Governing Body, the Audit Committee and Remuneration Committee are as follows:

Governing Body

Terms of Reference

Introduction:

- A. Institute of Art-London Limited is a private limited company and a higher education provider trading as Sotheby's Institute of Art-London (the "Institute" or "SIAL").
- B. The board of directors of Institute of Art – London Limited (the "SIAL Board") is legally responsible for the business of the company. The articles of association of the company¹ entitle the SIAL Board to "*establish local boards [...] for managing any of the affairs of the company*", to "*appoint any persons to be members of the local [...] boards*" and to "*delegate to any local board any of the powers, authorities and discretions vested in or exercisable by*" the SIAL Board "*with power to sub-delegate*".
- C. On 18 May 2018, the SIAL Board exercised its right to establish the Governing Body as a local board and delegated certain functions to the Governing Body. The SIAL Board resolved that the Governing Body be established and become operative with immediate effect in accordance with these Terms of Reference and the Governing Body Standing Orders, which shall remain in force until they are amended in accordance with their terms.

¹ Article 13 of the Articles of Association of Institute of Art – London Limited

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Composition of Governing Body:

D. There shall be a Governing Body of no more than six members. The Governing Body shall be comprised of:

- | | |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. Chair: | An independent person appointed as chair by the SIAL Board, who may be remunerated for his/her services as a member of the Governing Body |
| ii. Deputy Chair: | An independent person appointed as deputy chair by the SIAL Board, who may be remunerated for his/her services as a member of the Governing Body |
| iii. Parent Company Member: | a person appointed by the parent company of Institute of Art – London Limited |
| iv. Director: | the Director of the Institute shall be an <i>ex officio</i> Member |
| v. Independent Members(s): | One additional person co-opted by the Governing Body with the consent of the SIAL Board, who may be remunerated for his/her services as Member |
| vi. Student Member: | a student of the Institute (or a recent alumnus) to be appointed or elected in accordance with the procedures adopted by the Governing Body from time to time |

E. Members of the Governing Body listed under section D (i) to (v) above may also be referred to as “Governors”.

F. A person shall not become or be deemed a member of the SIAL Board by virtue of his/her appointment as a Member or Student Member.

Quorum:

G. Three (3) members, to include both Independent Members and the Parent Company Member and the Director, the quorum shall be four (4).

Operation of Governing Body:

H. As a local board established by the SIAL Board, the Governing Body shall hold such responsibilities and functions as the SIAL Board shall delegate to it from time to time and/or as set out in these Terms of Reference.

Responsibilities of Governing Body:

- I. As a local board established by the SIAL Board, the Governing Body shall hold such responsibilities and functions as the SIAL Board shall delegate to it from time to time and/or as set out in these Terms of Reference.
- J. The Governing Body shall be responsible for:

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

General

- 1) advising the SIAL Board on all strategic and policy matters, as well as the effective and efficient use of resources, and for safeguarding assets so as to allow the SIAL Board to ensure the solvency of the Institute and the safeguarding of its assets;
- 2) advising the SIAL Board on the Institute's future development;
- 3) the effective management and operation of the Institute;
- 4) advising the SIAL Board on and observing (i) the highest standards of corporate governance, (ii) best practice in the higher education sector, (iii) the principles of public life drawn up by the Committee on Standards in Public Life, and (iv) the public interest governance principles established by the Office for Students;
- 5) safeguard the good name and values of the Institute;
- 6) ensuring and demonstrating integrity and objectivity in the transaction of its business and, wherever possible, following a policy of openness and transparency in the dissemination of its decisions;
- 7) the health and safety of employees, students and other individuals whilst on the Institute's premises and in other places where they may be affected by its operations, including ensuring that the Institute has a written statement of policy on health and safety and arrangements for the implementation of that policy;
- 8) eliminating unlawful discrimination and promoting equality of opportunity and relations between different groups;

Financial

- 9) ensuring that funds approved by the SIAL Board are used in accordance with the terms and conditions of the Institute's financial regulations;
- 10) ensuring, through the Audit Committee, the establishment and monitoring of systems of control and accountability including financial and operational controls and risk assessment;
- 11) the determination of the educational character and mission of the Institute including the approval of the Institute's Strategic Plan and the setting of Key Performance Indicators (KPIs);
- 12) making recommendations to the SIAL Board regarding the approval of the annual estimates of income and expenditure;
- 13) receiving the Institute's annual accounts (financial statements) after they have been audited by the external auditors and making a recommendation to the SIAL Board on whether to approve them;

Office for Students

- 14) all interactions between the Institute and the Office for Students;
- 15) ensuring the Institute's compliance with all the conditions of registration and accounts direction which the Office for Students may issue from time to time and, where necessary, make recommendations to the SIAL Board regarding any decisions or actions which the SIAL Board needs to take in order to enable the Institute to remain compliant on an ongoing basis;

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

- 16) recommending to the SIAL Board a senior officer of the Institute to be nominated to the Office for Students as the Institute's 'accountable officer' who has the responsibilities set out by the Office for Students for an accountable officer from time to time;
- 17) notifying the Office for Students of any change which it becomes aware of and which affects the accuracy of information contained in the Institute's entry in the register maintained by the Office for Students;
- 18) compliance with guidance published by the Office for Students to facilitate, in co-operation with electoral registration officers, the electoral registration of students;

Staff

- 19) recommending to the SIAL Board a framework for the appointment, assignment, grading, appraisal, suspension, dismissal and determination of the pay and conditions of staff;
- 20) making recommendations to the SIAL Board regarding the appointment, suspension or dismissal of the Director, the deputy director, and such other senior officers as the SIAL Board may designate from time to time;
- 21) ensuring that there are suitable arrangements in place for monitoring the CEO's performance;

Students

- 22) ensuring that adequate provision is made for the general welfare of students;
- 23) taking such steps as are reasonably practicable to ensure that the views of students of the Institute are represented, for example: through the nomination or election process of the Student Member or representation at the Academic Board;

Ongoing monitoring and reporting

- 24) regularly monitoring the performance of the Institute against its planned strategies and operational targets including those contained in approved KPIs;
- 25) reviewing annually the performance of the Institute as a whole in meeting strategic objectives and associated measures of performance and the contribution of the Governing Body to that success;
- 26) reviewing its own effectiveness and performance and that of its committees formally every four years, and annually on a 'light touch' basis;
- 27) reviewing its terms of reference and work plan annually;
- 28) reporting on a regular basis to the SIAL Board.

Finance & Resources

- K. The Governing Body in addition to its general and specific duties listed above will also specifically cover the following finance and resource matters at each scheduled meeting:
 - 29) oversight of the terms of reference and standing orders governing any audit or finance & resources committee and receiving reports or recommendations from any such committee (if any);

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

- 30) the financial affairs of the Institute in accordance with all statutory requirements, the constitutional documents, all policies and regulations adopted by the SIAL Board or the Governing Body or any of its committees from time to time and the requirements of the Office for Students. This includes ensuring that there are adequate and effective arrangements in place to ensure public funds are managed appropriately, in line with the conditions of grant and the principles of regularity, propriety and value for money, and to protect the interests of taxpayers and other stakeholders;
- 31) the strategic management of the Institute's land and buildings to include consideration, approval and review of the estates and accommodation strategies which identify the property and space requirements needed to fulfil the objectives of the Institute's strategic plan, and advising the SIAL Board in such matters;
- 32) any major building developments, acquisitions, and disposals of land and premises;
- 33) the economic, efficient and effective use of all physical resources;
- 34) the care and maintenance of land and buildings including oversight of a planned programme of work, scheme of long term maintenance and conditions appraisals;
- 35) the consideration and recommendation of the information and communications technology (ICT) strategy;
- 36) monitoring, measuring and evaluating the outcomes of major ICT implementations;
- 37) oversight of the actions taken by the Director relating to Human Resources within his/her delegated responsibility for managing the Institute;
- 38) oversight of the Institute's people strategy and to receive assurance that the Institute is tracking and delivering the actions outlined therein;
- 39) the consideration of the Institute's consolidated financial statements;
- 40) the financial planning of the Institute, including the consideration of annual estimates of income and expenditure and the periodic review of reports on performance against approved budgets and plans and reporting to SIAL Board;
- 41) the economic, efficient, effective and proper use of all resources of the Institute, consistent with Health and Safety legislation and guidance;
- 42) making recommendations to the SIAL Board for the approval of financial regulations, policies and procedures (as the case may be);
- 43) monitoring delivery, considering detailed business cases and proposing funding options in relation to master planning;
- 44) governance oversight of the environmental sustainability agenda;

Nominations

- L. The Governing Body in addition to its general and specific duties listed above will also specifically cover the following nominations matters at least once per academic year:
 - 45) oversight of the terms of reference and standing orders governing any nominations committee (if any) and receiving reports or recommendations from any such committee;

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

- 46) oversight of Governance policy and practice and recommend changes to the SIAL Board on policy and practice in line with regulatory and best practice requirements;
- 47) monitoring, considering and updating register of interests and meeting declarations;
- 48) considering nominations to the Governing Body and recommending appointment of Members to the SIAL Board;
- 49) oversight of the arrangements for annual Members informal discussions and four yearly review of governance;
- 50) strategic oversight of master planning and making recommendations to the SIAL Board.

Authority:

- M. The Governing Body is responsible to and reports to the SIAL Board.
- N. The Governing Body has the power to form permanent or ad-hoc sub-committees and working groups or otherwise delegate some of its functions to individuals. Those sub-committees may invite other persons to attend from time to time as appropriate to contribute to the issues under consideration by them.
- O. The following permanent sub-committees of the Governing Body shall be established and operate in accordance with their own terms of reference, as may be adopted by them from time to time with the consent of the SIAL Board: The Academic Board, the Audit Committee, the Remuneration Committee.

Relationship with the SIAL Board:

- P. The SIAL Board shall consult the Governing Body on all matters where the Governing Body by these Terms of Reference has a stated responsibility for giving advice.
- Q. The SIAL Board shall seek the prior approval of the Governing Body where, under these Terms of Reference, the Governing Body is required to give its approval.
- R. The SIAL Board shall provide such assistance to the Governing Body as is required for the Governing Body to carry out its responsibilities as set out in these Terms of Reference and the SIAL Board shall take due account of reports from the Governing Body on its findings and consequential recommendations.

Relationship with the Academic Board:

- S. The Academic Board shall operate in accordance with its terms of reference and act as the academic authority of the Institute. The Governing Body shall consult the Academic Board on all matters where the Academic Board has a stated responsibility for giving advice under its terms of reference. The Governing Body shall seek the prior approval of the Academic Board where the Academic Board is required to give its approval under its terms of reference.

Voting and Recommendations:

- T. It is expected that decisions of the Governing Body will normally be reached by consensus and after due debate but if a vote is required then decisions shall be made on the basis of a majority of those attending and voting at a quorate meeting. In the event of an equality of votes being cast, the Chair shall have a casting vote.

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Amendment of Terms of Reference:

- U. These Terms of Reference may be amended, revoked or superseded by a resolution of the SIAL Board.

Sotheby's Institute of Art

Audit Committee

Terms of Reference

Introduction:

- A. Institute of Art-London Limited is a private limited company and a higher education provider trading as Sotheby's Institute of Art-London (the "Institute" or "SIAL").
- B. The board of directors of Institute of Art – London Limited (the "SIAL Board") is legally responsible for the business of the company. The articles of association of the company² entitle the SIAL Board to "establish local boards [...] for managing any of the affairs of the company", to "appoint any persons to be members of the local [...] boards" and to "delegate to any local board any of the powers, authorities and discretions vested in or exercisable by" the SIAL Board "with power to sub-delegate".
- C. On 18 May 2018 the SIAL Board exercised its right to establish the Governing Body as a local board, delegated certain functions to the Governing Body and put into place the Terms of Reference of the Governing Body.
- D. On 21 May 2018 the Governing Body established a committee, with the following terms of reference (as approved by the SIAL Board), as the audit committee ("Audit Committee") of Institute of Art – London Limited. Its purpose is to establish formal and transparent arrangements for considering how the SIAL Board and the Governing Body should apply the financial reporting, regulatory and internal control principles of the Institute of Art – London Limited and to challenge financial and accounting practices where necessary and to maintain an appropriate relationship with the company's auditors.

Composition of the Audit Committee:

- E. There shall be an Audit Committee of a minimum of three members. The Audit Committee shall be comprised of:
- | | | |
|-------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| vii. | Independent members: | Two Independent Governors |
| viii. | Parent Company member | The Parent Company Governor from time to time shall be an <i>ex officio</i> member of the Audit Committee |
| ix. | Co-opted members | the Audit Committee may, if it considers it necessary or desirable, co-opt members who have recent, relevant experience in finance, accounting or auditing or otherwise particular expertise as the Audit Committee considers necessary or desirable. |

² Article 13 of the Articles of Association of Institute of Art – London Limited

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Membership:

- F. The independent members of the Audit Committee shall be appointed by the Governing Body, from among the Independent Governors, and must consist of members with no executive responsibility for the management of the Institute. Members, apart from the 'Parent Company member' should not have significant interests in the Institute. For these reasons the Student Member of the Governing Body and the Director are precluded from being members of the Audit Committee.

At least one Member should have recent, relevant experience in finance, accounting or auditing. The Committee may, if it considers it necessary or desirable, co-opt members with particular expertise.

Chair:

- G. The members of the Audit Committee shall appoint a Chair from among themselves for an initial period of three years and may serve a maximum of three terms of office to chair meetings of the Audit Committee. In the absence of the Chair, the members of the Audit Committee shall appoint another member of the Audit Committee to chair Audit Committee meetings.

Quorum:

- H. Three (3) members, to include both Independent Governors and the Parent Company Governor; provided, however, should there be at least one co-opted member, the quorum shall be four (4).

Secretary:

- I. The Secretary to the Governing Body may act as the secretary of the Audit Committee, who shall attend and minute the meetings of the Audit Committee but will not take part in the voting nor become a formal member of the Audit Committee.

Attendance at Meetings:

- J. In attendance by invitation:
1. Director
 2. Chair of the Governing Body
 3. Senior Finance Representative
 4. External and Internal Auditors - as appropriate
- K. However, at least once a year the Audit Committee should meet with the external auditors without any directors or officers of SIAL present.

Frequency of meetings:

- L. Meetings shall normally be held three (3) times each financial year. The external auditors or Director of Finance may request a meeting if they consider it necessary.

Responsibilities of the Audit Committee:

- M. As a committee established by the Governing Body, the Audit Committee shall hold such responsibilities and functions as the Governing Body shall delegate to it from time to time and/or as set out in these Terms of Reference.

INSTITUTE OF ART - LONDON LIMITED

**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2022**

N. The Audit Committee shall be responsible for:

- 1) making recommendations to the Governing Body and SIAL Board regarding the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors;
- 2) discussing with the external auditors, before the audit begins, the nature and scope of the audit;
- 3) discussing with the external auditor's problems and reservations arising from the interim and final audits, including a review of the management letter, incorporating management responses, the appropriateness of the Institute's management of any public funding it receives and any other matters the external auditors may wish to discuss (in the absence of management where necessary);
- 4) considering and advising the Governing Body on the appointment and terms of engagement of the internal audit service, the audit fee, the provision of any non-audit service by the internal auditors, and any questions of resignation or dismissal of the internal auditors;
- 5) reviewing management's audit risk assessment, strategy and programme; considering major findings of internal audit investigations; promoting co-ordination between the Institute's finance team and external auditors; ensuring that the resources made available for the finance team are sufficient to meet the Institute's needs (or making a recommendation to the Governing Body or the SIAL Board as appropriate);
- 6) keeping under review the effectiveness of the risk management, control and governance arrangements, including receiving presentations on particular topics/priority risks (e.g. academic risk), and reviewing the external auditors' management letter, the internal auditors' annual report and management responses and making recommendations to that effect to the Governing Body and the SIAL Board;
- 7) monitoring the implementation of agreed audit-based recommendations, from whatever source;
- 8) ensuring that all significant losses have been properly investigated and that the internal and external auditors – and where appropriate the OfS accounting officer – have been informed;
- 9) overseeing the Institute's policy on fraud and irregularity, including whistleblowing, including being notified of any action taken under that policy;
- 10) satisfying itself that suitable arrangements are in place to promote economy, efficiency and effectiveness;
- 11) as a designated committee of the Governing Body, fulfilling its responsibilities for confirming that the Institute's annual accountability return together with any other information which the Office for Students may request have been completed and delivered to the Office for Students in accordance with OfS requirements;
- 12) receiving any relevant reports from the National Audit Office (NAO) and its equivalents in Scotland, Wales and Northern Ireland, the funding councils and other organisations including the OfS;
- 13) monitoring annually the performance and effectiveness of the external and internal auditors, including any matters affecting their objectivity, and making recommendations to the Governing Body concerning their reappointment, where appropriate;

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

- 14) considering elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with the funding council's accounts directions;
- 15) in the event of the merger or dissolution of the Institute, ensuring that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed and making appropriate recommendations to the Governing Body and SIAL Board to that effect;
- 16) monitoring and reviewing data assurance arrangements;
- 17) monitoring the Institute's performance against KPIs set by the SIAL Board and/or the Governing Body;
- 18) receiving and considering the finance director's annual report;
- 19) for reviewing its own effectiveness and performance on a 'light touch' basis and formally every four years (annually through Governor Informal Discussions);
- 20) reviewing terms of reference and work plans annually.

Authority:

- O. The Audit Committee is responsible to and reports to the Governing Body.
- P. The Audit Committee shall operate within the terms and conditions of funding for higher education institutions as issued by the Office for Students from time to time.
- Q. The Audit Committee is authorised by the SIAL Board and Governing Body to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee of the Institute, and all employees are directed to co-operate with any request made by the Audit Committee.
- R. The Audit Committee is authorised by SIAL Board and the Governing Body, within any budgetary restraints imposed by the SIAL Board, to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matters it believes it necessary to do so and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the Director and/or the Chair of the Governing Body.
- S. The Audit Committee will review the audit aspects of the draft annual financial statements, including commentary. These aspects will include the external audit opinion, the statement of members' responsibilities, the management of any public funding the Institute receives and the appropriateness of safeguards and controls in place, the statement of internal control and any relevant issue raised in the external auditors' management letter. The Audit Committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the Governing Body.

Reporting Procedures:

- T. The minutes of meetings of the Audit Committee will be circulated to all members of the Governing Body.
- U. The Audit Committee will prepare an annual report covering the Institute's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Governing Body and will summarise the activity for the year. It will give the Audit Committee's opinion of the adequacy and effectiveness of the Institute's arrangements for the following:

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

- 1) risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts);
- 2) economy, efficiency and effectiveness (value for money). This opinion should be based on the information presented to the Audit Committee. The Audit Committee's annual report should normally be submitted to the Governing Body well in advance of the members' responsibility statement in the annual financial statements being signed.
- 3) The appropriateness and effectiveness of the Institute's management of any public funding it receives, in line with the conditions of grant and the principles of regularity, propriety and value for money, and the protection of the interests of taxpayers and other stakeholders.

Voting and Recommendations:

- V. It is expected that decisions of the Audit Committee will normally be reached by consensus and after due debate but if a vote is required then decisions shall be made on the basis of a majority of those attending and voting at a quorate meeting. In the event of an equality of votes being cast, the Chair shall have a casting vote.

Amendment of Terms of Reference:

- W. These terms of reference may be amended, revoked or superseded by a resolution of the SIAL Board.

Sotheby's Institute of Art

Remuneration Committee

Terms of Reference

Introduction:

- A. Institute of Art-London Limited is a private limited company and a higher education provider trading as Sotheby's Institute of Art-London (the "Institute" or "SIAL").
- B. The board of directors of Institute of Art – London Limited (the "SIAL Board") is legally responsible for the business of the company. The articles of association of the company³ entitle the SIAL Board to "establish local boards [...] for managing any of the affairs of the company", to "appoint any persons to be members of the local [...] boards" and to "delegate to any local board any of the powers, authorities and discretions vested in or exercisable by" the SIAL Board "with power to sub-delegate".
- C. On 18 May 2018, the SIAL Board exercised its right to establish the Governing Body as a local board, delegated certain functions to the Governing Body and put into place the Terms of Reference of the Governing Body.
- D. On 21 May 2018 the Governing Body established a committee, with the following terms of reference (as approved by the SIAL Board), as the remuneration committee ("Remuneration Committee") of Institute of Art – London Limited, in order to assist the SIAL Board and Governing Body to ensure that remuneration policy and practices of the Institute reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.

³ Article 13 of the Articles of Association of Institute of Art – London Limited

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Composition of the Remuneration Committee:

- E. There shall be a Remuneration Committee of a minimum of three members. The Remuneration Committee shall be comprised of:

- | | |
|---------------------------|------------------------------------------------------------------------------------------------------------------|
| i. Independent members: | Two Independent Governors, including the Chair of the Governing Body |
| ii. Parent Company member | The Parent Company Governor from time to time shall be an <i>ex officio</i> member of the Remuneration Committee |

Membership:

- F. The independent members of the Remuneration Committee shall be appointed by the Governing Body, from among the Independent Governors (other than a student representative or recent alumnus), and must consist of members with no executive responsibility for the management of the Institute.

Chair:

- G. The members of the Remuneration Committee shall appoint a Chair from among themselves for an initial period of three years to chair meetings of the Remuneration Committee. In the absence of the Chair, the members of the Remuneration Committee shall appoint another member of the Remuneration Committee to chair Remuneration Committee meetings.

Quorum:

- H. Three (3) members, to include both Independent Governors and the Parent Company Governor.

Secretary:

- I. The director of human resources (or equivalent) shall act as the secretary of the Remuneration Committee who may attend and minute the meetings of the Remuneration Committee but will not take part in the voting nor become a formal member of the Remuneration Committee.

Attendance at Meetings:

- J. In attendance by invitation: Director.
The Director is not a member of the Remuneration Committee, but s/he will be in attendance for all matters except those that concern his/her own position. The Director shall withdraw from the Remuneration Committee when his/her own salary, terms and conditions, severance payments etc. are under consideration.

Frequency of meetings:

- K. Meetings shall normally be held at least once each financial year.

Responsibilities of the Remuneration Committee:

- L. The Remuneration Committee shall be responsible for:
- 1) reviewing and recommending to the Governing Body and/or the SIAL Board (as the case may be) the pay and conditions of employment for:

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

- a) the Director,
 - b) members of the Institute's senior management team on the recommendation of the Director, and
 - c) other senior staff as the Governing Body deems appropriate
- 2) in relation to those posts within the scope of the Remuneration Committee:
- a) recommending to the Governing Body and/or the SIAL Board (as the case may be) levels of base pay,
 - b) reviewing pay on an annual basis taking into account relevant market and other contextual information, as appropriate, such as:
 - i. the financial position within the Institute;
 - ii. the national pay award for the period in question; and
 - iii. relevant market pay data.
 - c) making recommendations to the Governing Body and/or the SIAL Board (as the case may be) regarding the awarding any element (whether consolidated or not) of performance related rewards;
 - d) making recommendations to the Governing Body and/or the SIAL Board (as the case may be) regarding severance, redundancy or any pension related payments (other than those due in normal retirement situations);
 - e) making recommendations to the Governing Body and/or the SIAL Board (as the case may be) to determine all other terms and conditions of employment (whether or not 'pay related');
 - f) making recommendations to the Governing Body and/or the SIAL Board (as the case may be) regarding the principles or specific policy arrangements relating to senior pay and conditions of employment.
- M. The Remuneration Committee shall exercise its responsibilities in accordance with the following principles:
- 1) Ensuring that decisions reached are fair, proportionate and consistent and give due regard to the Institute's equality commitments and responsibilities together with its status;
 - 2) Considering affordability when reaching all decisions;
 - 3) Considering at all times the impact of decisions on individual future pension entitlements and costs;
 - 4) Ensuring that there is a clear and justifiable rationale for all decisions.
 - 5) Where the Institute is in receipt of any public funding, ensuring that when considering severance payments for senior staff that the Committee must represent the public interest and avoid any inappropriate use of public funds.

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Information Requirements:

- N. In the conduct of its business, it is expected that the Remuneration Committee will draw upon a range of information sources as necessary to support robust, consistent and equitable decision-making. This may include, for example:
- 1) Relevant financial information (internal and external);
 - 2) Institute performance including delivery of the strategic plan adopted by the SIAL Board;
 - 3) The national pay situation;
 - 4) Market pay data e.g. the senior salary survey carried out from time to time by the Universities & Colleges Employers Association and/or any database of salaries and benefits for heads of institution maintained by the Committee of University Chairs; and
 - 5) Information on the performance of individual senior staff where relevant.

Reporting Relationships:

- O. The Remuneration Committee shall report to the Governing Body, which will share all relevant reports and recommendations with the SIAL Board in accordance with the Governing Body's Standing Orders and Terms of Reference from time to time. Reports should provide sufficient detail of the broad criteria and policies against which decisions have been reached.

Voting and Recommendations:

- P. It is expected that decisions of the Remuneration Committee will normally be reached by consensus and after due debate but if a vote is required then decisions shall be made on the basis of a majority of those attending and voting at a quorate meeting. In the event of an equality of votes being cast, the Chair shall have a casting vote.

Amendment of Terms of Reference:

- Q. These terms of reference may be amended, revoked or superseded by a resolution of the SIAL Board.

Academic Board – Terms of Reference

Composition:

Membership

Director (Chair)
All MA Programme Directors
Senior Officer – Quality and Validation
Director's Office Manager (Secretary)
Librarian

One Semester Course Leader (to be nominated by the Semester Programme Team) – Term of office to be reviewed after 2 years, with a maximum term of 4 years.

One other permanent member of academic staff (to be nominated by Academic Board) – Term of office to be reviewed after 2 years, with a maximum term of 4 years.

One consultant lecturer (to be nominated by Academic Board) – Term of office to be reviewed after 2 years, with a maximum term of 4 years.

Once student representatives have been selected, two Student Representatives (drawn from MA programmes).

Such persons as may be co-opted by the Academic Board.

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Quorum:

The quorum shall be one half (50%) of the members of the Academic Board.

Reporting Relationships:

The Academic Board is responsible for overseeing all academic activities at the Institute.

Programme Committees, Academic Standards Committee, Research and Development Support Committee, Fitness to Study Committee, Appeals Panels, Complaints Panels, Summary Findings Committees, and Misconduct Committees report to Academic Board.

Examination Boards report to Academic Board and to the University of Manchester.

Academic Board reports to the Governing Body, who have ultimate responsibility for the oversight of academic standards.

In attendance by invitation:

Other members of SIAL staff as appropriate.

Frequency of Meetings

Four (4) times per annum during teaching semesters, on Wednesday afternoons.

General

Responsibilities are as follows:

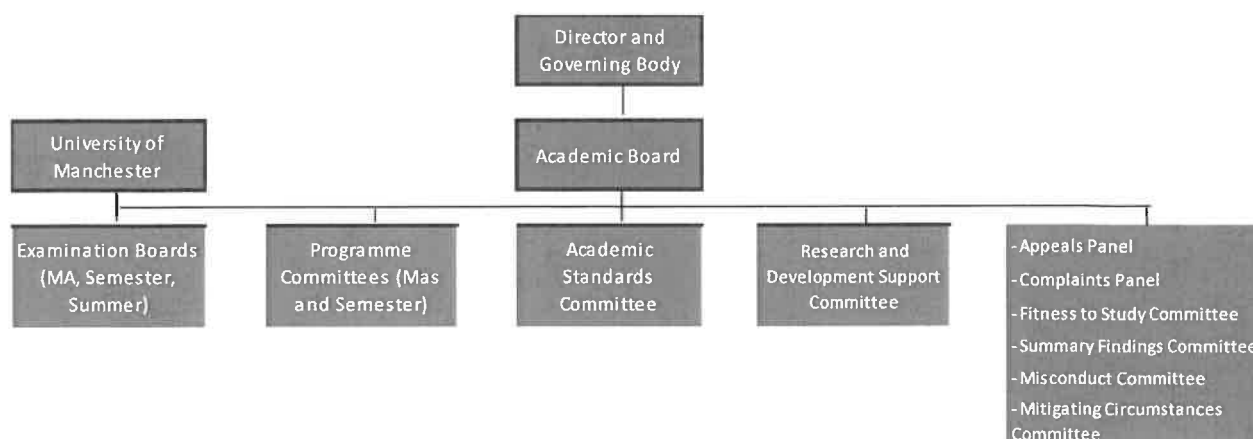
- 1) To advise on matters referred to it by the Governing Body, Director, Quality Team and Academic Standards Committee concerning the planning, development, oversight and enhancement of the academic work of the Institute, including teaching, learning opportunities, curriculum design and development, support services, learning resources and research;
- 2) To advise on the quality and academic standards of the educational provision, including matters relating to validation and assessment;
- 3) To ensure compliance with the UK Quality Code for Higher Education and the requirements of the validating body;
- 4) To have oversight of proposed new programme developments or amendments to existing programmes;
- 5) To monitor and advise on the student experience, including student support services, careers services, library, IT and alumni development;
- 6) To contribute to and consider the Institute's strategic plan;
- 7) To discuss, approve and monitor the effectiveness of policies and procedures on all matters relating to students on validated courses or programmes, such as assessment, admissions, student misconduct, student complaints and appeals, course review and monitoring;
- 8) To receive reports from Programme Committees (including matters relating to student feedback);
- 9) To review Programme Annual Monitoring Reports and to monitor progress against identified actions;
- 10) To approve the nomination of External Examiners and to review External Examiner reports and monitor progress against identified actions;
- 11) To ensure that terms of reference are reviewed on an annual basis alongside a review of Academic Board's effectiveness.

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

It is recognised that there may be items of reserved business from which student representatives will be asked to withdraw. Such items will not be included in minutes circulated to students.

Academic governance may be illustrated as follows:



After initial validation of its higher education programmes by the Council for National Academic Awards in 1979, the University of Manchester became the Institute's validation partner in 1995. The Institute has a close working relationship with the University's School of Arts, Languages and Cultures, with whom it liaises and collaborates, to secure and maintain a five-year, renewable contract. The present contract runs for five years from 1 January 2020.

Academic governance is achieved through Academic Board, Academic Standards Committee, Programme Committees and Exam Boards. The functions of these entities are underpinned by Complaints and Appeals Panels, Summary Findings, Misconduct, Mitigating Circumstances and Fitness to Study Committees.

Academic Board, Academic Standards Committee, Programme Committees and the Research and Development Support Committee have clearly stated terms of reference, meet on a regular basis according to their terms of reference, and are minuted with action plans for quality enhancement.

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Academic Board represents the highest level of academic governance of SIAL. Academic Board reports to the Director and to the SIAL Governing Body on academic matters. Academic Board is concerned with academic oversight of the Institute and receives and considers both external reports (primarily QAA review reports and external examiner reports) and internal reports (for example, IT and Library reports, academic results reports, reports of Complaints and Appeals or of academic malpractice). The Academic Standards Committee and Programme Committees all report to Academic Board. The Academic Standards Committee is more concerned with the day-to-day operation of teaching and learning at the Institute.

Examination Boards additionally report to the validating partner, the University of Manchester, whose academic regulations they follow. They include representatives from the University of Manchester and external examiners, and approve student grades, credits and awards for assessed work.

Student representatives attend Academic Board, Academic Standards Committee and Programme Committees, as well as Complaints and Appeals Panels and Misconduct Committees. This representation ensures that students have a key role in academic governance and that their feedback is received so that issues are identified and acted upon. Academic Board and Academic Standards Committee review their effectiveness annually.

This statement was approved by the board and signed on its behalf.

Secretary Amanda Bakale *Amanda Bakale*

Date: Dec 15, 2022

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF INTERNAL CONTROL FOR THE YEAR ENDED 31 AUGUST 2022

Introduction

The Governing Body is responsible for ensuring that a sound system of internal control is maintained. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achieving strategic and operational aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. Such a system is designed to manage, rather than eliminate, risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance of effectiveness.

The process for reviewing the effectiveness of the system of internal control is primarily through both management reports and reports from the internal auditor to the Audit Committee.

The Institute appointed a professional firm of internal auditors (RSM Risk Assurance Services LLP) in December 2019. The work of the internal audit service is informed by an analysis of the risks to which the Institute is exposed. Annual internal audit plans will be based on this analysis. The analysis of risks and the internal audit plans will be endorsed by the Governing Body on the recommendation of the Audit Committee.

Management will be responsible for the implementation of agreed audit recommendations and the internal auditors will undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The audit committee will consider detailed reports together with recommendations for the improvement of the Institute's systems of internal control and management's responses and implementation plans.

The Internal Auditor will provide the governing body with an annual report on internal audit activity. During the year, the following key audits were undertaken:

1. Governance and Risk Management
A review was undertaken to test the Institute's existing governance framework for compliance with the CUC Higher Education Code of Governance and the IHE proposed Code of Governance. This review considered a sample of requirements from each of the six elements in the CUC Higher Education Code of Governance published in 2020 and reviewed the extent to which the Institute has evidence which indicates compliance with these elements. The review also considered whether or not these elements were also included in the same way within the Independent Higher Education (IHE) proposed Code of Governance.
2. Internal Control
A high level review of Key Financial Controls covering: General Ledger; Fixed Assets; Creditors and payments; Debtors and income was undertaken during the year.
3. Internal Control
A review considered the Institute's controls over payroll, focusing on segregation of duties, the administration of new starters, leavers, payroll amendments authorisation and exception reporting.
4. Data Quality
As part of a rolling programme of assurance reviews over the design, operation and substantive accuracy of data returns, a review of the Institute's HESA compliance arrangements was undertaken. This review considered the process undertaken for the 2020/21 submission including consideration of governance processes and the efficiency of the preparation and submission of the return.

INSTITUTE OF ART - LONDON LIMITED

STATEMENT OF INTERNAL CONTROL (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Alongside the work of the internal audit service, the Board of Directors continuously reviews and manages risk in order to achieve its objectives. A Risk Register is maintained and regularly reviewed by the Institute management team. The Director in turn reports on any recommendations made by the management team to the Governing Body. The key risks are listed below together with the mitigating actions put in place by the Governing Body.

Ensure financial sustainability and viability and provide value for money.

The Institute continues to review its programme mix and content with a view to developing greater resilience when faced with unexpected changes in market conditions and respond accordingly to changes in demand. This combined with a strong focus on cost control will ensure the longer term financial sustainability and viability of the business. The Institute also has the continued support from its parent undertakings in the USA through a ten-year interest free loan of £2.5 million.

The Institute has a defined contribution scheme which limits the pension liability and the contribution rate. It allows the Institute to accurately forecast its pension costs over the longer term without the risks commonly attached to defined benefit schemes, where contribution rates may increase substantially following periodic actuarial reviews.

Unexpected one-off material costs associated with HMRC VAT challenge.

SIA-L's VAT exempt status was challenged by HMRC with effect from August 2019. This was driven through the fact that SIA-L was registered with the Office for Students (OfS) as an "Approved" provider. From August 2019, only providers registered as "Approved – Fee Cap" with the OfS were entitled to VAT exempt status.

SIA-L worked closely with OfS to investigate the possibility of changing its registration status from being an "Approved" provider to that of an "Approved" Fee Cap provider. "Approved" Fee Cap status was granted by the OfS with effect from December 2020.

SIA-L also sought legal advice and a Notice of Appeal was submitted on Friday 28th August 2020 to HM Courts and Tribunals Service First-tier Tribunal.

In June 2021, HMRC advised SIA-L (pre-Tribunal) that the weight of evidence provided by SIA-L allowed them to conclude that SIA-L was indeed an eligible body and therefore VAT exempt for all periods both before and after the August 2019 change in legislation.

Ensure the Institute's buildings are viable, fit for purpose and facilitate student learning

The lease at 30-31 Bedford Square extends to 2035 allowing the Institute to continue to provide students with the same or better educational experience.

Provide excellent teaching, training and learning as part of a high quality learner experience

There is rigorous monitoring of all student outcomes by the Academic Board. Developmental activities are promoted including cross programme moderation and faculty planning days with the Director and Programme Directors.

The Information Technology provided to students is constantly reviewed with annual feedback on the service provision from all students.

Ensure high quality programmes, courses and curriculum

The Institute has strong existing links to the art world's employers and receives regular feedback from not only employers but from its alumni as they progress in their careers in the business of art.

INSTITUTE OF ART - LONDON LIMITED

**STATEMENT OF INTERNAL CONTROL (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2022**

The Institute also has a strong relationship with the University of Manchester which validates the Institute's MA, PG Diplomas, Semester and Summer School programmes. Following a recent review of the validation agreement, the University of Manchester has agreed to extend the agreement for a further 5 years, underpinned in no small way to the Institute's commitment to the quality of its programmes..

In its recent review report on the Institute, the University of Manchester, commented, 'The level of both pastoral and academic support given to students is excellent', and commended the Institute on the following:

- The overall student performance, students clearly excel at Sotheby's and staff provide them with the tools and strategies to achieve this.
- The high retention rates of students and Sotheby's commitment to its rigorous admissions processes.
- The continued high level of student satisfaction across the institution

This statement was approved by the board and signed on its behalf.

Secretary Amanda Bakale *Amanda Bakale*

Date: Dec 15, 2022

INSTITUTE OF ART - LONDON LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 AUGUST 2022

The directors are responsible for preparing the Directors' Report, the Statement of Corporate Governance, the Statements of Internal Control 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with Regulatory advice 9: Accounts Direction issued by the Office for Students and Higher Education SORP. 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 for the Company's financial statements and then apply them consistently;
- observe the methods and principles of the Higher Education SORP 2014 and the Office for Students – Regulatory advice 9: Accounts Direction;
- make judgments 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;
- 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 to 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.

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

This statement was approved by the board on and signed on its behalf.

Secretary Amanda Bakale *Amanda Bakale*

Date: Dec 15, 2022

INSTITUTE OF ART - LONDON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSTITUTE OF ART - LONDON LIMITED

Opinion

We have audited the financial statements of Institute of Art - London Limited (the 'Company') for the year ended 31 August 2022, which comprise the Statement of Financial Activities, Balance Sheet, the Statement of Cash Flows and the related notes, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Higher Education SORP 2014 and with Regulatory advice 9: Accounts Direction issued by the Office for Students.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2022 and of its profit 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, the Higher Education SORP 2014 and Regulatory advice 9: Accounts Direction issued by the Office for Students.
- Where applicable, funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Where applicable, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We draw attention to note 2.2 in the financial statements which indicates a degree of uncertainty within the Institute as a result of the Covid-19 pandemic. These conditions give rise to material uncertainty and have the potential to cast significant doubt on the company's ability to continue as a going concern. However management have reviewed all aspects of the business operations and have adapted the business plan in response to the challenges raised. Management have prepared budgets and forecasts reflecting the revised business plan. These indicate that the company has adequate resources available to allow it to trade for the foreseeable future notwithstanding the impact of Covid-19. In addition to the existing 10 year loan facilities advanced in 2018 by the company's parent, Cambridge Information Group II LLC, the company has also received a further commitment of support from Cambridge Information Group II LLC. Cambridge Information Group II LLC, have confirmed that they will continue to support the company for at least 18 months from the date of approval of the financial statements. Our opinion is not modified in respect of this matter.

INSTITUTE OF ART - LONDON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSTITUTE OF ART - LONDON LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Strategic Report.

INSTITUTE OF ART - LONDON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSTITUTE OF ART - LONDON LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 24, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

- The audit team obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined the most significant are those that relate to the reporting framework (FRS102, the Companies Act 2006, the relevant tax compliance regulations in the jurisdictions in which the Company operates, Regulatory advice 9: Accounts Direction issued by the Office for Students and the EU General Data Protection Regulation (GDPR).
- We understood how the Company is complying with those frameworks by enquiry with management, observing the oversight of those charged with governance, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud. We also took into consideration the results of our audit procedures carried out.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We considered the programmes and controls that the Company has established to address the risks identified, or otherwise prevent, deter and detect fraud and how senior management monitors those programmes and controls.
- As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and we designed our audit procedures to identify non-compliance with laws and regulations. In common with all audits under ISAs (UK), we were also required to perform specific procedures to respond to the risk of management override. These procedures included testing manual journals, assessing whether the judgements made in making accounting estimates are indicative of potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- We reviewed the financial statements disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

INSTITUTE OF ART - LONDON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSTITUTE OF ART - LONDON LIMITED (CONTINUED)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Cathal Melia (Senior Statutory Auditor)
for and on behalf of
MarcumRBK
RBK House
Irishtown
Athlone
Co. Westmeath

Date: 15 December 2022

INSTITUTE OF ART - LONDON LIMITED

**INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2022**

	Note	2022 £	2021 £
INCOME FROM:			
Trading activities	3	6,721,876	4,839,759
Other income sources	4	445,607	96,504
TOTAL INCOME		7,167,483	4,936,263
EXPENDITURE ON:			
Direct costs	6	2,868,379	1,883,098
Exceptional item – VAT provision/(reversal)	19	-	(645,929)
Support costs	7	5,159,995	4,126,068
TOTAL EXPENDITURE		8,028,374	5,363,237
NET INCOME/(EXPENDITURE) BEFORE INTEREST & TRANSFERS		(860,891)	(426,974)
Interest receivable and similar income	5	7,983	290
Interest payable and expenses	8	(100,265)	(101,690)
NET INCOME/(EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		(953,173)	(528,374)
Other gains/ (losses)		-	-
NET MOVEMENT IN FUNDS		(953,173)	(528,374)
Present value adjustment for liability		1,304	(3,606)
Total funds brought forward		(3,719,691)	(3,187,711)
TOTAL FUNDS CARRIED FORWARD		(4,671,560)	(3,719,691)

The notes on pages 32 to 50 form part of these financial statements.

INSTITUTE OF ART - LONDON LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2022**

	Note	2022 £	2021 £
Fixed assets			
Intangible fixed assets	12	89,057	103,898
Tangible fixed assets	13	330,920	333,614
Investments	14	85,087	85,087
		<u>505,064</u>	<u>522,599</u>
Current assets			
Debtors: amounts falling due within one year	15	1,367,987	850,905
Cash at bank and in hand	23	3,333,283	3,283,820
		<u>4,701,270</u>	<u>4,134,725</u>
Creditors: amounts falling due within one year	16	(7,161,349)	(5,635,763)
Net current assets		<u>(2,460,079)</u>	<u>(1,501,038)</u>
Total assets less current liabilities		<u>(1,955,015)</u>	<u>(978,439)</u>
Creditors: amounts falling due after more than one year	17	(2,406,545)	(2,431,252)
Net liabilities		<u>(4,361,560)</u>	<u>(3,409,691)</u>
Capital and reserves			
Called up share capital	20	310,000	310,000
Other reserves	21	533,543	632,312
Unrestricted funds	21	(5,205,103)	(4,352,003)
Total Funds		<u>(4,361,560)</u>	<u>(3,409,691)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small company's regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

Larisa Avner Trainor 
Director

Matthew Brehm 
Director

Date: Dec 15, 2022

Date: Dec 15, 2022

The notes on pages 32 to 50 form part of these financial statements.

INSTITUTE OF ART - LONDON LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2022**

	2022 £	2021 £
Cash flows from operating activities		
Net cash (used)/generated from operating activities	104,259	567,534
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of tangible fixed assets	(61,016)	(34,070)
Sale of tangible fixed assets	2,586	-
Interest received	7,983	290
	<hr/>	<hr/>
Net cash from investing activities	(50,447)	(33,780)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	53,812	533,754
Cash and cash equivalents at beginning of year	3,277,972	2,744,218
	<hr/>	<hr/>
Cash and cash equivalents at the end of year	<u>3,331,784</u>	<u>3,277,972</u>

The notes on pages 32 to 50 form part of these financial statements.

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

1. General information

Institute of Art - London Limited is a private company limited by shares incorporated in England and Wales. The registered office is 30 Bedford Square, London, WC1B 3EE and the company's registered number is 03087911.

2. Accounting policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), is set out below:

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, the Higher Education SORP 2014, Regulation advice 9: Accounts Direction as issued by the Office for Students and the Companies Act 2006.

2.2 Going concern

The Institute incurred a loss of £953,173 (2021:£528,374) during the year ended 31 August 2022. As at that date the Institute had net liabilities of £4,361,560 (2021:£3,409,691) and accumulated losses of £5,205,103 (2021:£4,352,003). The accounts have been drawn up on the going concern basis, the validity of which depends upon the implementation of the business plan and the continued support of the company's ultimate parent company, Cambridge Information Group II LLC. In addition to the existing 10 year loan facilities advanced in 2018 by the company's parent, Cambridge Information Group II LLC, the company has also received a further commitment of support from Cambridge Information Group II LLC. Cambridge Information Group II LLC, have confirmed that they will continue to support the company for at least 18 months from the date of approval of the financial statements. The financial statements do not include any adjustments that would result from the withdrawal of this support.

In December 2019, a novel strain of coronavirus was reported in China. This resulted in disruption to the business for the periods 2020 & 2021. Whilst student numbers have seen some recovery during financial year 2022, there was nonetheless an impact on registrations for the September 2021 academic year. With the advent of COVID vaccines & reduction in travel restrictions, it is expected that student numbers will continue to recover.

As an initial response to the disruption, the Institute responded swiftly and adapted its focus and mode of delivery in light of the Covid-19 pandemic. During the period of travel restriction the Institute developed the capability to provide a blended format of teaching. This helped to minimise the negative impact on the Institute's financial results in year. The Institute further developed its business model by introducing new courses and developing additional income streams. This complemented the existing courses offered and offer opportunity for more even distribution of income throughout the financial year. Registrations for September 2022 are returning to pre- COVID levels and in line with budget the company expects to report positive EBITA for financial year 2023.

The directors have prepared financial forecasts and cash flow forecasts reflecting the revised business model and covering a period of at least two years from the date of the approval of the financial statements and continue to update these forecasts as the situation develops. Management continue to take on board Government advice and proactively incorporate this into the day to day operations of the Institute. The business is being critically reviewed on an on-going basis and management are adjusting business plans in response to changes in the market place & general economy.

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.2 Going concern (continued)

These conditions give rise to material uncertainty and have the potential to cast significant doubt on the company's ability to continue as a going concern. Having considered all of the above the directors are confident that the company can continue to trade as a going concern for the foreseeable future. If the going concern basis was not appropriate, adjustments would have to be made to reduce the value of the assets as current assets.

2.3 Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured. Income is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before income is recognised:

Sale of goods

Income from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of income can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Income from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of income can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.4 Intangible assets

Intangible assets primarily include computer software, accreditations, and trademarks.

In accordance with Section 18 of FRS 102 the company recognises intangible assets when:

- The technical feasibility of completing the intangible asset is possible so that it will be available for use/sale and it is the company's intention to complete the intangible asset and use/sell it
- The company has the ability to use it
- It is probable that the intangible asset will generate future economic benefits
- The company has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The expenditure attributable to the intangible asset during its development can be measured

Intangible assets are recorded at cost and are amortized on a straight-line basis over their respective estimated useful lives; accreditations is amortized over the life of the accreditation; trademarks are amortised over their estimated life of 15 years. Computer software is amortised over their estimated life of 3 years.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Improvements	-	Over the shorter of the estimated useful life and the unexpired portion of the lease
Machinery & Equipment	25%	Straight line
Computer Hardware	25%	Straight line
Fixtures and fittings	25%	Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Valuation on investments

Fixed asset investments, comprising purchased art works, are stated at cost less provision for diminution in value.

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Inter group loans made at non-market rate of interest are initially recognised at the present value of future payments discounted at a market rate of interest for similar debt. In subsequent periods interest is recognised on such loans in the income statement using the effective interest rate method.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.9 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.12 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 September 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.15 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.17 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

2.18 Judgments in applying accounting policies and key sources of estimation uncertainty

The directors consider the accounting estimates and assumptions below to be its critical accounting estimates and judgments.

Useful lives of Tangible Fixed Assets

Assets comprising primarily of leasehold improvements and fixtures, fittings and equipment represent a significant portion of total assets. The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. The directors regularly review these useful lives and change them if necessary to reflect current conditions. In determining these useful lives consider technological change, patterns of consumption, physical condition and expected economic utilisation of the assets. Changes in the useful lives can have a significant impact on the depreciation and amortisation charge for the financial year.

Going concern

The directors have prepared budgets and cash flows for a period of at least twelve months from the date of the approval of the financial statements. Management continue to monitor the situation as it develops and are being proactive in how they are dealing with these unprecedented circumstances by making changes to its operations. The business is being critically reviewed on an ongoing basis and management are availing of all Governments supports to ensure the business can continue to operate. In addition, the company's ultimate parent company, Cambridge Information Group II LLC, have confirmed that they will continue to support the company for at least 18 months from the date of approval of the financial statements. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise if the company was unable to continue as a going concern.

INSTITUTE OF ART - LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

3. Income from trading activities

	2022 £	2021 £
Programme fees (net of discounts)	6,287,281	4,839,759
Student travel fee	434,595	-
	<u>6,721,876</u>	<u>4,839,759</u>

All turnover arose within the United Kingdom.

4. Other income sources

	2022 £	2021 £
Café income	2,315	-
Other income sources	186,419	65,513
OFS teaching grants	12,153	30,991
Covid support received	244,720	-
	<u>445,607</u>	<u>96,504</u>

5. Investment income

	2022 £	2021 £
Interest income	<u>7,983</u>	<u>290</u>

6. Direct costs

	2022 £	2021 £
Educational costs	1,284,831	534,346
Wages and salaries	1,340,754	1,065,517
National insurance	151,944	122,737
CoS other benefits – including pension costs relating to a defined contribution scheme	71,211	139,232
Health Insurance	13,010	11,484
Café expenses	6,629	9,782
	<u>2,868,379</u>	<u>1,883,098</u>

INSTITUTE OF ART - LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

7. Support Costs

	2022	2021
	£	£
Wages and salaries	789,288	714,408
Social security costs	89,525	76,418
Other benefits – including pension costs relating to a defined contribution scheme	43,370	42,273
Royalties	454,557	343,204
Entertainment	87,260	5,486
Postage and telephone	3,665	697
Computer costs	470,072	564,345
Printing and stationery	13,910	3,370
Advertising and promotion	740,346	597,114
Trade subscriptions	54,491	45,284
Legal and professional	180,031	164,112
Accountancy fees	12,500	11,500
Equipment hire	27,406	23,873
Bank charges	28,310	27,715
Difference on foreign exchange	418,704	(57,284)
Sundry expenses	5,962	4,560
Rent - operating leases	591,307	587,656
Rates	251,623	244,720
Light and heat	32,215	21,730
Cleaning	54,804	13,075
Health insurance	2,862	389
Insurances	17,972	10,147
Repairs and maintenance	40,745	36,861
Charge VAT for the year	274,937	308,174
Provision/ (Reversal) Doubtful Debt Provision	25,800	(1,389)
Allowance for over depreciation in previous years	-	(76,902)
Depreciation	61,124	57,491
Amortisation - intangible fixed assets	14,841	14,841
Temporary staff	19,660	-
Staff recruitment costs	22,343	14,788
Student recruitment, admissions and alumni costs	249,345	230,856
Books, periodicals, reference materials	81,020	96,556
	<u>5,159,995</u>	<u>4,126,068</u>

8. Interest expense

	2022	2021
	£	£
Interest payable on present value of liability	100,073	98,655
Interest payable	192	3,035
	<u>100,265</u>	<u>101,690</u>

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022

9. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2022	2021
	£	£
Exchange differences	418,704	(57,284)
Depreciation charged on tangible fixed asset	61,124	(19,411)
Amortisation charged on intangible fixed asset	14,841	14,841
Other operating lease rentals	<u>591,307</u>	<u>587,656</u>

10. Auditors' remuneration

	2022	2021
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>12,500</u>	<u>11,500</u>

11. Employees

Staff costs were as follows:

	2022	2021
	£	£
Wages and salaries	2,130,042	1,779,925
Social security costs	241,469	199,155
Cost of defined contribution pension scheme	114,581	181,505
	<u>2,486,092</u>	<u>2,160,585</u>

Included within staff costs are the below costs:

	2022	2021
	£	£
Redundancy payments	-	-
Severance payments	-	-
Compensation for loss of office	23,000	-
	<u>23,000</u>	<u>-</u>

The current year amounts were paid to one individual (2021: Nil Individuals).

INSTITUTE OF ART - LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

11. Employees (continued)

	2022	2021
	No.	No.
Direct employees	46	37
Support employees	25	26
	<u>71</u>	<u>63</u>

The following number of employees earned in excess of £100,000 per annum:

	2022	2021
	No.	No.
Earnings between £100,000- £119,999	-	-
Earnings between £120,000-£124,999	1	1
Earnings between £130,000- £149,999	-	-
Earnings between £150,000- £154,999	-	-
Earnings between £155,000- £159,999	-	-
	Head of	Head of
	Provider	Provider
	2022	2021
	£	£
Basic Salary	123,000	120,000
Payment of dividends	-	-
Performance related pay/bonuses	-	-
Pension Contributions	7,380	7,200
Salary sacrifice arrangements	-	-
Compensation for loss of office	-	-
Any sums paid under any pension scheme in relation to employment with the provider	-	-
Other taxable benefits	2,839	2,650
Non-taxable benefits	-	-
Other remuneration	-	-
	<u>133,219</u>	<u>129,850</u>

Justification for pay level:

For over 50 years Sotheby's Institute has been devoted to the study of art and its markets with programmes in London, New York City, and Online delivering a wide range of undergraduate, post graduate and professional courses. The Director has primary responsibility for the success and long-term sustainability of the activities for the London campus, he also leads the Institute's relationships with the University of Manchester and Office for Students. Taken as a whole, these responsibilities represent a role for which the remuneration package is more than justified. The remuneration package of the Director is reviewed annually by the Remuneration Committee, with consideration to performance, relevant market and other contextual information, such as the financial position of the Institute, any pay awards relating to the Higher Education sector and relevant market pay data. The Director's yearly objectives are agreed with his line manager during the performance review process which are also signed off by the Remuneration Committee.

The head of provider's basic salary is 2.9 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

INSTITUTE OF ART - LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

The head of provider's total remuneration is 2.8 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration paid by the provider to its staff.

12. Intangible assets

	Accreditations £	Computer software £	Total £
Cost			
At 1 September 2021	148,293	99,855	248,148
At 31 August 2022	<u>148,293</u>	<u>99,855</u>	<u>248,148</u>
Amortisation			
At 1 September 2021	44,395	99,855	144,250
Charge for the year	14,841	-	14,841
At 31 August 2022	<u>59,236</u>	<u>99,855</u>	<u>159,091</u>
Net book value			
At 31 August 2021	<u>103,898</u>	-	<u>103,898</u>
At 31 August 2022	<u>89,057</u>	-	<u>89,057</u>

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022

13. Tangible fixed assets

	Leasehold Improve- ments	Machinery & Equipment	Furniture & Fixtures £	Computer Hardware £	Total £
Cost or valuation					
At 1 September 2021	1,011,915	506,027	122,281	389,614	2,029,837
Additions	-	-	2,449	58,567	61,016
Disposals	-	-	-	(46,265)	(46,265)
At 31 August 2022	1,011,915	506,027	124,730	401,916	2,044,588
Depreciation					
At 1 September 2021	745,449	496,703	119,886	334,185	1,696,223
Charge for the year on owned assets	20,706	4,296	1,864	34,258	61,124
Disposals	-	-	-	(43,679)	(43,679)
At 31 August 2022	766,155	500,999	121,750	324,764	1,713,668
Net book value					
At 31 August 2021	<u>266,466</u>	<u>9,324</u>	<u>2,395</u>	<u>55,429</u>	<u>333,614</u>
At 31 August 2022	<u>245,760</u>	<u>5,028</u>	<u>2,980</u>	<u>77,152</u>	<u>330,920</u>

INSTITUTE OF ART - LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

14. Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 September 2021	85,087
	<hr/>
At 31 August 2022	85,087
	<hr/>
Net book value	
At 31 August 2021	85,087
	<hr/>
At 31 August 2022	85,087
	<hr/>

15. Debtors

	2022 £	2021 £
Trade debtors	423,894	349,362
Other debtors	944,093	501,543
	<hr/>	<hr/>
	1,367,987	850,905
	<hr/>	<hr/>

16. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank Overdraft	1,499	5,848
Trade creditors	613,133	704,804
Amounts owed to group undertakings	962,189	1,217,263
Other taxation and social security	251,225	239,384
Accruals	1,047,764	546,651
Deferred revenue	4,285,539	2,921,813
	<hr/>	<hr/>
	7,161,349	5,635,763
	<hr/>	<hr/>

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022

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

	2022 £	2021 £
Amounts owed to group undertakings	<u>2,406,545</u>	<u>2,431,252</u>

18. Financial instruments

	2022 £	2021 £
Financial assets		
Financial assets measured at amortised cost	<u>4,701,240</u>	<u>4,134,725</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>9,316,669</u>	<u>7,827,631</u>

Financial assets measured at amortised costs comprise of bank and cash, trade debtors, prepayments and other debtors.

Financial liabilities measured at amortised cost comprise of bank overdraft, trade creditors, accruals, deferred revenue and amounts owed to group undertakings.

INSTITUTE OF ART - LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

19. Provisions for liabilities

A provision of £645,929 was recognised in 2020 respect of a potential liability for backdated VAT from August 2020 to date on an ongoing claim with HMRC with regard to the Institute's VAT exemption status. In June 2021, HMRC advised SIA-L that the weight of evidence provided by SIA-L allowed them to conclude that SIA-L was indeed an eligible body and therefore VAT exempt for all periods both before and after the August 2019 change in legislation. The provision included in the 2020 year end accounts was reversed in the 2021 year end accounts.

20. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
310,000 (2021 - 310,000) Ordinary shares of £1.00 each	<u>310,000</u>	<u>310,000</u>

21. Statement of funds

	Brought forward £	Income £	Expenditure £	Transfer s in/out £	Gains/ (losses) £	Balance at 31 August 2022 £
Unrestricted Funds						
General Funds	(4,352,003)	7,175,466	(8,128,639)	100,073	-	(5,205,103)
Other reserves	632,312	-	-	(98,769)	-	533,543
	<u>(3,719,691)</u>	7,175,466	(8,128,639)	1,304	-	(4,671,560)

Statement of funds- prior year

	Brought forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (losses) £	Balance at 31 August 2021 £
Unrestricted funds						
General Funds	(3,922,284)	4,905,562	(5,433,936)	(98,655)	-	(4,352,003)
Other Reserves	734,573	-	-	(102,261)	-	632,312
	<u>(3,187,711)</u>	4,905,562	(5,433,936)	(3,606)	-	(3,719,691)

Other reserves:

Other reserves of £533,543 (2021: £ 632,312) arose when calculating the present value of future payments discounted at the estimated equivalent market rate of 4%.

INSTITUTE OF ART - LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

22. Reconciliation of net movement in funds to net cash flow from operating activities

	2022 £	2021 £
Net income/(expenditure) for the financial year (as per the Statement of Financial Activities)	(953,173)	(528,374)
Adjustments for:		
Amortisation of intangible assets	14,841	14,841
Depreciation of tangible assets	61,124	(19,411)
Interest received	(7,983)	(290)
Decrease/(increase) in debtors	(517,082)	(239,254)
Increase/(decrease) in creditors & provisions	1,785,009	1,376,254
Increase in amounts owed to groups	(278,477)	(36,232)
Net cash (used)/generated from operating activities	104,259	567,534

23. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	3,333,283	3,283,820
Less: bank overdraft	(1,499)	(5,848)
	<u>3,331,784</u>	<u>3,277,972</u>

24. Pension commitments

The company operates a defined contribution pension scheme and the assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

INSTITUTE OF ART - LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022

25. Commitments under operating leases

At 31 August 2022 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2022 £	2021 £
Within one year	600,000	600,000
Between two and five years	2,400,000	2,400,000
Greater than five years	4,625,000	5,225,000
	<u>7,625,000</u>	<u>8,225,000</u>

The rent paid in the accounts takes account of the rent-free period at the start of the lease. The current lease will expire in May 2035.

26. Related party transactions

During the year the company received funding from fellow group companies, the balance due to each company at the end of the financial year was as follows:

	2022 £	2021 £
Cambridge Education Group	581	-
Institute of Art – New York	455,129	543,185
IOA Holdings LLC	2,500,000	2,500,000
Brand Ed Holdings LLC	1,165,390	1,232,236
CFLI London Ltd	(223,147)	-
	<u>3,897,953</u>	<u>4,275,422</u>

All amounts were provided on an interest free basis. The above amounts are stated before adjustment for present value for future payments discounted at the estimated equivalent market rate of 4% (if applicable).

27. Controlling party

The immediate parent undertaking is Institute of Art Holdings LLC, a company registered in the State of Delaware, USA. Institute of Art Holdings LLC is the parent undertaking of the largest and smallest group that consolidate these financial statements. The registered address of Institute of Art Holdings LLC is 251 Little Falls Drive Wilmington, Delaware, 19808, USA.

INSTITUTE OF ART - LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

28. Post balance sheet events

There were no significant events at year end.












Institute of Arts - Final Accounts 2022

Final Audit Report

2022-12-15

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